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CREDITS ROLL

State's incentives give tax stories a happy ending

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If a credit line were attached to the cornerstone of the proposed movie studio in Algiers, it might read: "Thanks to the Louisiana movie tax credit program of 2005."

Gov. Kathleen Blanco and Lt. Gov. Mitch Landrieu on Tuesday joined developers and other film industry supporters to announce plans to build a movie studio with five stages, office space and a back lot designed to look like the French Quarter.

Developers said the changes in the movie tax credit program passed this year prompted them to bring their project to New Orleans.

"I don't think my deal would have happened without the infrastructure tax credits," said Al Salzer, president of Crescent City Pictures Inc., who is working with Sunset Gower Studios, owner of the former Columbia Studios in Los Angeles, to build the studio. It will be on a parcel of land in the Algiers area owned by the Blaine Kern family of Mardi Gras World fame.

The latest round of incentives, passed about a month ago, could work well for small-budget pictures and television series, and movies in particular, Salzer said.

Under the new rules, developers of an infrastructure project such as a movie studio, once approved by the state Office of Film and Television Development and the Department of Economic Development, can get a 15 percent tax credit on their entire investment. In effect, taxpayers give the developers cash equal to as much as 15 percent of their costs.

For example, if an infrastructure project is estimated to cost \$67 million, investors could get a tax credit of 15 percent or about \$10 million.

The tax credits allow the studio's builders to reduce or eliminate their state taxes, but if they don't owe any Louisiana tax and can't use the credits, they can sell their credits to individuals or companies in Louisiana that can use them. However, if they sell the credits, they sell at a discount and won't get the full 15 percent.

The state's tax credits for moviemakers, which were passed by the Legislature in 2002, have returned 12 percent to 15 percent to the producers, said Salzer, the New Orleans-based producer. "That's a substantial return," he said.

"The goal is to build an industry and have permanent jobs and have this sustain itself," said George Brower, who has brokered movie tax credits for producers. "We have done nothing if all we did was give out tax credits (only to producers) for a little time and didn't build an infrastructure and an industry."

In addition to the infrastructure project tax credit, the Legislature passed other amendments to the movie industry tax credit program to encourage the industry's development. The changes make it sweeter for film producers working in Louisiana but at the same time link the rewards for keeping as much work as possible in the state. That's critical for capturing some of the behind-the-scenes and post-production jobs that start once the more visible work of filming ends.

The new rules, which take effect Jan. 1, increase the amount of the tax credit for movie producers from 15 percent to 25 percent. But the break is applied only to the amount greater than \$300,000 that producers spend in Louisiana. That corrects an earlier shortcoming in which producers got money for work they did out of state.

Moviemakers also can get a tax credit for 10 percent of the payroll for workers who live in Louisiana, which encourages people in the industry to move here and encourages locals to go into the movie business.

The updated tax credit program eliminates the state sales tax exemption for purchases movie producers make in the state.

The Legislature added a tax credit for producers of digital interactive media, such as video games, giving them 10 percent to 20 percent of their investment in tax credits over six years. A music tax credit gives producers a break on movie sound recording done in the state. Investors get a 10 percent to 20 percent tax break for investments of \$15,000 to \$1 million.

Already the tax incentives have helped establish Louisiana as a viable movie production venue. Last year the state was ranked No. 4 in the amount of money spent on movie production, according to a major industry poll.

"Louisiana has come from out of nowhere to take a top-five finish in terms of the amount of production," said Alex Schott, director of the Louisiana Governor's Office of Film and Television Development. "That's a testament to the incentives and the satisfaction producers are getting here."

Lenny Alsfeld, chief executive of the First Trust subsidiary FBT Investments, which finances movies and brokers the tax credits, said movie producers can use the tax credits as collateral for other loans to put together enough money for a deal.

And they're willing to come here because Louisiana is starting to build a team of strong, reliable film crews that directors can turn to, he said.

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