

Film Tax Credits Can Lead to Costly Liability If You Don't Play By the Rules

by Anthony Caruso on June 5, 2012

States are increasingly offering film, television, and digital entertainment tax credits. These incentives create significant cost savings for companies producing feature films, television series, music videos and commercials.

However, as highlighted by a recent criminal case in Massachusetts, it is important to play by the rules. The Massachusetts director who filmed two movies on Cape Cod has been sentenced to a maximum of three years in state prison after admitting he exaggerated expenses when he applied for Massachusetts film tax credits.

As reported by the Los Angeles Times, Daniel Adams pleaded guilty to larceny and making a false claim in connection with Massachusetts film tax credits for the 2008 movie *The Golden Boys* and the 2009 movie *The Lightkeepers*.

Prosecutors alleged Adams overstated his film-related expenses related to those movies by \$4.7 million. He has been ordered to pay nearly \$4.4 million in restitution and serve 10 years on probation after his prison sentence.

As this case highlights, it is important for production companies to make sure that they satisfy the eligibility requirements for tax credit and other incentive programs and only seek credit for qualified production expenditures. Since all state requirements differ, it is important to consult with an experienced entertainment lawyer.