

## AFMC Presidents Report – January 2011

As most of you know Arizona no longer has a program to attract productions to the state. The old tax incentive law expired at midnight on December 31, 2010.

The Arizona Film and Media Coalition working with the APA and other industry stakeholders, has drafted a new motion picture production tax credit bill. That bill is SB-1159. I encourage everyone to go online to the Arizona Legislatures website, enter SB1159 in the box on the upper right of the page and read the bill.

This legislation is a complete rebuild of the old program. It eliminates all remnants' of the old law completely. In it's place we have crafted a new bill that takes the best of the old law, eliminate the problems it had and generate real incentives for investment in the Arizona film industry.

A few of the highlights of SB-1159 are:

It replaces the expired MOPIC tax credits and Infrastructure tax credit with a completely new simpler and more modest tax incentive program.

Repeals the transferrable credit structure with one that gives a refundable credit based wholly on expenditures made for money spent in Arizona for Arizona goods and services.

Repeals the Transaction Privilege Tax exemption that was given to motion picture companies for certain products and services and created a major bookkeeping headache for everyone since not all items were exempt and no city or county tax were exempted.

Makes the application process simpler and easier for everyone. It shortens the time for approval and speeds up the actual issuing of the check for the tax credit to no more than ninety days.

It removes the requirement that a certain percentage of cast and crew be Arizonians. That requirement scared a large number of out of state producers away since there was no guarantee that enough Arizonans could be found to do their jobs.

Instead, it incentivizes local hires by giving credits only for the amount actually paid to Arizonans. There is no benefit or advantage to bringing people in to do the job. Doing so will only reduce the amount of money the Producers will get back.

It will shorten the time the productions have to wait for their money significantly by requiring the productions to file an audited accounting of QPE's (qualified production expense). This means that the Department of Revenue will no longer have to go through each submission line by line. Consequently we have written into the law a requirement that a productions credit must be given out no more than 90 days after submission.

It encourages the building of facilities in Arizona by offering a 5% increase in benefits to those productions that use production facilities that have made the significant investment necessary to build those facilities.

It encourages locally based productions (financed and shot here) done by Arizona based producers by eliminating a 5% tax credit given for out of state purchases.

There are many more changes and lots of nuances in SB-1159. All in all it is a very good piece that will improve the lives of a huge number of Arizonans who currently make a living from the industry and supporting businesses. From the cast and crew of productions, insurance agents, lawyers, bankers, hotels, food service workers, airline and travel employees, law enforcement and security people, city and county workers and public servants all the way down to the janitorial and sanitation industry who clean up after the job wraps will feel the positive economic impact of this legislation.

AFMC has done its part in this, now it is up to you. The only way we can get past the people who think this is just a special interest piece aimed at giving "Fat Cat" Hollywood millionaires more money from Arizona coffers is to prove to them that it is in fact just the opposite. This is a jobs bill. One that creates an ongoing economic engine, which will feed multiple industries, and (more importantly) improve the lives of Arizona residents, SB-1159 will help re-build the industry here, bring new business into state and create many new jobs. It is a far cry from a handout to a special interest.

I'm asking you to step up and be counted. Find out who your State Senator and Representatives are. It's a simple procedure just go to the same site where you download the bill and click on find my district. Enter your address, and there are the names. Sit down and write them a hand written letter. Tell them who you are and that you are a constituent who lives in their district. Tell them you make your living from the production industry and that this bill is important to you and will bring back people you know who have had to leave the state to find work that once existed here, and ask them directly for their support of SB1159. Personal hand-written letters are rarely ignored and have a huge effect on the legislator, a far greater effect than any e-mail or phone call. Your help pushed this over the last time out. We need your support again.

Please!

Thank you for your time to read this message.

Mike Kucharo  
AFMC President