Economic and Fiscal Impacts of the Film Production Tax Credit in Maryland

Prepared for
Maryland Film Industry Coalition

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The Regional Economic Studies Institute (RESI) at Towson University has produced two (2) studies that examine the economic and fiscal impacts of Maryland's film tax credit program. The first, in 2014, compared tax credits claimed with tax revenues generated to determine the ROI of the program. In 2016, RESI evaluated the economic and fiscal impacts of the film tax credits over the life of the program.

Film Tax Credits represent an important tool for states to recruit film and TV productions. Numerous states provide these tax credits and production companies in their annual planning track which states provide tax credits and at what level and based on this information, they decided where to film. Not providing film tax credits, means that as a state, Maryland would not even be considered for any productions-I cite the movie "Annapolis" filmed in Pennsylvania as an example.

Evaluating the MD film tax credit program was made easier by the fact that RESI had the detailed audited expenditure sheets of each film and TV production eligible for the tax credit. In order for the film or TV production to receive the film tax credit, the production companies must submit audit expense sheets detailing their expenditures in Maryland. Then and only then, are they eligible to receive their tax credits.

Having these audited expense sheets enabled RESI to estimate the economic and fiscal impact with greater industry and geographic precision than otherwise. If RESI had inputted the total expenditures into a generic "Film Industry" category, much of the economic and fiscal impacts would have occurred outside the state of Maryland, as there is no NAICS defined Film Industry in Maryland, unlike say California.

Maryland's film tax credit program generates a positive return on investment in a creative industry that boosts Maryland's economy in many ways. When production tax credits are reliably available for the long term, producers and studios planning future film and television production locations, will feel confident choosing Maryland.

Highlighted below are some of our findings from RESI's 2016 report

By comparing tax credits claimed with tax revenues generated, RESI determined the ROI of Maryland's film tax credit program between CY 2012 and CY 2015.

- For every reported $1 claimed in film tax credits, Maryland gains $1.03 in total additional property, sales, income, and other tax revenues.
- Were the tax credit to be doubled or uncapped, the expected ROI would increase to $1.05 for every $1 of tax credit claimed between CY 2012 and CY 2015.

Below are RESI's key findings in regard to the economic and fiscal impacts of the projects that will receive tax credits under the *Film Production Employment Act of 2011.* Impacts were determined for the lifetime of the program, FY 2011 through FY 2016.

Economic and Fiscal Impacts, FY 2011–2016

- Overall, the additional output Maryland receives from every $1 claimed under the current program is $3.69.
- If the program was uncapped, preliminary estimates indicated that Maryland could receive an additional $3.49 in output per every $1 of tax credit claimed.
  RESI reviewed tax revenue data from CY 2012 through CY 2015.[1]
- During that period of time, the total tax credit claimed by productions was estimated to be approximately $48.8 million.[2]
- Between CY 2012 and CY 2015, RESI found total additional tax revenues of more than $49.2 million.
- Overall, the return on investment between CY 2012 and CY 2015 reported for every $1 claimed in film tax credits, Maryland gains $1.03 in total additional property, sales, income, and other tax revenues.
- Using a similar methodology, RESI found if the tax credit were to be doubled or uncapped under current assumptions then Maryland could expect a $1.05 return on investment for every $1 of tax credit claimed between CY 2012 and CY 2015.

Community Impacts

In addition to the measurable impacts shown in this report, there are the additional impacts felt by local businesses and communities.

- An average of nearly 860 vendors per project is positively impacted.
- RESI received testimonials from various supporters, including the owners and managers of furniture and consignment stores, rental car services, hotel and lodging facilities, and other businesses providing products and services during production.
    - Due to business received from the film industry, local businesses have seen expansion, increased employment, a diversification of their client base, and stabilization of revenue stream.
    - Some businesses cite expansion of the film industry as being responsible for their ability to remain open and to grow.
    - Hotels, restaurants, and retailers are all utilized and benefit from cast and crew staying onsite or nearby during production.
- RESI spoke directly with several locally impacted business owners and industry personnel.
    - One interviewee pointed out that the filming community requires a vast amount of personnel, who in turn contribute to local businesses, the economy, and tax revenues.
    - Another interviewee cited increased film production as being responsible for the creation of new local companies and also increasing tourism.

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[1] RESI negated the inclusion of CY 2011 and CY 2016 to create a balanced report of productions and tax credit claims. CY 2011 reported one production receiving a tax credit, but its claim would not occur until CY 2012. CY 2016 would include tax credits claimed for productions in CY 2015, but no additional productions if the program ends in FY 2016.

[2] Please refer to Appendix B for more information on assumptions made in RESI's analysis.

        - An additional interviewee spoke out about the positive impacts on the community as a whole. Stating that the presence of production teams lead to increased safety, mentorship opportunities, and charity involvement.

Film-Induced Tourism

- Not only does film and television production create FTE jobs and induce spending, but it also creates positive long-term impacts for a community.
    - When a location appears in popular productions, the scenes from that production have the potential to create icons out of once little known places and sights. This is known as film-induced tourism.
    - A few areas in Maryland have benefited from or capitalized on this—the town of Berlin hosted filming of *Runaway Bride* and *Tuck Everlasting*, while St. Michaels and the surrounding area hosted *The First Kiss*, *The Wedding Crashers*, *Failure to Launch*, *Swimmers*, *Silent Fall*, and more.
    - The Inn at Perry Cabin in St. Michaels, Maryland, appeared in both *The First Kiss* in 1928 and *The Wedding Crashers* in 2005—a fact boasted on its website.[3] Following the release of *The Wedding Crashers*, fans have flocked to the Inn for their own weddings.[4]
- Locations not only draw attention due to filming, but also from the stars who promote and provide positive attention to Maryland, its assets, and local businesses.
    - Following filming of Better Living Through Chemistry, Jane Fonda publicly spoke about "how utterly charming" Annapolis is on her blog.[5] Jane Fonda has been referred to as "Annapolis' newest ambassador."[6]
    - In 2013 Julia Louis-Dreyfus remembered to thank the show's "wonderful crew in Baltimore" when she recently won an Emmy for her performance on *Veep*.[7]

[3] The Inn at Perry Cabin, "The Hotel: Weddings & Honeymoons."
[4] Shay, "Stars shine in Maryland, as state pulls in more film and TV productions."
[5] Fonda, "Better Living Through Chemistry."
[6] Rosen, "Jane Fonda smitten with Annapolis."
[7] TV News Desk, "Julia Louis-Dreyfus Wins Emmy for Lead Actress in a Comedy Series."