THE PRINCE GEORGE'S COUNTY GOVERNMENT

OFFICE OF THE COUNTY EXECUTIVE

BILL:	**SB 452 - Income Tax - Film Production Activity Tax Credit - Alterations**
SPONSOR:	**Senators Griffith, *et al.***
HEARING DATE:	**March 30, 2023**
COMMITTEE:	**Ways and Means**
CONTACT:	**Intergovernmental Affairs Office, 301-780-8411**
POSITION:	**SUPPORT**

The Office of the Prince George's County Executive **SUPPORTS SB 452 - Income Tax - Film Production Activity Tax Credit - Alterations** which alters the film production activity tax credit by (1) expanding eligible film production activities; (2) expanding eligible costs; (3) increasing the amount of eligible costs that qualify; and (4) increasing the annual amount of credits the Department of Commerce may award to $25 million from fiscal 2025 through 2028. The bill also establishes the Maryland Entertainment Council to assess Maryland's existing assets, opportunities, and competitive position with the film, television, and entertainment industry, study specified related topics, and make related recommendations.

Prince George's County has a growing and vibrant film community through various initiatives, including the Prince George's Film Office Film Grant Program, which awards up to $45,000 per production/project to support filmmakers and digital visual creatives in telling their stories and support a variety of production projects. Increasing the amount of credits that can be awarded for film productions will help these local efforts to support the County's film community. It will also allow Maryland to compete in attracting and retaining productions to grow its film industry, and to benefit from the numerous economic and ancillary benefits of film and television production.

For the reasons stated above, the Office of the Prince George's County Executive **SUPPORTS Senate Bill 452** and asks for a **FAVORABLE** report.

House Side - SB 452 - Income Tax - Film Production
Uploaded by: Donna Edwards
Position: FAV

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SB 452 - Income Tax - Film Production Activity Tax Credit - Alterations
House Ways and Means Committee
March 30, 2023

SUPPORT

Donna S. Edwards
President
Maryland State and DC AFL-CIO

Chairman and members of the Committee, thank you for the opportunity to submit testimony in support of SB 452. My name is Donna S. Edwards, and I am the President of the Maryland State and District of Columbia AFL-CIO. On behalf of Maryland's 300,000 union members, I offer the following comments.

Following the passage of the Maryland Film Employment Act of 2011, our State saw a dramatic increase in film activity which led to growth in our economy, the employment of thousands of skilled workers, and an economic boon to thousands of small businesses in Maryland. According to the Maryland Department of Commerce, since 2012, direct, qualified spending related to Maryland film production has been used to patronize 14,311 businesses. This business tax credit is the most stringent one that Maryland offers, ensuring that the dollars we invest go toward creating good, family sustaining careers for those employed in the film industry in our State. Not a single dollar of the credit is approved until a thorough audit has been completed.

To maintain our competitive edge, and to retain and cultivate a lucrative and growing industry in Maryland, it is imperative to continue to provide the existing tax credits to film production projects in our State and to increase them. SB 452 installs the film industry as part of Maryland's permanent economic engines by increasing the credit to $25 million this year, and $50 million for each year after – and the winners are small businesses, family-sustaining careers, and local and state economies. Maryland consistently produces hit television shows and movies like "Veep" and "House of Cards." Stars like Julia Roberts, Tom Hanks, Meryl Streep, Owen Wilson, and Vince Vaughn all have worked in our state.

SB 452 has a wide coalition of supporters, including labor unions, casting companies, art schools, furniture vendors, and other small businesses from around the state that benefited from Maryland's film industry. This positive impact on small businesses is reflected in SB 452's Fiscal and Policy Note. Increasing this tax credit is critical to ensuring a solid business climate – one that ensures continued investment by the film industry in Maryland to create good jobs and grow our economy, and for these reasons, we urge a favorable report on SB 452.

SB0452
Uploaded by: Senator Melony G Griffith
Position: FAV

MELONY G. GRIFFITH
Legislative District 25
Prince George's County

Chair
Finance Committee

Executive Nominations Committee
Rules Committee
Legislative Policy Committee

THE SENATE OF MARYLAND
ANNAPOLIS, MARYLAND 21401

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Testimony of Senator Melony G. Griffith in Support of Senate Bill 452
Income Tax -Film Production Activity Tax Credit
Ways and Means Committee
Thursday, March 30, 2023

Chair Atterbeary, Vice Chair Wilkins, and Members of the House Ways and Means Committee, I am pleased to present Senate Bill 452.

SB452 seeks to modernize Maryland's Film and Television Tax credit program to meet the changing media landscape by expanding eligibility for the State income tax credit to include documentaries and talk, reality, and game shows; altering the definition of "total direct costs" to include compensation for certain individuals; increases the percentages of total direct costs that qualify for the tax credit, and alters the aggregate amount of tax credit certificates that the Secretary of Commerce may issue each fiscal year.

Background: Beginning in 2008, over 40 states began offering tax credits and other incentive-based programs in an effort to attract film and television productions. The film industry in Maryland has been unable to keep pace with other states who offer competitive production incentives, namely Georgia and New Jersey. As a result, Maryland has lost revenue and jobs to other states. SB452 would enable Maryland to compete with other states as well as keep our talented filmmakers, producers, writers, and workers here in Maryland.

Senate Bill 452 will:

- Increase the guaranteed budgeted tax credit amount to $50M annually
- Include producer and writer fees in the list of allowable tax credits
- Include documentaries, talk shows, reality shows, and game shows as allowable uses
- Increase top percentages of the total direct costs that qualify for the tax credit.

Thank you for the opportunity to present Senate Bill 452. I respectfully request a favorable report.

SB 452 - Support - House W&M.pdf
Uploaded by: David O'Ferrall
Position: FWA

INTERNATIONAL ALLIANCE OF THEATRICAL STAGE EMPLOYEES, MOVING PICTURE TECHNICIANS, ARTIST AND ALLIED CRAFTS OF THE UNITED STATES, ITS TERRITORIES AND CANADA

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Business Agent

March 30, 2023
House Ways and Means Committee
SB 452 - Income Tax - Film Production Activity Credit - Alterations

SUPPORT WITH AMENDMENT

Senate Bill 452 will bring hundreds of well-paying jobs as well as help create new opportunities for those who wish to begin their career in the Film and Television industry here in the State of Maryland.

Currently, in the Bill the first year is funded at the previous cap of $12 million for FY24 meaning there is not enough in the program to bring multiple jobs here. **We respectfully ask that you increase the first year amount to between $15 million and $20 million to bring multiple productions to MD.** With the expanded definition of what type of work qualifies under the Bill, it will deplete the current amount which could preclude larger productions from considering Maryland as a destination. The subsequent years at $25 million along with the creation of the Entertainment Council we fully support.

As we have made you aware, many productions chose to go to States with more robust production incentives. When Film or Television production is here thousands of Marylanders are working, earning, and spending money in their communities and receiving health and retirement benefits for their families. Without the funding increase, hundreds of jobs will be lost to States like Virginia, Pennsylvania, New York, Georgia, and elsewhere. Several Legislatures are actively working to increase the incentives they already have to bring additional work to their State.

A production can create upwards of 500 jobs for crew and innumerable opportunities for hundreds of local actors. A single production can mean over $8 million in total wages paid to Maryland residents and over $2 million in health and retirement benefits, an amount that only includes Motion Picture Technicians; this does not include Actors, production staff, or Teamsters so the overall impact is significant.

We ask you to support the working men, women, and kin of Maryland who rely upon the Motion Picture and Television industry for making a living for themselves and their families. **This is about job creation and job retention. This is about health and retirement benefits for adults and children.**

NOT A SINGLE DOLLAR GOES OUT UNTIL A THOROUGH AUDIT OF ALL QUALIFIED MARYLAND EXPENDITURES HAS BEEN COMPLETED BY THE DEPARTMENT OF COMMERCE.

Senate Bill 452 will allow this industry to grow and create good jobs here in Maryland and we ask that you SUPPORT the Bill with amendments and give it a FAVORABLE REPORT.

SB 452_Film_Support_House.pdf
Uploaded by: Kevin Anderson
Position: FWA

Maryland
DEPARTMENT OF COMMERCE

Wes Moore | Governor
Aruna Miller | Lt. Governor
Kevin A. Anderson | Secretary of Commerce
Signe Pringle | Deputy Secretary of Commerce

DATE:	March 30, 2023
BILL NO:	Senate Bill 452
BILL TITLE:	Income Tax - Film Production Activity Tax Credit - Alterations
COMMITTEE:	House Ways and Means
POSITION:	Support with Amendment

The Maryland Department of Commerce (Commerce) supports Senate Bill 452 - Income Tax - Film Production Activity Tax Credit – Alterations with amendment.

Background:

Senate Bill 452 increases from $12M to $25M in FY 24 and $50M in FY 25 and each fiscal year thereafter, the amount of tax incentives Commerce can authorize through the Film Production Activity Tax Credit in a year. The bill also expands the eligible costs and types of film productions, as well as increases the percentage of eligible costs that qualify for the tax credit.

Rationale:

Maryland has a long history of film production. We have a strong crew base, a wealth of talent and many support services. We have a variety of locations, and our film office has a strong reputation. With all of the positive reasons to film in Maryland, industry decision makers constantly question why Maryland lags behind other states in establishing a consistent and sufficiently funded incentive program.

Thirty-five states presently offer incentives to attract film production. Maryland ranks 24th in the amount of incentives available per fiscal year. The program has been limited with inconsistent funding levels since its inception, but SB 452 would make Maryland more competitive with programs in other states.

During the last year, Maryland lost at least two television series, one major limited series (with strong historical ties to Maryland), and a feature film because there were not enough tax credits available. All wanted to film here but did not due to the lack of incentives. The above losses are productions that had extensive discussions with the Film Office, over a long period of time, and whose first choice was to film in Maryland. There are dozens of other productions that took Maryland off their list as soon as they were told that incentives were not available. Countless productions do not even consider Maryland because the tax credit program is so limited in funding.

The loss of these productions means that the jobs, the revenue for local businesses, and the millions in economic impact went to states that are actively pursuing the film industry. The competition for securing the benefits of film production is fierce. In our region, Pennsylvania has $100 million per year in film incentives, Ohio has $40 million per year, and New Jersey has $100 million per year. Even Mississippi has $20 million per year. Oklahoma, a state with limited film and television history and very little infrastructure, has $30 million per year. Georgia, Illinois, Connecticut, Massachusetts, and Maine all have uncapped incentive programs. As a result, the Georgia peach logo is constantly seen at the end of television series and blockbuster movies. New Mexico recently raised its annual funding to $100 million per year and as a result, NETFLIX has committed to investing more than $1 billion over the next 10 years on sound stages, infrastructure, and production activity in New Mexico making the state a hub for NETFLIX productions. NBC/Universal just committed to building a soundstage complex and investing $500 million in the state as well. A 2021 study determined that every dollar in tax credits results in $8.40 in economic impact in New Mexico. Additionally, colleges and universities are ramping up their curriculums to meet the job demands of the productions coming to New Mexico.

Since the inception of the Film Production Activity Tax Credit in 2011, the nineteen productions that have qualified for tax credits have had a combined economic impact in Maryland of well over a billion dollars. During its six seasons in Maryland, House of Cards hired more than 2,000 Maryland residents per season and purchased or rented goods and services from more than 2,000 Maryland businesses per season. Each season averaged $118 million in economic impact for the State.

Increasing the cap on the program as directed through SB 452 will allow Maryland to compete in attracting and retaining productions to grow its film industry, and to benefit from the numerous economic and ancillary benefits of film and television production.

Explanation of Amendment:
As currently drafted, Senate Bill 452 includes language which Commerce believes would put the program in violation of the U.S. Constitution. Page 4 lines 10 and 11 add “salaries, wages, or other compensation for writers, directors, and producers domiciled in the State” as eligible expenses for the purposes of the tax credit. It has been the position of the Office of the Attorney General that tax credits issued for employees based on their residence and not place of employment is a violation of the Commerce Clause and the Privileges and Immunities Clause of the U.S. Constitution.

Pending the will of the Committee with regard to these salaries there are a few ways to amend the bill to retain the program’s compliance with the Constitution. One would be to strike lines 10 and 11 and keep those salaries ineligible. Another option would be to strike “domiciled in Maryland” and fully allow those salaries as eligible expenses. A final option would be to strike “domiciled in Maryland” but also add language allowing those salaries solely for the purpose of the Small and Independent Film Entities portion of the program. Commerce is happy to work with the Committee on this language.

Commerce respectfully requests a favorable report with amendment on Senate Bill 452.

SB452-W&M sponsor hearing.pdf
Uploaded by: Rachel Clark
Position: FWA

MARYLAND FILM
MFIC
INDUSTRY COALITION

March 30, 2023

Chair Atterbeary and Members of the
House Ways and Means Committee
6 Bladen Street, Room 131
Annapolis, MD 21401

RE: SB452- SUPPORT WTH AMENDMENTS

Dear Chair Atterbeary and Members of the Ways and Means Committee,

The Maryland Film Industry Coalition supports SB452 and respectfully requests that the bill be amended to provide $25M in FY24.

Providing a consistent amount in upcoming years starting with FY24 will be a start to enhancing an industry that immediately puts money back into the state's coffers, economy and is a job creator. Having a stable, predictable program will allow industry decision makers to plan ahead when considering locations for current and future projects and will let them know that Maryland is serious about growing the industry. Increasing the amount to $25M in FY24 will do that.

When looking at programs around the country, a few examples of annual amounts are- Pennsylvania $100M, New Jersey $100M, New York, $420M (with proposed legislation to increase to $700M), North Carolina $31M, Ohio $40M, Louisiana $180M, New Mexico $110M, Kentucky $75M and uncapped programs in Georgia, Illinois, Maine, Massachusetts, Connecticut and West Virginia.

This increase in FY24 to $25M will jumpstart the program now and further studies will be welcome from the council created within this legislation, of which MFIC requests to be a member of.

Thank you for your consideration, time and for a favorable report with the amended amount.

Sincerely,

Debra Donaldson Dorsey
Maryland Film Industry Coalition

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