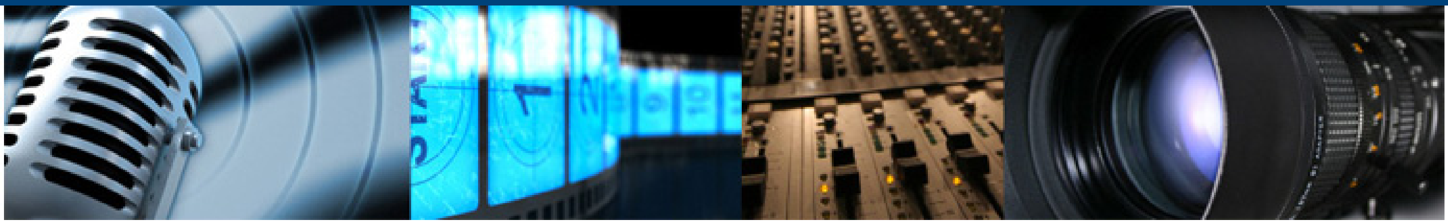


Tax Credits: Perhaps One Size Does Not Fit All

November 29, 2011 by Bob Tarantino

2011 has seen a variety of news stories about film and television tax credit incentive programs around the world. In the summer, the Economist reported that many US states were ending their tax credit programs ("Unilateral disarmament"):

Arizona, Arkansas, Idaho, Kansas, Maine, New Jersey and Washington have recently ended, suspended or shrunk their programmes. Many others, struggling with budget deficits, are considering doing the same, investing the money in something permanent or even leaving it to taxpayers. “2010 will likely stand as the peak year,” thinks Mr Henchman.

But where some US states are declining to tread, other jurisdictions are continuing to venture:

UK Extends Movie Tax Break Until 2015

Prime Minister David Cameron has announced that film tax relief will be extended for four more years until the end of December 2015. It had been due to expire March next year.

It is worth emphasizing that the UK has extended its film and TV tax incentive program at the same time that the government is in the midst of enormous budget cuts in other areas of government spending.

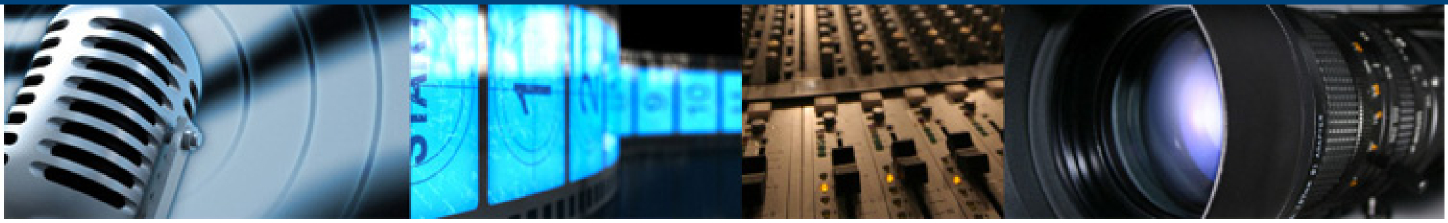
Closer to home, the province of New Brunswick, after announcing the end of its incentive program earlier this year, has now indicated that film and TV projects will continue to receive funding, though via different delivery mechanisms:

N.B. filmmakers welcome new funding

Filmmakers in New Brunswick are welcoming a new funding application process launched by the provincial government on Tuesday, after the film tax credit was axed in March.

New Brunswick will provide as much as 25 to 30 per cent of eligible expenditures incurred in the province, depending upon the type of project, said Wellness, Culture and Sport Minister Trevor Holder.

While it's dangerous to draw conclusions from such disparate experiences, it's worth noting that tax credit incentive programs appear to be in the process of being retained in jurisdictions where they have a long history (reflecting a long-term investment in anticipated industry growth and spin-off benefits) and being abandoned in jurisdictions where they were viewed as short-cuts to desirable economic activity. In other words, tax credit programs appear to be viewed as worthwhile when they



are understood as a mechanism for developing or sustaining an indigenous production industry over an extended time horizon; they are less attractive if they are intended to create, virtually overnight, an industry hub in an environment which is otherwise unpromising.
