

FILM INCENTIVES TO BE EXTENDED

BY WILL FRENCH GUEST COLUMNIST

With the global economic meltdown in full swing and an ever-increasing state budget deficit, what Governor Bobby Jindal would propose to do with respect to the Louisiana Motion Picture Investor Tax Credit program had been the subject of speculation and debate for the last several months.



Governor Bobby Jindal

Recently, in anticipation of the upcoming legislative session and despite announcing cuts to both healthcare and higher education, the governor put an end to the rumors and came out publicly in support of not just a continuation of the program, but an extension of it.

Louisiana has one of the oldest and most well regarded tax incen-

tives in the country. The original program was instituted in 2002, at a time when only one or two other states had any type of film incentive, and has evolved into a system that provides tax credits to producers in amounts ranging between 25 and 35 percent of their in-state spending. But the program was set to phase down starting in 2010. The phase down, or “sunset,” provisions were included in the enacting legislation because at the time of its passage the need for such a program over the long term wasn’t fully understood. It is now, however.

Over the last 24 months, other states have gotten into the game—using Louisiana’s program as a model—fueled primarily by the need for high-paying jobs at a time of growing unemployment around the country.

For instance, over the summer Michigan (a state plagued by auto industry layoffs) enacted a film incentive that gives producers up to

42 percent of their local spending back in tax credits. Alaska then passed an incentive that reaches 44 percent, and Iowa put in place a system that, by combining two separate programs, can net a producer back 50 percent of his local spending in the form of tax incentives. Today, no less than 40 states boast a motion picture tax incentive of some sort.

Citing the increase in competition, Governor Jindal recently announced, “Extending these existing tax incentives is vital to keeping our economy growing. We know that states all around us already have many of these incentives on the books—and those who don’t are quickly catching up. As states look for other ways to grow their economies and support their existing businesses and industries in an effort to create more jobs, it’s critical for us to remain competitive.”

The administration’s plan is to push the Legislature to extend the

program for another two years without a phase down. “Extending these tax incentives is one more solid step toward making Louisiana the best place in the world to raise a family, to get a great education, and to pursue a rewarding career,” explained Jindal.

In making his economic argument, Jindal cited the results of a recent study of the Louisiana film incentives performed by Economics Research Associates. That study shows that annual film investment in Louisiana is approximately \$430 million, which produces an economic impact of more than \$750 million for the state.

At a time when unemployment rates are rising across the country, the Federal Bureau of Labor Statistics announced this month that Louisiana is the only state in the nation that saw a decrease in its unemployment rate from December to January, clearly to some extent a result of the 6,200 jobs that

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Louisiana's film industry supports annually.

"Economic competition for this industry is ongoing—and we need to make sure Louisiana keeps its competitive edge," stated Jindal.

"We are very pleased with the Governor's recent announcement to continue supporting Louisiana's innovative entertainment incentive programs, particularly during

such a challenging economic time for our state," said Sherri McConnell, executive director of the Louisiana Department of Entertainment Industry Development. "Entertainment business development brings new jobs and new investment into Louisiana. These incentives are



Sherri McConnell

critical to continue growing these emerging industries."

As with any legislative endeavor, you never really know what you're going to get until a bill passes both houses and is signed by the governor. Surely, there will be a push to increase the tax credit rate to approximate what is being offered by other states. While the reliability of Louisiana's incentive, along with the crew base and physical infrastructure that has been built over the last few years, will allow the state to maintain a healthy share of the film market, it's important to remember that Hollywood tends to go where they get the most bang for their buck, so a moderate and reasonable rate increase seems both logical and likely at this point in time.

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