

# Report to the General Assembly on the Film Production Tax Credit Program

September 1, 2010



> ready > set > action



Commonwealth of Pennsylvania  
Edward G. Rendell, Governor  
[www.state.pa.us](http://www.state.pa.us)

Department of Community  
& Economic Development  
Austin J. Burke, Secretary

[www.filminpa.com](http://www.filminpa.com)

# Table of Contents

Executive Summary .....	1
FY09-10 Film Production Activity in Pennsylvania .....	4
Film Tax Credit Awards and Economic Impact .....	5
Issuance, Use and Transfer of Film Tax Credits .....	10
The Film Industry in Pennsylvania .....	11
Looking Back: Observations and Conclusions .....	13
Looking Forward: Recommendations .....	14
Appendix I - Tax Credit Certificates Issued in FY09-10 .....	16
Appendix II - Use of Tax Credits in FY09-10 .....	18

## Executive Summary

The fiscal year ending June 30, 2010 was a tough one, by many standards. The economic downturn hit Pennsylvania businesses and residents hard and the unemployment rate reached 9.2%, the highest rate on record since the Great Depression.

**Despite the dismal economic climate, the film tax credit continued to attract production activity, create jobs and drive industry and economic growth in Pennsylvania for the third consecutive year, making film production a bright spot in an otherwise tough economic landscape.**

Pursuant to Act 48 of October 9, 2009, the amount available for tax credits in FY09-10 was \$42 Million, reflecting a temporary decrease from the \$75 Million level established by the original enabling legislation, Act 55 of July 25, 2007 (the "FTC Law").

Uncertainty concerning the availability and the level of the tax credit had a negative impact on film activity in Pennsylvania during the fiscal year.

Leading studios were, however, eager to return to Pennsylvania and snapped up the entire \$42 Million allocation with four large projects and plans for \$168 Million in direct spending. These projects will generate \$330 Million in economic activity, 2,285 jobs and \$11.3 Million in revenues in the Commonwealth.

Since July 2007 the Pennsylvania Film Office has received over 300 film tax credit applications and tax credits have supported 151 production projects in Pennsylvania. These projects have had a direct, tangible impact on businesses and residents throughout the Commonwealth. On a cumulative basis, projects that have received film tax credit awards over the past three years have or will generate:

- \$768 Million in direct spending
- \$1.2 Billion in economic activity
- \$40 Million in revenues
- over 10,400 jobs



**Over 70 institutions in Pennsylvania offer courses in film production and related fields, making the industry a powerful tool for combatting "brain drain." Moreover, high wages make the field attractive for new and experienced workers. Here, a film crew prepares for the filming of "Abduction," the fifth project Lionsgate has brought to Pittsburgh in the past three years.**

Over the past three years the film tax credit has proven itself to be a highly effective economic development program; that it has done so during periods of economic recession and high unemployment is a testament to the strength of the industry and the power of the incentive to drive job creation and growth in Pennsylvania.

Equally important are the collateral benefits that have accrued to the Commonwealth over the same period; for example, the film tax credit has:

- attracted over \$135 Million in investment
- cemented Pennsylvania's status as a destination of choice for film production
- strengthened and expanded a dynamic industry that is attractive to experienced workers and those just entering the job market
- expanded production activity beyond the industry hubs of Pittsburgh and Philadelphia, including significant activity in the rural counties of north central Pennsylvania

With the end of the recession nowhere in sight, Pennsylvania businesses and residents will continue to look to policy makers in Harrisburg for support in their efforts to survive the recession and to find family-sustaining jobs. Policy makers, in turn, must find the most effective and efficient means to do so.

**There is abundant evidence that the film tax credit is a highly effective tool that drives economic activity and job creation throughout the Commonwealth and does so at a pace that exceeds 90% of other industries in Pennsylvania. Most importantly, the tax credit has proven to be effective during periods of unemployment and recession.**

We urge the General Assembly to continue to support the film tax credit and to take action to enhance its efficacy by adopting the recommendations outlined in this report.

## **VOICES OF FILM: *Real Pennsylvanians Speak Out About the Film Tax Credit***

“ The Pennsylvania Film Tax Credit allows many businesses, organization and individuals an opportunity to work for an industry that would otherwise not exist in Pennsylvania. The Doubletree Hotel and Suites Pittsburgh has been one of those fortunate businesses to have three separate movie productions and a myriad of smaller television and commercial productions use our services since the inception of the tax credit program in 2007.

This year, while our industry continues to struggle to get back to pre-recession occupancies and rates, we have yet another feature film that is calling our hotel “home” for the duration of their productions. ‘I am #4,’ a DreamWorks-produced movie will consume over 6,000 room nights in the six months they stay with us.

To say that the Feature Films market is extremely important and inimitable to our hotel would be an understatement.”

Timothy J. Zugger  
General Manager  
The Doubletree Hotel & Suites, Pittsburgh

## Beyond Manufacturing: A Pennsylvania Film Industry Success Story

Founded in 1946 and located in Chadds Ford, Pennsylvania, Spitz, Inc. is a well-established manufacturer of planetarium equipment and dome projection screens. Recently, the company pioneered a successful line of innovative digital-video based theater products that use the planetarium dome to engage audiences in new ways.

In support of these new products, and thanks in part to film industry incentives from the Commonwealth, Spitz has expanded its business in a new direction -- digital content production. Its production unit, Spitz Creative Media, is now recognized as a top producer/distributor of high quality, computer animated movies tailored to the new generation of "fulldome" theaters. The company now derives more than 10% of its revenues from original content production and distribution.

The first Spitz production to receive state support was *The Zula Patrol: Down to Earth*, an earth-science show for children, now in international release. It builds on the success of its predecessor, *The Zula Patrol: Under the Weather*, released in 2007. *Under the Weather* is the top-performer of its genre. It has been seen by millions since its launch at Chicago's Adler Planetarium and has been translated into ten languages. Both movies extend the brand of the hit TV series "The Zula Patrol."

Spitz has applied for a Film Tax Credit to support production of *Dynamic Earth*, a data-visualization film about Earth's climate engine, set for release in summer of 2011. For *Dynamic Earth*, Spitz Creative Media's partners include a prestigious creative team: NASA, the Advanced Visualization Laboratory at the National Center for Supercomputing Applications, Thomas Lucas Productions, the Denver Museum of Nature & Science and local Philadelphia composer/sound designer, John Avarese.

Commenting on Spitz's expansion into content production, company President Jon Shaw put it this way: **"Spitz is indebted to the PA Film Office for its grant and tax credit programs. These have enabled us to make better productions, retain jobs and grow our digital content business."**



# FY09-10 Film Production Activity in Pennsylvania

The film tax credit continued to attract film and television production to Pennsylvania in FY09-10; however, the level of activity in the Commonwealth was lower compared to prior years due to the decrease in the amount of tax credits available.

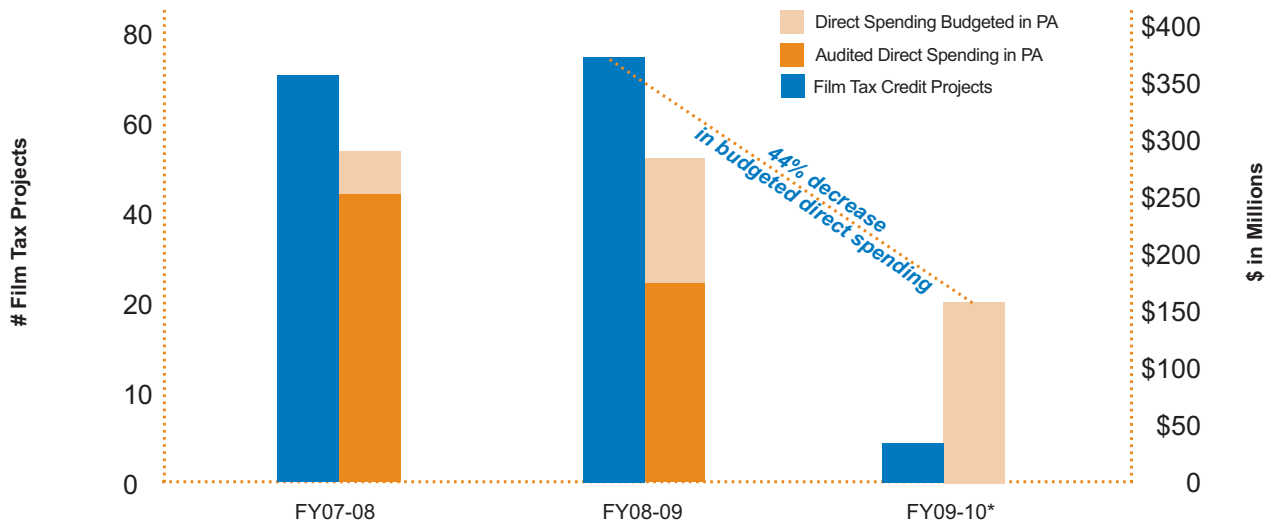
Uncertainty as to the availability and level of film tax credits for FY09-10 also had an adverse effect on the industry in Pennsylvania. Nothing demonstrated the negative impact of this uncertainty more graphically than the loss of the project “Devil” to Canada in August 2009. The project, a supernatural thriller based on a story by Pennsylvania resident, M. Night Shyamalan would have been his ninth feature film shot in Southeastern Pennsylvania and the first feature film for Night Chronicles, a production company created specifically to produce independent films in Pennsylvania based on Mr. Shyamalan’s ideas. The project was relocated to Toronto because of “uncertainty about whether Pennsylvania’s film tax credit would be authorized in the [FY09-10] state budget.”

“Devil” was not the only production that left Pennsylvania due to uncertainty surrounding the film tax credit. In an interview with the Philadelphia Inquirer, the producer for “Destination Home” said “we were scheduled to begin shooting Sept. 16, [2009], and we would like to shoot in Philadelphia but . . . the production is scouting locations in Georgia, Louisiana and Toronto, where tax credits are assured.” The film was made in Georgia.

Despite initial concerns about the tax credit, demand for film tax credits remained strong in FY09-10 and, as in prior years, far outstripped supply. Pennsylvania continued to be a destination of choice for top film studios, as demonstrated by the fact that some of the biggest names in the industry such as Paramount, 20th Century Fox and Lionsgate submitted applications early in the fiscal year to ensure their eligibility for the limited amount of available film tax credits.

The 44% decrease in the amount of film tax credits available was mirrored in a 44% decline in production spending and job creation as shown in the following tables.

**IMPACT OF THE DECREASE IN FILM TAX CREDIT AVAILABILITY:  
Fewer Projects & Lower Spending in FY09-10**



**THE IMPACT OF THE DECREASE IN FILM TAX CREDIT AVAILABILITY:  
Fewer Jobs and Less Wages for PA Workers**

	FY07-08	FY08-09	FY09-10	Total
Projected Job Creation	4,080	4,080	2,285	10,444
Estimated Wages Paid	\$145,443,714	\$145,427,909	\$81,448,584	\$372,320,207



Provost Displays (Norristown, PA) usually manufactures costumes and promotional products but last year it was tapped as a supplier for "Love and Other Drugs," which was filmed in Pittsburgh. Provost Displays employees Antonio Contino and William Archer appear in the photograph above.

**VOICES OF FILM: *Real Pennsylvanians Speak Out About the Film Tax Credit***

“This work generates sales for our company at our highest hourly rate and is a significant revenue stream. We typically get this work because the actor is in the vicinity working on another project. Again this work would not be coming here had these artists not been in town shooting scenes made possible by these tax incentives.

Dan Ferraro, Managing Director  
Market Street Sound  
Pittsburgh

Due to the size of the projects and the limited amount of film tax credits available for FY09-10, just four projects (all feature films) were awarded tax credits as indicated in the table below.

### TAX CREDIT AWARDS & ECONOMIC IMPACT BY REGION

Region/Project Title	Entity Name	Tax Credit Award	PA Production Cost	Estimated Economic Impacts		
				Total Output	Jobs	State & Local Taxes
<b>Pennsylvania Wilds, The Alleghenies and Upstate PA</b>		<b>\$14,978,787</b>	<b>\$59,915,148</b>	<b>\$117,822,300</b>	<b>815</b>	<b>\$4,033,907</b>
Unstoppable	20th Century Fox Film Corp.	\$14,978,787	\$59,915,148	\$117,822,300	815	\$4,033,907
<b>Philadelphia and The Countryside</b>		<b>\$10,849,729</b>	<b>\$43,398,916</b>	<b>\$85,343,361</b>	<b>590</b>	<b>\$2,921,919</b>
The Last Airbender	Paramount Pictures	\$10,849,729	\$43,398,916	\$85,343,361	590	\$2,921,919
<b>Pittsburgh and Its Countryside</b>		<b>\$16,171,484</b>	<b>\$64,685,936</b>	<b>\$127,203,988</b>	<b>880</b>	<b>\$4,355,110</b>
Love and Other Drugs	Pottersville Pictures, Inc.	\$7,055,700	\$28,222,799	\$55,499,739	384	\$1,900,156
The Next Three Days	Pgh Productions Inc.	\$9,115,784	\$36,463,137	\$71,704,248	496	\$2,454,954
<b>TOTAL</b>		<b>\$42,000,000</b>	<b>\$168,000,000</b>	<b>\$330,369,648</b>	<b>2,285</b>	<b>\$11,310,936</b>



The filming of "Unstoppable" generated employment for residents of 15 counties and payments to over 700 vendors in Pennsylvania.

For a third consecutive year film production activity occurred throughout the Commonwealth. As in past years, film companies set up production offices in Southeastern and Southwestern Pennsylvania to be close to industry suppliers and transportation hubs. Filming and other production activity (and spending) took place in Blair, Cameron, Centre, Clinton, Lackawanna, McKean, Northumberland and Potter Counties. The workers hired by these film projects are residents of cities, townships and boroughs throughout Pennsylvania.

### Not Just a Chosen Few...

Residents of 49 counties were employed by the film industry in the past year, demonstrating that the film tax credit makes a positive impact on families and communities across Pennsylvania, not just a select few.



Although production companies set up offices in industry hubs, film activity can be found throughout the Commonwealth

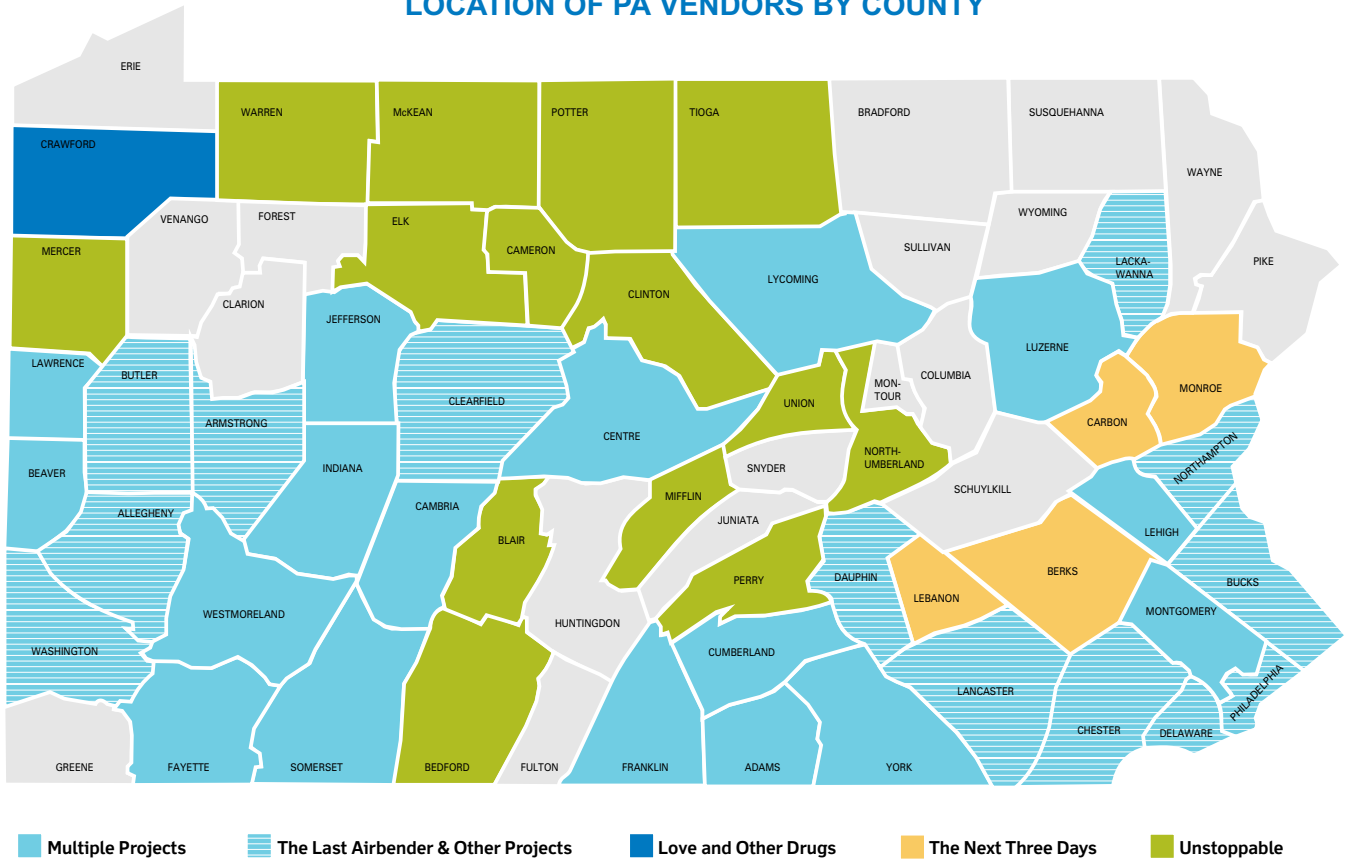
## VOICES OF FILM: *Real Pennsylvanians Speak Out About the Film Tax Credit*

“The Unstoppable crew rented one-fourth of our motel while they were in the area shooting their film. It certainly had a positive economic impact for room rental. It is our hope they will return with their friends and families to experience of what the Pennsylvania Wilds has to offer.”

Christine Herzig  
Laurelwood Inn & Steakhouse  
Coudersport

The aggregate direct spending budget for these productions was \$168 Million and information supplied by the production companies indicates that spending was spread among vendors throughout the Commonwealth, as shown in the map below.

### LOCATION OF PA VENDORS BY COUNTY



Bruce Pivrotto (center) and the team from It's All Clean of Pittsburgh helped to keep things tidy during the filming of "Love and Other Drugs."



Tyler Mountain Water & Coffee, based in Pittsburgh, PA has developed a delivery system designed to meet the specific needs of the film industry. Pictured here are team members Doug Hupe, Joie Gibbons and Jim Vitale.

Like their counterparts around the country, in FY09-10 hotels, motels and other establishments in Pennsylvania struggled to fill rooms and to stay afloat financially. For many, film production activity was a lifesaver.



**"The Last Airbender" on location at the M&M Quarry in Telford, Pennsylvania. Filming is just one part of the production process; post-production activity on "The Last Airbender" kept Pennsylvania workers busy for nearly a year after filming was completed.**

**Lodging expenses for productions that received film tax credits in FY09-10 totaled \$7,968,525, providing a significant boost to hotels, motels, inns and other lodging establishments across the Commonwealth.**

Proprietors and employees of lodging establishments have been quick to recognize and praise the positive impact on the industry generated by film activity supported by film tax credits. Timothy Zegger, General Manager of The Doubletree Hotel & Suites in Pittsburgh put it this way:

Our hotel was chosen to be a headquarters for the feature film Unstoppable. . . . Because of "Unstoppable" our hotel was able to recoup some of the losses we saw from most of our other market segments. . . . Whether you consider the revenue that our parking garage makes . . . or simply one of our bartenders whose bar is a little more filled on a Sunday night, movie productions truly impact almost every component of our hotel. . . . This revenue is considered incremental revenue – monies that we could not replace with any other types of business.

## Issuance, Use and Transfer of Film Tax Credits

A total of \$52,150,438 in tax credit certificates were issued in FY09-10. A complete list can be found in Appendix 1.

The vast majority of the tax credit certificates (\$42,525,507 or over 80%) were issued in respect of project awards made in FY08-09; the balance of the tax credit certificates (\$9,624,931) were issued in respect of FY07-08 awards. Aggregate audited qualified spending in Pennsylvania by these projects was \$209.8 Million.

The projects that received film tax credit awards in FY09-10 were all feature films. None of these projects was completed during the fiscal year; therefore, no certificates were issued in respect of those projects.

During FY09-10 only one film production company used a tax credit to offset a liability to the Commonwealth; however, the amount was significant (\$1,400,814). During the same period, production companies sold or transferred film tax credits worth over \$61.6 Million. The latter figure is significant in that it demonstrates that there is an active market for tax credits, a key factor in the success of the program. A complete list of tax credits used, sold or transferred in FY09-10 can be found in Appendix II.



Concreteman, Inc., based in Roulette, PA, normally specializes in residential, commercial, industrial and agricultural construction but the company became a supplier to the film industry when it was called upon by 20th Century Fox, which produced "Unstoppable" in Southeastern and Central Pennsylvania. Owner Barry Sauers is pictured in the photo above.



Etched in Glass, based in Gibsonia, PA, manufactures a variety of glass products; it too was a supplier for "Unstoppable." Pictured above is Bob Bleil, the company's top stencil technician and one of its shareholders.

### VOICES OF FILM: *Real Pennsylvanians Speak Out About the Film Tax Credit*

"We were delighted we had the opportunity to play such an integral role, over the past year and a half, in the Greater Philadelphia region's phenomenal film and television production. The film and TV industry is a distinct and important niche of the hospitality industry and the Rittenhouse Hotel had the pleasure of providing quality short-term housing for the cast and crew of two Philadelphia-produced feature films, *The Last Airbender* and *Unstoppable*."

David G. Benton  
Vice President and General Manager  
Rittenhouse Hotel  
Philadelphia

## The Film Industry in Pennsylvania

To describe only the direct, measurable effects of the film tax credit in terms of jobs and economic impact would present only a partial picture of the full impact of the film tax credit incentive.

A complete picture must also include the “follow-on” or “collateral effects” of the tax credit which, in many ways, make the industry such a powerful and attractive driver of economic development. One of the most significant collateral effects of the film tax credit has been the industry’s ability to attract investment in business expansion and infrastructure development to the Commonwealth.

Over the past three years, film production activity in Pennsylvania supported by the film tax credit generated attention from investors and real estate developers. Since the FTC Law was enacted two new studios have opened in Pittsburgh, one has opened in Philadelphia and another, the Sun Center Studio studio/entertainment center project, is scheduled to open in Southeastern Pennsylvania in late 2010.

As the photo below shows, the Sun Center Studio studio/entertainment center project in Delaware County moved forward in FY09-10 despite the sharp decline in real estate and construction projects throughout Pennsylvania (and the country as a whole).



**Groundbreaking for Sun Center Studio, Delaware County. Group included (from left): J. Mickey Rowley, Deputy Secretary for Tourism, Film and Marketing, PA Department of Community & Economic Development; Hal Katersky, Chairman, Pacifica Ventures and Partner, Sun Center Studios; Gary Crompton, President of Business Dining, Aramark; Representative Thaddeus Kirkland (D-Delaware), Pennsylvania House of Representatives; Sharon Pinkenson, Executive Director, Greater Philadelphia Film Office; Jeffrey Rotwitt, Partner, Sun Center Studios; Stanley Kester, Chairman, Chester Township; Robert May, Jr., Council member, Chester Township; and Pat Killian, Executive Director of the Delaware County Commerce Center.**

Unfortunately, a second studio project slated for construction in Montgomery County was shelved. The studio project would have created 250 construction jobs and 800 permanent jobs.

Commenting on the decision to halt the project, the developer Charles Gallub stated “We absolutely like the movie studio concept, but it has to be a bankable and financially viable concept [and] film production companies . . . were skittish after the state cut the film tax credit’s budget for this fiscal year from \$75 million to \$42 million.” The Philadelphia Inquirer reported that Gallub has “not given up on someday building a studio . . . but even that is at least one Pennsylvania state budget cycle away.”

A comprehensive discussion of the film industry as a driver of economic activity and job creation in Pennsylvania must also include a discussion of the industry workforce in the Commonwealth. In collaboration with an independent consultant, the Three Rivers Workforce Investment Board conducted an analysis of the film and television industry workforce in Pennsylvania. The Report entitled “Pennsylvania’s Motion Picture and Television Industry: A Workforce Analysis” was released in March 2010.

**Key findings of the Report included the following:**

- **Pennsylvania’s film industry workforce is the 6th largest in the nation (2.5% of national employment)**
- **The average wage in the film industry is high (\$66,676) and is growing at a faster rate (2.1%) than the private sector as a whole (1.5%)**
- **The growth forecast for motion picture and television industry occupations is strong**

Workers seeking well-paying jobs in a tough job market confirm these findings and are increasingly drawn to the industry. Dave Swiech, who lost his job with a Pittsburgh based beverage wholesaler in December 2008 is one of those workers. After completing several classes in the film training program the Community College of Allegheny County (CCAC) and an internship arranged through CCAC, Dave found work as a rigging electrician for several productions that came to Pittsburgh thanks to the film tax credit program. Not only was Dave able to find work in the film industry, he also found that it pays significantly more than his prior job.

**Experienced workers are not the only ones looking for jobs in the film industry. With over 70 post secondary institutions in Pennsylvania offering courses in motion picture and video production and related subjects, it is clear that the film industry is also extremely attractive to workers at the beginning of their careers. As a result, the industry is poised to play a powerful role in improving the Commonwealth’s economic prospects and in combating “brain drain” in Pennsylvania.**

In 2009 leading members of the film industry in Pennsylvania joined to form the Pennsylvania Film Industry Association, an organization dedicated to supporting the growth of the film industry in Pennsylvania and furthering its role as an engine of growth for the Commonwealth’s economy. The formation of the association is yet another indicator of the strength and growing importance of the industry in the Commonwealth.

**VOICES OF FILM: *Real Pennsylvanians Speak Out About the Film Tax Credit***

“The Film Production Tax Credit program gave a definite revenue boost especially in the faltering markets in 2008 and 2009. Without it we would have incurred more layoffs and were able to keep more shifts operating.

We've developed a new niche in our delivery system due to the specific demands the movie productions need to produce their films. This gave us the opportunity to expand not only in local markets but also regionally as well.”

Jim Vitale  
Tyler Mountain Water & Coffee  
Pittsburgh

## Looking Back: Observations and Conclusions

After three years of film production activity supported by the tax credit, a number of trends have become apparent.

- **Pennsylvania Is a Destination of Choice for Filmmakers** – Production companies are eager to bring projects to Pennsylvania because the Commonwealth meets their key location criteria:
  - a competitive incentive
  - specialized industry infrastructure and vendors
  - skilled personnel
  - diverse landscapes

A clear indicator of the power of the Film Tax Credit is the ability to attract productions in which Pennsylvania “doubles” for another setting. Recent examples include the following films: “New York, New York,” “Annapolis” and “Transformers 2,” where southeastern PA doubles as Paris and Shanghai.

- **Demand for film tax credits consistently exceeds supply** – Because Pennsylvania is considered to be among the top five locations for film production in the US, demand for tax credits has outstripped the appropriated supply of tax credits in each of the past three years. Since the FTC Law was enacted, the Film Office has received over 300 applications for a total of \$401 Million. Had more tax credits been available, more productions would have come to Pennsylvania. Experience proves that more productions would have created more economic activity and jobs and fostered even greater industry growth in Pennsylvania.
- **Significant Film Production Activity Occurs Outside Industry Hubs** – filming and other production activity occurs throughout the Commonwealth and workers from across the Commonwealth are employed in the film industry.
- **The Amount of Incentives Has a Direct Impact on Production Activity** – there is a direct correlation between the amount of tax credits available and the level of production activity in Pennsylvania (and the direct spending, jobs and revenues generated). Moreover, because the film business is highly mobile and location choices are driven by the availability of a competitive incentive, uncertainty as to the level or the availability of a production incentive from year-to-year has an immediate negative impact on production activity.



Photo credit: Zade Rosenthal

“The Last Airbender” Writer/Director/Producer M. Night Shyamalan and Producer Frank Marshall on the set of the prison yard at M&M Quarry.

### VOICES OF FILM: *Real Pennsylvanians Speak Out About the Film Tax Credit*

“We consider the Film Tax Credit Program to be a boon to Pennsylvania businesses. The increase in business our hotel experienced as a result of the filming of Unstoppable was significant.”

Tricia Hess  
Best Western  
St. Mary’s

The economic rationale for incentives to the film industry is clear and compelling.

First and foremost, it is a dynamic industry with a bright future. Unlike many industries that have suffered due to globalization and the transfer of jobs overseas, it remains one of the top U.S. exports.

Second, in terms of job creation the industry is virtually without peer. It is labor-intensive and jobs in the industry are higher-paying than comparable jobs in other industries. Moreover, it is attractive to experienced workers from other fields as well as new entrants in the job market.

Third, the return on investment for the film industry puts it among the top 10% of all industries in Pennsylvania. It is also a clean industry that generates enormous economic activity while placing minimal demands on existing local resources.

Finally, the film production industry is virtually recession-proof.

**Over the past three years, this rationale has been put to the test and the results are equally clear. The film tax credit has proven itself to be a highly effective tool for economic development and job creation in Pennsylvania.**

## Looking Forward: Recommendations

There is nearly unanimous agreement that the recession and high levels of unemployment will continue for some time. Accordingly, economic development initiatives such as the film tax credit are more important than ever. Simultaneously, pressure caused by budget constraints is forcing policy makers to make tough choices about which programs will provide the greatest benefit for each dollar of state funds invested.

After three years of experience administering the film tax credit, the Pennsylvania Film Office, an office of the Department of Community and Economic Development, is prepared to offer several recommendations for changes in the administration of the tax credit. Each of the recommendations is related to a specific aspect of the Commonwealth's competitive position and will increase direct spending, economic activity and job creation in Pennsylvania.



**The power of the film tax credit to attract productions to Pennsylvania is demonstrated by the number of films made in Pennsylvania although it was not the setting for story. Above is a photo from the set of "One for the Money," a story which is set in Trenton, New Jersey but was filmed in Southwestern Pennsylvania.**

Few programs can match the proven record of success and demonstrated efficacy of the film tax credit. The more difficult question is whether, in the face of severe budget constraints, the film tax credit can be improved to better serve the Commonwealth and its residents while continuing to support job creation and industry growth.

- **Keep Pace with Trends in the Film Industry –**

Film and television production is an increasingly technology-driven industry that is constantly evolving. In its current form, the film tax credit is rooted in established but aging technology (film, television and television commercials); however, digital media and new distribution channels are the fastest growing segments of the industry. If Pennsylvania wishes to retain and expand film industry jobs and spending, the film tax credit must keep pace with changes in film industry technology and distribution.

- **Rely on Market Forces to Cap the Film Tax Credit –** The annual cap on film tax credit awards puts Pennsylvania at a distinct disadvantage, particularly when competing for TV series production activity (the most sought segment of the production industry due to its ability to create stable jobs and long-term employment). Skeptics who fear that without a cap, tax credit awards will reach astronomical levels fail to acknowledge two important facts:

1. the FTC Law ensures that Pennsylvania businesses and workers reap the benefits of film production activity before a tax credit is issued by the Commonwealth; and
2. free-market forces limit the amount of incentives available to the industry in any year. States such as Massachusetts, New Mexico and Louisiana (which do not cap incentives to the industry) demonstrate that market forces such as the availability of skilled labor and industry infrastructure effectively limit the amount of production activity that can occur within the state at any one time or during fiscal year.

- **Put the Film Tax Credit On Par with Other Tax Credits –** The Commonwealth currently offers five types of tax credits designed to support business growth. In addition to the film tax credit, qualifying businesses are eligible to receive Keystone Innovation Zone (KIZ) Tax Credits, Keystone Opportunity Zone (KOZ) Tax Credits, Resource Enhancement and Protection (REAP) and Research and Development (R&D) Tax Credits. Use and transfer of film tax credits are more limited than these other tax credits in several ways. For example, film tax credits may be used to offset up to 50% of tax liability whereas KIZ, REAP and R&D tax credits may be used to offset up to 75% of tax liability. In addition, KIZ, KOZ and REAP tax credits may be used to off-set bank shares taxes and insurance premium taxes but film tax credits may not. These limitations prevent film tax credits from being as effective as other tax credits available in Pennsylvania. In addition, the limitation against carry-forward by a transferee makes Pennsylvania's film incentive less attractive than those available in other states. SB 1444 currently pending in the Pennsylvania Senate would address some, but not all, of these shortcomings.

Pennsylvania residents and businesses have been well served by the film tax credit. It has created over 10,000 jobs and boosted economic activity by over \$1.2 Billion over a period of three years that included the worst recession since the 1930's.

As they confront a stubborn recession and high unemployment, Pennsylvania businesses and residents will continue to look to policy makers in Harrisburg for support in their efforts to survive the recession and to find family-sustaining jobs. Policy makers, in turn, must find the most effective and efficient means to do so.



**Setting up for filming in Braddock, PA.**

There is abundant evidence, in the Legislative Budget and Finance Committee Report, in the Three Rivers Workforce Investment Board Analysis and in this and previous Reports to the General Assembly that the film tax credit is highly effective. It will generate activity and create jobs regardless of the economic climate and will do so at a pace that exceeds 90% of other industries in Pennsylvania. Accordingly, we urge the General Assembly to continue to support the film tax credit and to take action to enhance its efficacy by adopting the recommendations noted above.

### **VOICES OF FILM: *Real Pennsylvanians Speak Out About the Film Tax Credit***

“During the past state fiscal year (July 1, 2009 – June 30, 2010), our hotel received over 6,100 room nights and \$425,000 from three different productions that filmed in our area. Those guest parked cars in our lot and ate meals in our restaurants, so their economic impact on our hotel goes beyond just room revenue.

We firmly believe that the primary driver in bringing productions to our state is the Pennsylvania Film Tax Credit. In speaking with the crews that stayed with us, without the tax credit, they would not have been here.”

Andrew Silben, Director of Sales and Marketing  
Sheraton Station Square Hotel  
Pittsburgh

## Appendix I - Tax Credit Certificates Issued in FY09-10

PROJECT NAME	ENTITY	CERTIFICATE AMOUNT	AUDITED PA SPENDING
<b>TOTAL</b>		<b>\$52,150,438</b>	<b>\$209,808,534</b>
<b>FTCs Awarded in FY07-08</b>			
Americas Port	Big Smack TV Inc	\$12,722	\$50,889
Annual Cruise Guide Great Cruise Ships	Banyan Productions Inc	\$450,439	\$1,940,155
Battle for the Barnes	Barnestorm Pictures LLC	\$54,984	\$254,811
Comedy Central Cheetos Promo	Big Smack TV Inc	\$11,793	\$50,423
Cox My Primetime Promo	Big Smack TV Inc	\$5,329	\$21,316
Dinner Impossible Season #2 Contract #3	SSIP LLC	\$492,987	\$1,971,948
Fight Science	Big Smack TV Inc	\$13,393	\$79,428
Juno CTW	Big Smack TV Inc	\$4,727	\$18,909
Kill Point (Episodes 2-8)	Kill Pit Productions Inc.	\$3,455,699	\$13,822,794
Lebanon	Lebanon Productions LLC	\$76,462	\$325,757
Movie UP	Big Smack TV Inc	\$10,264	\$88,824
My Bloody Valentine	Cupid Productions Inc	\$3,351,320	\$13,405,279
My Dog Tulip	The My Dog Tulip Company, LLC	\$104,898	\$419,593
NatGeoTV.com Promo	Big Smack TV Inc	\$2,138	\$8,551
National Geographic Channel: LA Hardhats Promo	Big Smack TV Inc	\$15,000	\$87,563
Saddle Up	Saddle Up Movie LLC formerly International Artist Studio	\$103,000	\$412,000
Shannon's Rainbow	Shannon's Rainbow, LLC	\$860,160	\$3,440,638
Sleeping with the Fishes	International Artist Studio	\$116,050	\$464,201
Spice up My Kitchen 3 & 4	Nancy Glass Productions	\$400,127	\$1,718,165
Transformers CTW	Big Smack TV Inc	\$7,500	\$44,608
Trapped	Winter Morning Pictures LLC	\$14,895	\$59,580
Who Knew Promo	Big Smack TV Inc	\$11,844	\$47,375
Your Dog is Fat and So Are You	Banyan Productions Inc	\$49,200	\$241,824
<b>Subtotal FY07-08</b>		<b>\$9,624,931</b>	<b>\$38,974,631</b>

## Appendix I - Tax Credit Certificates Issued in FY09-10 (cont'd)

PROJECT NAME	ENTITY	CERTIFICATE AMOUNT	AUDITED PA SPENDING
<b>FTCs Awarded in FY08-09</b>			
AM Style - QVC Television Episodes	QVC, Inc.	\$117,218	\$469,030
Awesome Adventures (Season 13)	Steve Rotfeld Productions, Inc.	\$37,565	\$162,315
Big Bonanza Silver Day	QVC, Inc.	\$27,768	\$113,232
California Gold Rush	QVC, Inc.	\$25,142	\$100,605
Christmas in July/Countdown to Christmas	QVC, Inc.	\$111,071	\$480,255
Colonial Penn - Alex Trebek	iBOXfilm, Inc.	\$68,074	\$315,639
Conair Nail Kit	CPI Communications, Inc.	\$34,468	\$137,871
Creede Silver Strike	QVC, Inc.	\$24,946	\$99,818
Denim & Co	QVC, Inc.	\$60,163	\$240,652
Deliver Me Daytime Series (Season 1)	Banyan Productions	\$232,516	\$1,065,133
Diamonique Jewelry	QVC, Inc.	\$60,163	\$240,652
Fashion Day	QVC, Inc.	\$77,177	\$308,708
Fire in the Hole	Woodridge Productions, Inc.	\$1,055,105	\$4,220,421
Gem Day	QVC, Inc.	\$24,794	\$99,176
Golf in America	The Workshop, LLC	\$196,738	\$831,213
House on Sorority Row	House Row Productions, LLC	\$2,611,491	\$10,445,965
If It Ain't Broke Break It	Godse-Thakar Productions, LLC	\$26,219	\$105,311
In The Kitchen with Bob	QVC, Inc.	\$104,494	\$417,976
Klondike Gold Rush	QVC, Inc.	\$25,099	\$100,396
Law Abiding Citizen	LAC Films, LLC	\$8,648,493	\$34,593,972
New York	Ring of Fire Productions 1, Inc	\$759,696	\$3,038,786
Paint Over with Jennifer Bertrand	Nancy Glass Productions	\$29,889	\$176,474
PM Style - QVC Television Episodes	QVC, Inc.	\$113,723	\$454,892
Project Barkley	The Workshop, LLC	\$203,248	\$812,990
QVC Cross-Channel Promotions	QVC, Inc.	\$121,606	\$600,594
QVC Morning Show - QVC Television Episodes	QVC, Inc.	\$522,215	\$2,089,601
RV Show 2009	Nancy Glass Productions	\$26,049	\$109,607
Saturday Night Beauty	QVC, Inc.	\$50,906	\$203,692
Seeking Solutions with Suzanne (2008 Season)	Kelly Ryan Productions	\$317,261	\$1,269,042
Spice Up My Kitchen Season 5 & 6	Nancy Glass Productions	\$516,541	\$2,066,164
SS&K/ Environmental Defense Fund	SKUNK Partners, LLC	\$19,250	\$78,914
St. Patrick's Day Celebration	QVC, Inc.	\$25,006	\$100,060
Susan Graver Style	QVC, Inc.	\$60,163	\$478,109
The Best and the Brightest	Best and Brightest Movie LLC	\$692,420	\$2,769,680
The Last Airbender	Paramount Pictures	\$24,354,953	\$97,419,811
The Ultimate Peril	Steve Rotfeld Productions, Inc.	\$50,473	\$210,607
Three Rivers	CBS Paramount TV company name changed to Eye Productions Inc	\$980,462	\$3,921,847
Whaddyado (Season 4)	Steve Rotfeld Productions, Inc.	\$75,736	\$307,681
Wild About Animals (Season 16)	Steve Rotfeld Productions, Inc.	\$37,206	\$177,012
<b>Subtotal FY08-09</b>		<b>\$42,525,507</b>	<b>\$170,833,903</b>

## Appendix II - Use of Tax Credits in FY09-10

PROJECT NAME	ENTITY	AMOUNT USED BY FTC RECIPIENT	AMOUNT SOLD/TRANSFERRED
<b>TOTAL</b>		<b>\$1,400,814</b>	<b>\$63,022,288</b>
<b>Subtotal FY07-08</b>		<b>\$1,400,814</b>	<b>\$24,634,791</b>
Adventureland	Hats Off to Larry Productions Inc	\$ -	\$1,250,965
Americas Port	Big Smack TV	\$ -	\$12,722
Annual Cruise Guide Great Cruise Ships	Banyan Productions Inc	\$ -	\$450,439
Another Harvest Moon	Another Harvest Moon LLC	\$ -	\$108,964
Buddy Gilbert Comes Alive	Singer Songwriter Productions, LLC	\$ -	\$109,056
Comedy Central Cheetos Promo	Big Smack TV	\$ -	\$11,793
Cox My Primetime Promo	Big Smack TV	\$ -	\$5,329
Dinner Impossible Season #2 Contract #3	SSIP LLC	\$ -	\$489,502
Disney Toy Spots	Shooters Inc	\$ -	\$34,262
Fight Science	Big Smack TV	\$ -	\$13,393
Juno CTW	Big Smack TV	\$ -	\$4,727
Kill Point (Episodes 2-8)	Kill Pit Productions Inc	\$ -	\$3,455,699
Lebanon	Lebanon Productions LLC	\$ -	\$76,462
Movie Up	Big Smack TV	\$ -	\$10,264
My Bloody Valentine	Cupid Productions Inc	\$ -	\$1,000,000
My Bloody Valentine	Cupid Productions Inc	\$ -	\$1,272,494
My Bloody Valentine	Cupid Productions Inc	\$ -	\$1,078,826
My Dog Tulip	The My Dog Tulip Company, LLC	\$ -	\$104,898
NatGeoTV.com Promo	Big Smack TV Inc	\$ -	\$2,138
National Geographic Channel: LA Hardhats Promo	Big Smack TV Inc	\$ -	\$15,000
Rip & Renew	Nancy Glass Productions	\$ -	\$130,748
RV2008	Nancy Glass Productions	\$ -	\$3,445
Save My Bath (Season 5)	Nancy Glass Productions	\$ -	\$140,192
Shannon's Rainbow	Shannon's Rainbow, LLC	\$ -	\$574,110
Shannon's Rainbow	Shannon's Rainbow, LLC	\$ -	\$55,000
Shannon's Rainbow	Shannon's Rainbow, LLC	\$ -	\$121,000
Shannon's Rainbow	Shannon's Rainbow, LLC	\$ -	\$110,000
She's Out of My League	Dreamworks SKG	\$ -	\$3,657,941
Six Degrees	Big Smack TV	\$ -	\$11,200
Sleeping with the Fishes	International Artist Studio	\$ -	\$116,050
Spice Up My Kitchen 3 & 4	Big Smack TV	\$ -	\$400,127
The Happening	Twentieth Century Fox Film Corporation	\$ 1,400,814.00	\$0

## Appendix II - Use of Tax Credits in FY09-10 (cont'd)

PROJECT NAME	ENTITY	AMOUNT USED BY FTC RECIPIENT	AMOUNT SOLD/TRANSFERRED
<b>Subtotal FY07-08 (cont'd)</b>			
The Lovely Bones	Dreamworks SKG	\$ -	\$2,000,000
The Lovely Bones	Dreamworks SKG	\$ -	\$1,000,000
The Lovely Bones	Dreamworks SKG	\$ -	\$1,200,000
The Lovely Bones	Dreamworks SKG	\$ -	\$128,517
The Lovely Bones	Dreamworks SKG	\$ -	\$3,300,000
The Verdict	The Verdict Productions 1, Inc.	\$ -	\$618,583
Transformers CTW	Big Smack TV	\$ -	\$7,500
Trapped	Winter Morning Pictures LLC	\$ -	\$14,895
Who Knew Promo	Big Smack TV	\$ -	\$11,844
Your Dog is Fat and So Are You	Banyan Productions	\$ -	\$49,200
Zack and Miri	Blue Askew Inc.	\$ -	\$1,000,000
Zack and Miri	Blue Askew Inc.	\$ -	\$250,000
Zack and Miri	Blue Askew Inc.	\$ -	\$227,506

PROJECT NAME	ENTITY	AMOUNT USED BY FTC RECIPIENT	AMOUNT SOLD/TRANSFERRED
<b>Subtotal FY08-09</b>		\$ -	\$38,387,497
Deliver Me Daytime Series (Season 1)	Banyan Productions	\$ -	\$232,516
The Last Airbender	Paramount Pictures	\$ -	\$5,000,000
The Last Airbender	Paramount Pictures	\$ -	\$9,354,953
The Last Airbender	Paramount Pictures	\$ -	\$10,000,000
Fire in the Hole	Woodridge Productions, Inc.	\$ -	\$1,055,105
Awesome Adventures (Season 13)	Steve Rotfeld Productions, Inc.	\$ -	\$37,565
RV Show 2009	Nancy Glass Productions	\$ -	\$26,049
Law Abiding Citizen	LAC Films, LLC	\$ -	\$8,648,356
Colonial Penn - Alex Trebek	iBOXfilm, Inc.	\$ -	\$68,074
New York	Ring of Fire Productions 1, Inc	\$ -	\$759,696
House on Sorority Row	House Row Productions, LLC	\$ -	\$1,611,491
House on Sorority Row	House Row Productions, LLC	\$ -	\$1,000,000
Conair Nail Kit	CPI Communications, Inc.	\$ -	\$34,468
Golf in America	The Workshop, LLC	\$ -	\$196,738
Project Barkley	The Workshop, LLC	\$ -	\$203,156
The Ultimate Peril	Steve Rotfeld Productions, Inc.	\$ -	\$50,473
Whaddyado (Season 4)	Steve Rotfeld Productions, Inc.	\$ -	\$71,651
Wild About Animals (Season 16)	Steve Rotfeld Productions, Inc.	\$ -	\$37,206