



Everything New Orleans

The Times-Picayune

La. film incentives among most generous

Producers take notice, advantage of breaks

Sunday, February 27, 2005

By Stewart Yerton
Business writer

When Lions Gate Entertainment relocated its television movie "Infidelity" from Toronto to New Orleans in early 2004, the producer offered a startling explanation: Louisiana's incentive program was so generous that it was cheaper to make movies here than in Canada, which had long been the location of choice for Lions Gate and other producers seeking an inexpensive alternative to the United States.

Lions Gate was among the first big players to recognize the benefits of Louisiana's program, but many more companies have seen the light since then: 2004 proved a banner year for Louisiana film projects, with combined budgets exceeding \$337 million.

Even as other states adopt incentive programs to lure moviemakers, Louisiana's program remains one of the most generous.

"It's gotten tremendous notice in Hollywood," said Vans Stevenson, executive vice president for industry affairs with the Motion Picture Association of America. "And that's been evidenced by the movies it's attracting."

One provision that makes Louisiana's program so popular is its policy on tax credits. Louisiana taxpayers, in effect, give movie producers 15 percent of the cost of producing their movies -- including hotel bills, taxi rides and restaurant tabs, as well as salaries of local production workers.

That's because producers receive tax credits of up to 15 percent based on local payroll, and another 15 percent credit on total spending, which includes all expenses. Actually, producers end up getting less than the 15 percent because they sell those tax credits at a discount to get cash for them.

Producers don't pay state sales taxes on goods and services bought in Louisiana, including items such as lumber, paint and fabric used in a production.

The competition

New Mexico is another contender for the title of most-generous state to moviemakers. Like Louisiana, it grants breaks on sales taxes on all production costs -- including set construction, wardrobe, equipment rental and production services -- as well as a 15 percent tax credit on production expenditures, including above-the-line expenses.

Unlike Louisiana's system, which relies on middlemen to broker credits, New Mexico's tax credits are refundable. That means producers end up keeping more of the money granted by the state

because there are no broker fees; furthermore, the producers can cash in the credits for their face value. In Louisiana, by contrast, producers must pay brokerage fees and sell the credits for less than their face value.

"The difference is, we cut you a check," said Rorie Hanrahan, a spokeswoman for the New Mexico Department of Economic Development.

Finally, New Mexico offers no-interest loans of as much as \$7.5 million per project for producers; the money can cover 100 percent of a film's budget.

Still, New Mexico's program is not as aggressive as Louisiana's in some ways. For example, producers must choose whether to take advantage of the sales tax break or the tax credit; in Louisiana, they get both. Moreover, Louisiana offers the additional tax credit applied to Louisiana payroll, which New Mexico doesn't.

Another contender is Hawaii. The Aloha State offers a refundable tax credit worth 4 percent of all production expenses incurred while filming in Hawaii, plus a 7.25 percent rebate for hotel taxes.

All of that would make its program less generous than Louisiana's. However, Hawaii sweetens the pot by adding an extraordinary 100 percent investor credit paid out over five years. So, the backer of a movie with a \$10 million budget could get \$2 million a year for five years in the form of tax credits. That provision has come under fire from policy-makers, and it is not clear whether it will survive the current legislative session.

According to news reports, one major production, the big-budget ABC television series "Lost," has threatened to pull out of Hawaii unless the state can enhance what it is now offering.

Hawaii's film commissioner, Donne Dawson, did not return calls requesting clarification of the program.

Business decisions

Other states are offering much less.

Consider New York's recently adopted and much-ballyhooed incentive program. Like Louisiana, New York offers a sales tax break for goods and services used during a production. Also like Louisiana, New York offers a tax credit for money spent on a production in the state. But the 10 percent credit applies only to below-the-line expenses. Unlike Louisiana's program, the New York state tax credits are capped at \$25 million per year, which limits the state's exposure. New York City offers a similar credit of as much as 5 percent; the city's program is capped at \$5 million per year.

Vancouver, British Columbia, has built a motion picture business based on tax credits. But they, too, pale in comparison to Louisiana's. For foreign producers, British Columbia offers a tax credits of 18 percent applied only to labor from the province. But producers still must pay sales taxes.

British Columbia officials view the incentive as something it can afford indefinitely because the province, according to popular wisdom, makes up in sales tax revenue what it gives up in labor credits. Policymakers refer to such incentive policies as being "revenue neutral."

In the past 30 years, Vancouver has built a huge infrastructure based on such modest incentives. The city has more than two dozen sound stages and enough trained local crews to do 30 projects at a time.

But recently, incentive programs in Louisiana and other states have hammered Vancouver's

business, said Peter Leitch, chairman of the Motion Picture Production Industry Association of British Columbia.

"We've got a lot of training facilities that are turning people out, and there are no jobs for them," said Leitch, who also is president of Lions Gate Studios, which owns 10 sound stages containing 145,000 square feet of production space in Vancouver.

Nonetheless, Leitch said, it doesn't make sense for the province to offer incentives that end up costing it more in tax revenue than the activity generates in new taxes.

"I think from a business standpoint you want to put incentives in place that can be sustained for the long run," Leitch said. "At the end of the day, we realize it's a bit of a false economy if it's not revenue positive, or at least revenue neutral."

.....

Stewart Yerton can be reached at syerton@timespicayune.com or (504) 826-3495.