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**DATE:** February 16, 2022  
**COMMITTEE:** Senate Budget & Taxation  
**BILL NO:** Senate Bill 536  
**BILL TITLE:** Income Tax - Film Production Activity Tax Credit - Digital Animation Projects

### Statement of Information

The Maryland Film Production Activity Tax Credit offers a refundable tax credit for a percentage of allowable direct costs for qualifying Maryland productions. In order to qualify for the program the film production entity's estimated total direct costs incurred in Maryland must exceed \$250,000. There is also a set-aside of 10% of the total annual funding for Maryland Small or Independent film entities. In order to qualify as a small or independent film entity, the estimated total direct costs incurred in Maryland must exceed \$25,000 and at least 50% of the filming of the film production activity must occur within Maryland. The maximum amount of credits which can be issued in a fiscal year is \$12,000,000.

Senate Bill 536 proposes to add animation as a type of production that would qualify to receive a Film Production Activity Tax Credit. Presently the Film Production Activity Tax Credit program is focused on securing traditional physical "live action" production. Some examples of previously eligible productions are: House of Cards, VEEP, Runaway Bride, The Replacements, and Wedding Crashers. Deducting the 10% that is set aside for Small Maryland productions, \$10.8M remains to attract high impact productions. That amount allows Maryland to secure only one production a year like those mentioned above.

There is data to show the economic impact that traditional "live action" physical production has on Maryland. During its six seasons in Maryland, House of Cards directly hired more than 2,000 Maryland residents per season, and directly purchased or rented goods and services from more than 2,000 Maryland businesses per season, and had a combined economic impact in excess of \$700,000,000. There are also local economic studies, and those from other states that discuss the economic benefits, and return on investment of traditional productions. A 2014 study by the Regional Economic Studies Institute titled "Economic and Fiscal Impacts of the Film Production Activity Tax Credit in Maryland" concluded that for every dollar claimed in film tax credits, \$1.03 is returned to the State in total additional taxes. Every dollar claimed in tax credits generates an additional \$3.69 in economic output.

To date no studies have been supplied to Commerce to determine the impact digital animation has on the local economy. While some other states do qualify digital animation for tax credits, most of these states have more funding than Maryland, or the credits for digital animation projects is a separate program from film, with its own annual allotment of tax credits.