



June 18-21, 2013

Incentivizing Creativity

**State Tax Incentives and the Growth of the
Georgia Film Industry**

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State Movie Production Incentive (MPI)

- **Monetary inducements for film production**
- **Biggest growth in tax credits for film production costs**
 - ▣ **Credits from 5 to 40% of production costs**
 - ▣ **Most are transferable and/or refundable (i.e., regardless of tax liability)**

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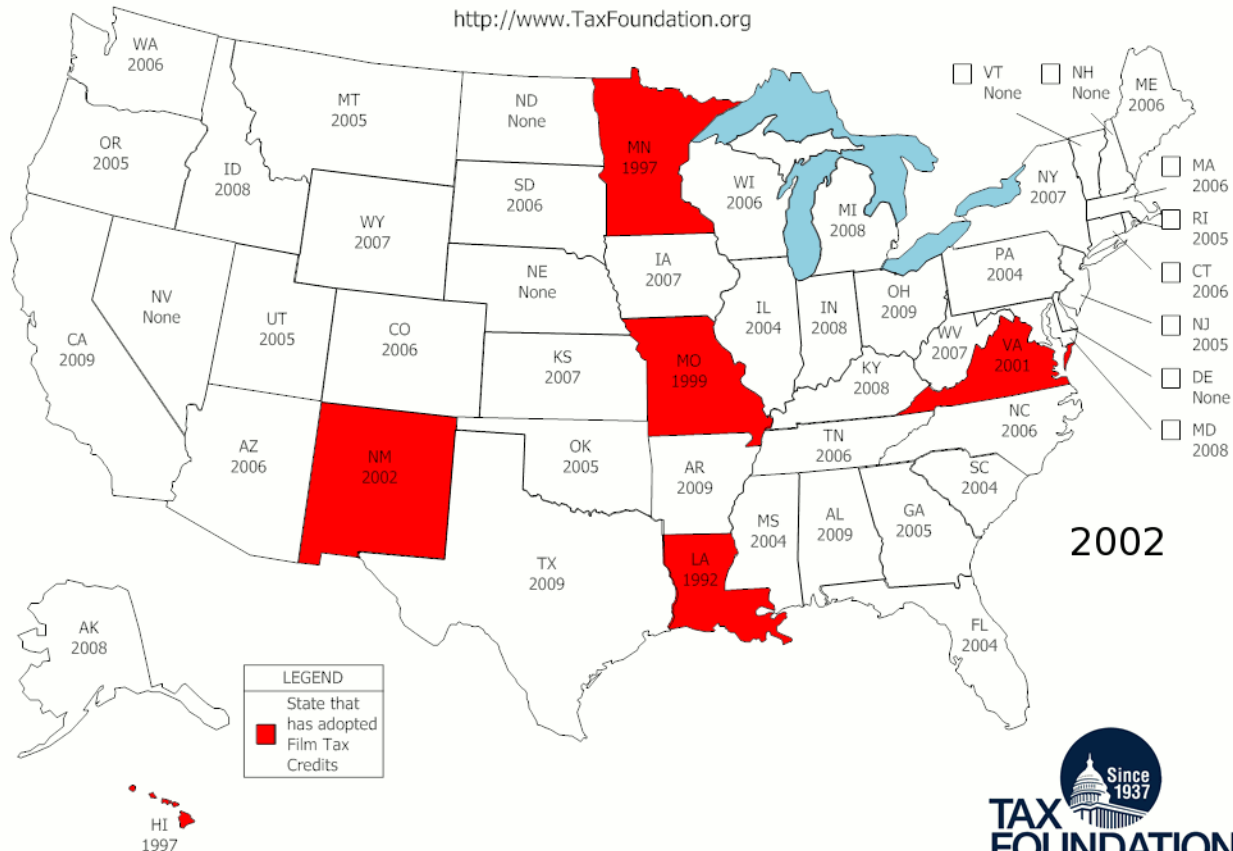
Rapid Expansion of MPIs

- **MPIs proliferated in the 2000s**
 - ▣ From **4** states in 2002 to **44** states in 2010
 - ▣ A few have cancelled or deactivated since 2010
- **Cost to states**
 - ▣ \$1.4 billion in 2010
 - ▣ Nearly **\$6 billion** since 2001
- **Also expanded to related industries**
 - ▣ Music Recording & Production
 - ▣ Digital Media Development

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Growth of MPIs by State 2002-2009

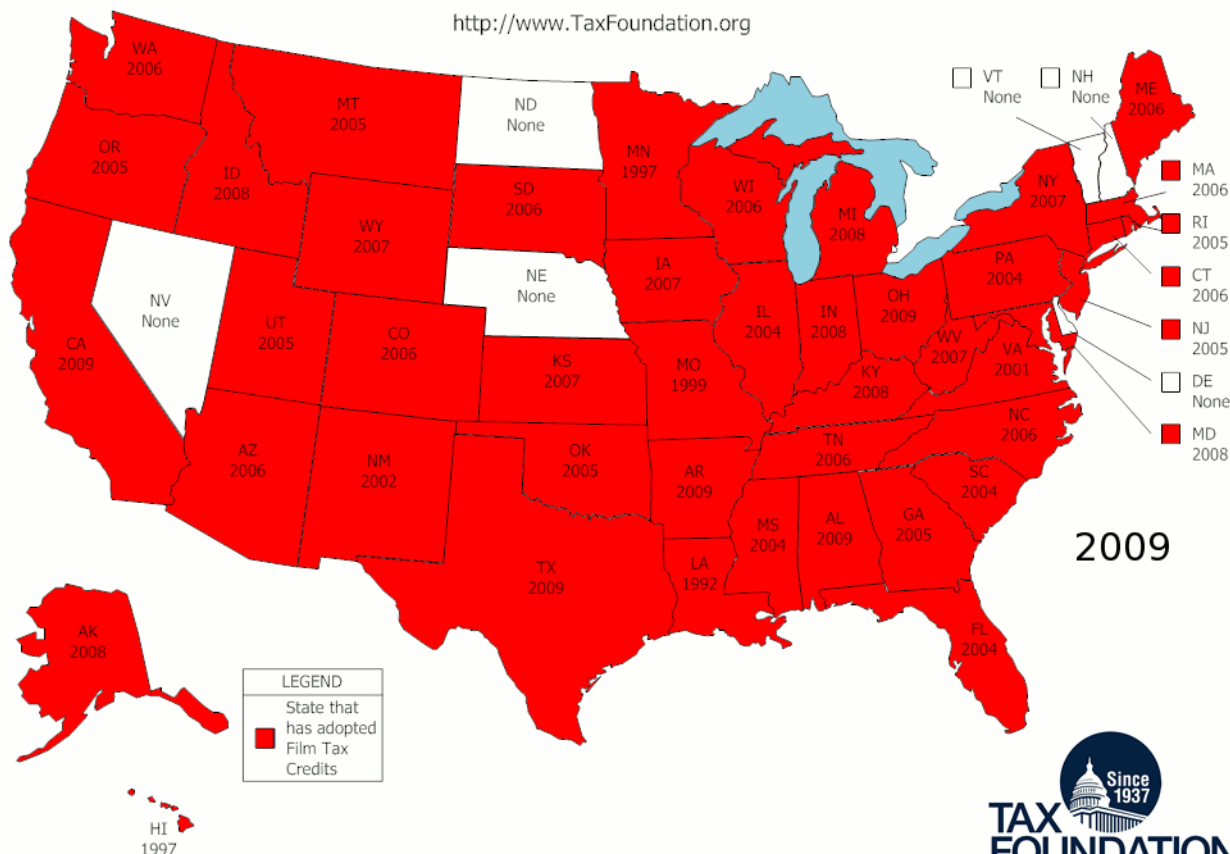


Source: Tax Foundation
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Growth of MPIs by State 2002-2009



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The Question of Industry Incentives

- **Do they work in building sustainable industry clusters?**
- **Critiques:**
 - ▣ **“Race to the bottom”**
 - ▣ **Rent-seeking behavior**
 - ▣ **Need to address supply & marketing chains**
 - ▣ **Lack of accountability**
 - ▣ **Corruption**

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The Film Industry: A Special Case?

- **Unique modes of production (project-based)**
- **Unique location requirements (studio & remote)**
- **Unique labor organization (network of large & small firms and individual contractors)**

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Research Questions

- **Can MPIs create a self-sustaining local industry?**
 - **Do MPIs increase local industry employment?**
 - **Do MPIs increase local industry establishments?**
 - **Do higher MPIs perform better than lower ones?**
 - **Can a local industry be sustained in light of competition from other states?**

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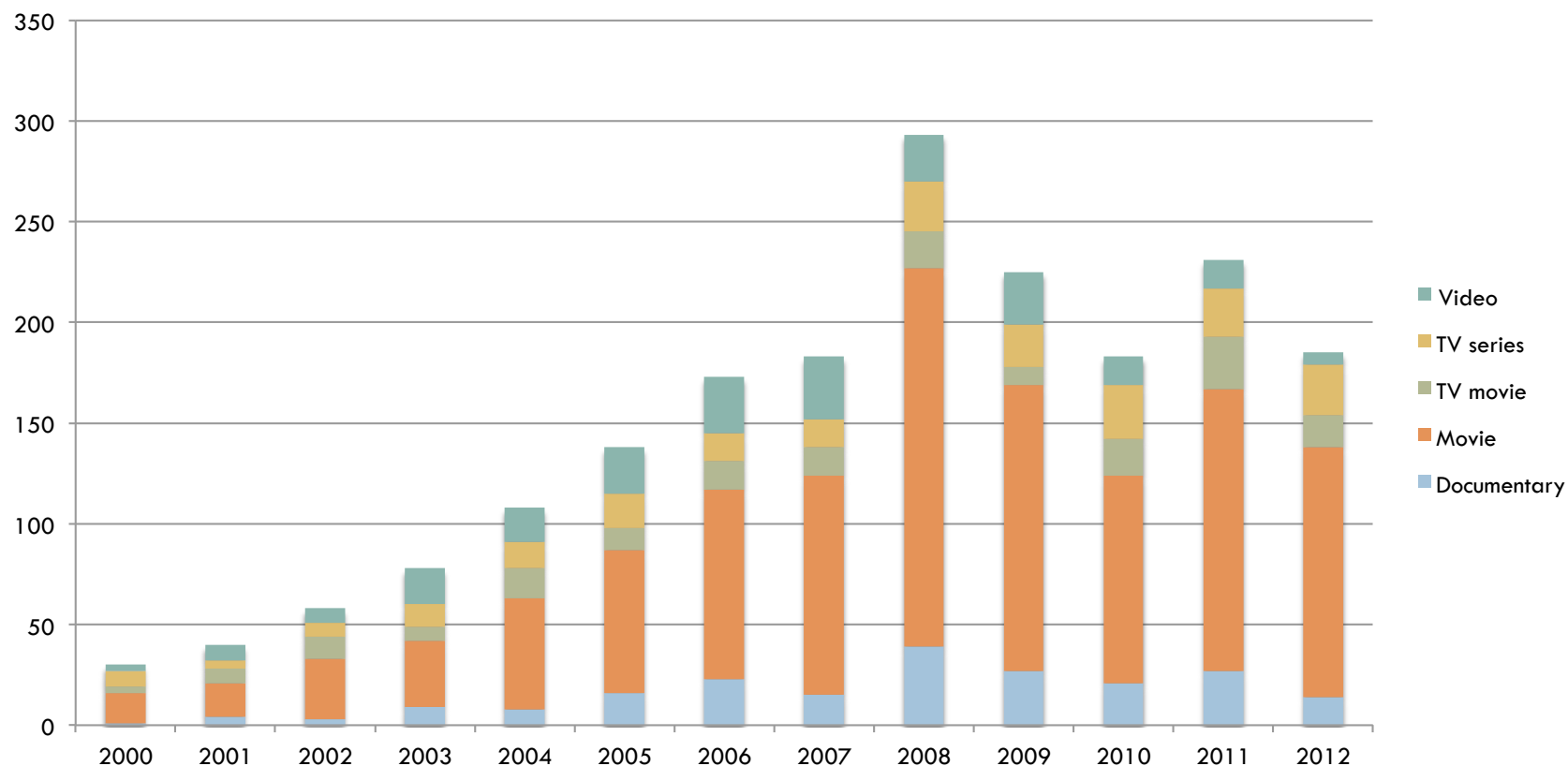
The Case of Georgia

- **40-year history of film production support**
- **First tax incentive package passed in 2005**
 - ▣ **9% transferable base tax credit**
 - ▣ **Additional 3% for hiring Georgia residents**
- **Incentives expanded in 2008**
 - ▣ **20% transferable base tax credit**
 - ▣ **Additional 10% for animated logo**

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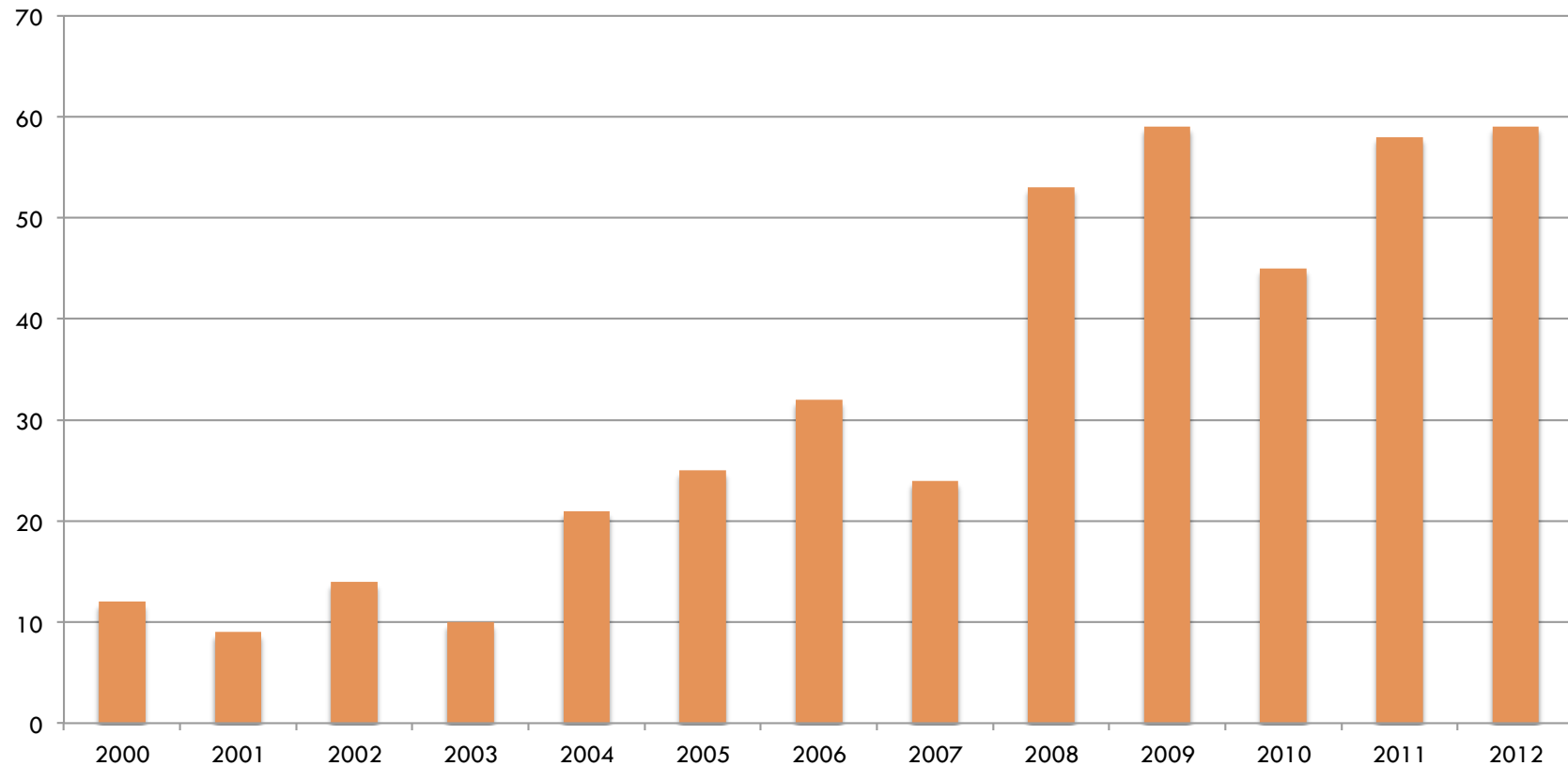
Georgia Productions by Type



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Georgia Feature Films Only

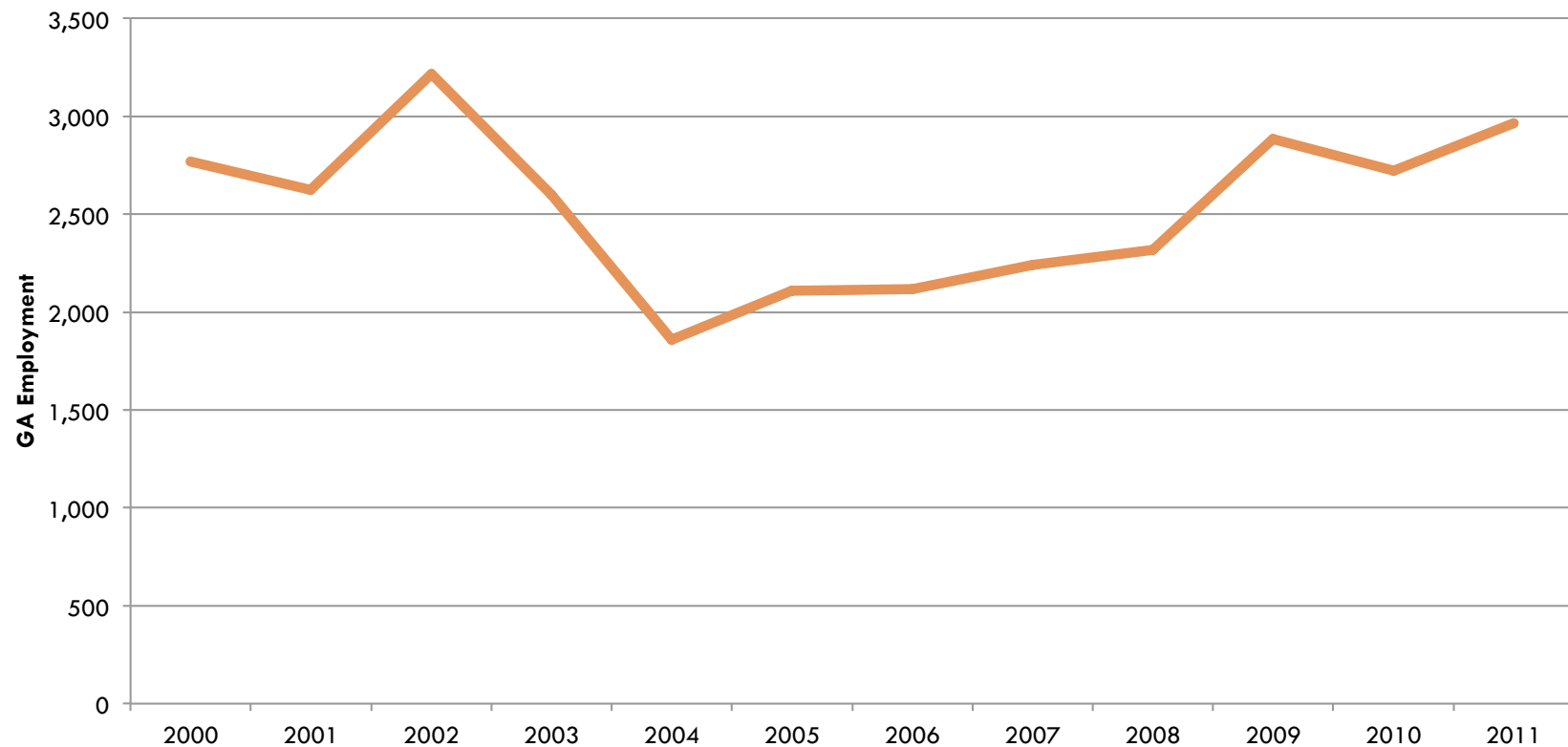


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Georgia Film Employment

All Motion Picture and Video Employment

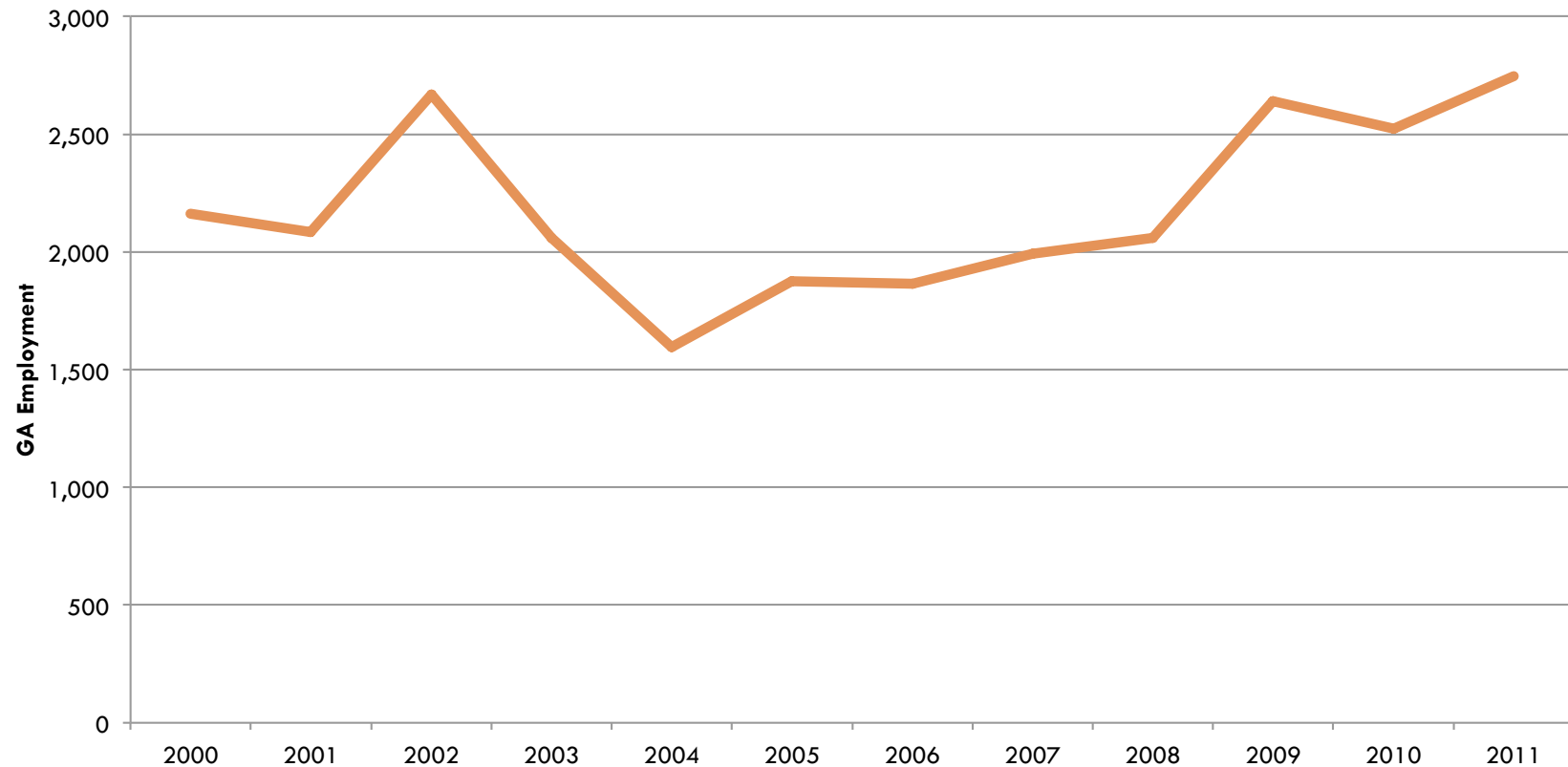


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Georgia Film Production Employment

Motion Picture and Video Production Employment

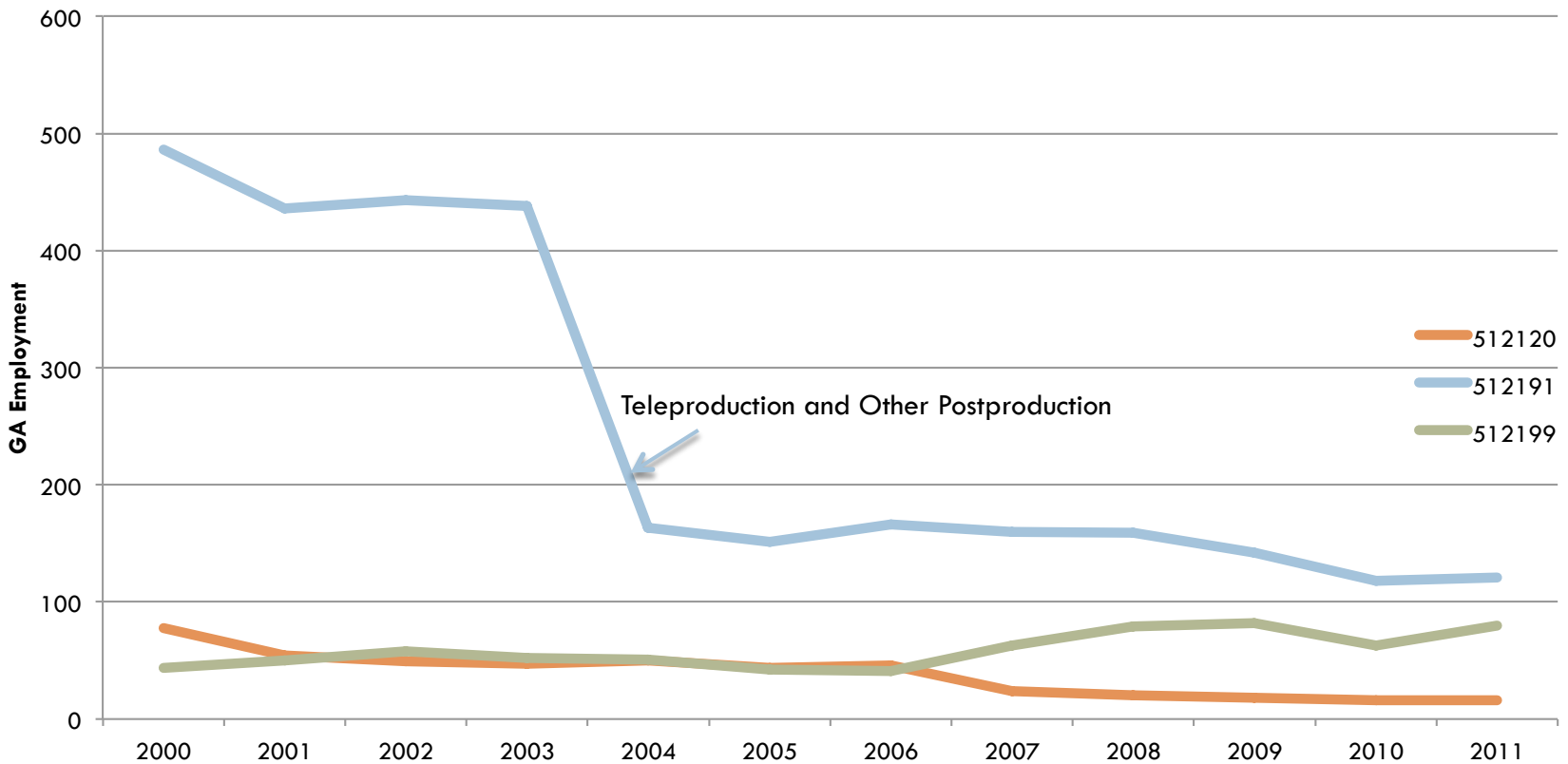


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Other Film Production Employment

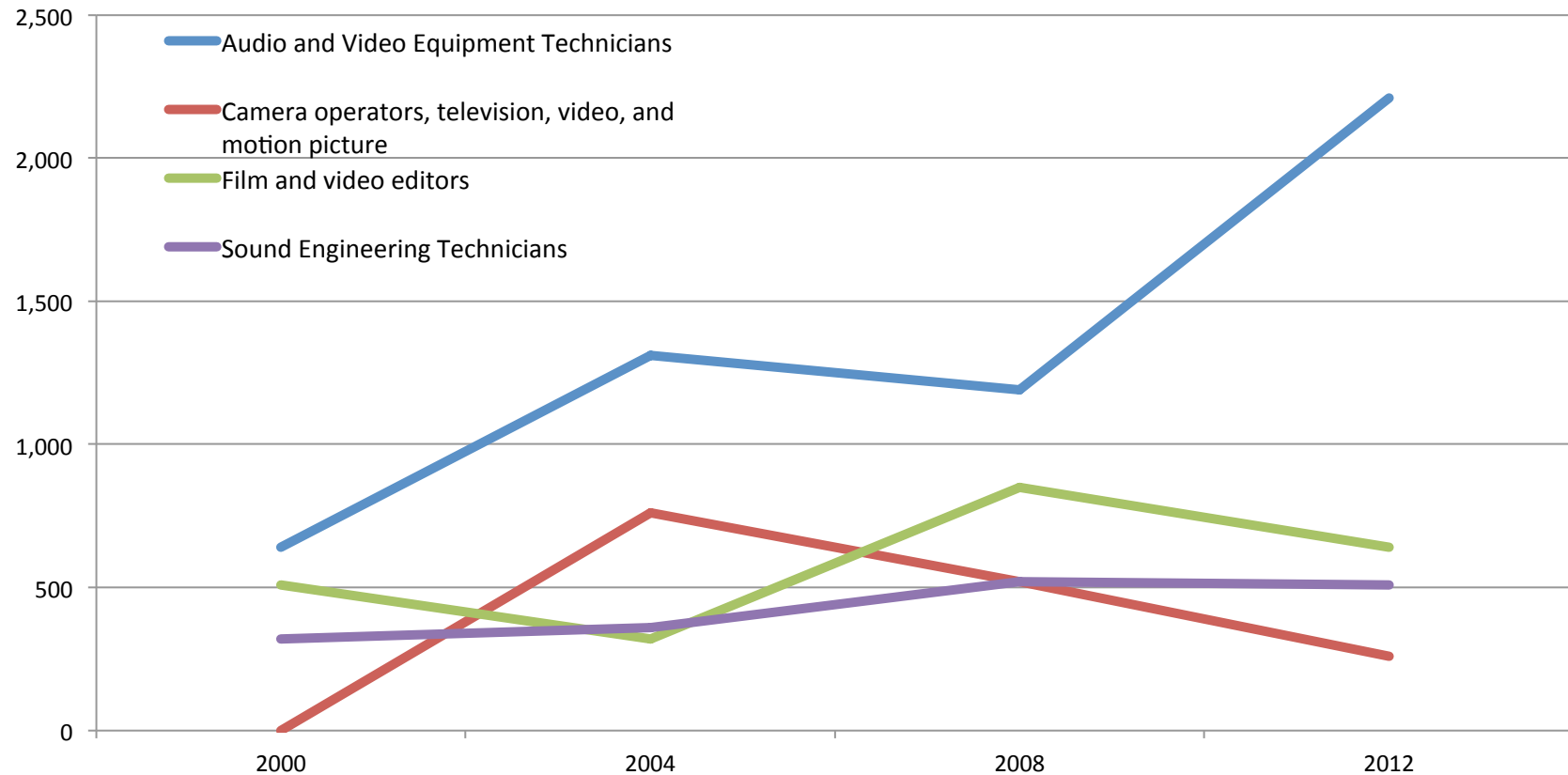
Other Motion Picture and Video Production Employment



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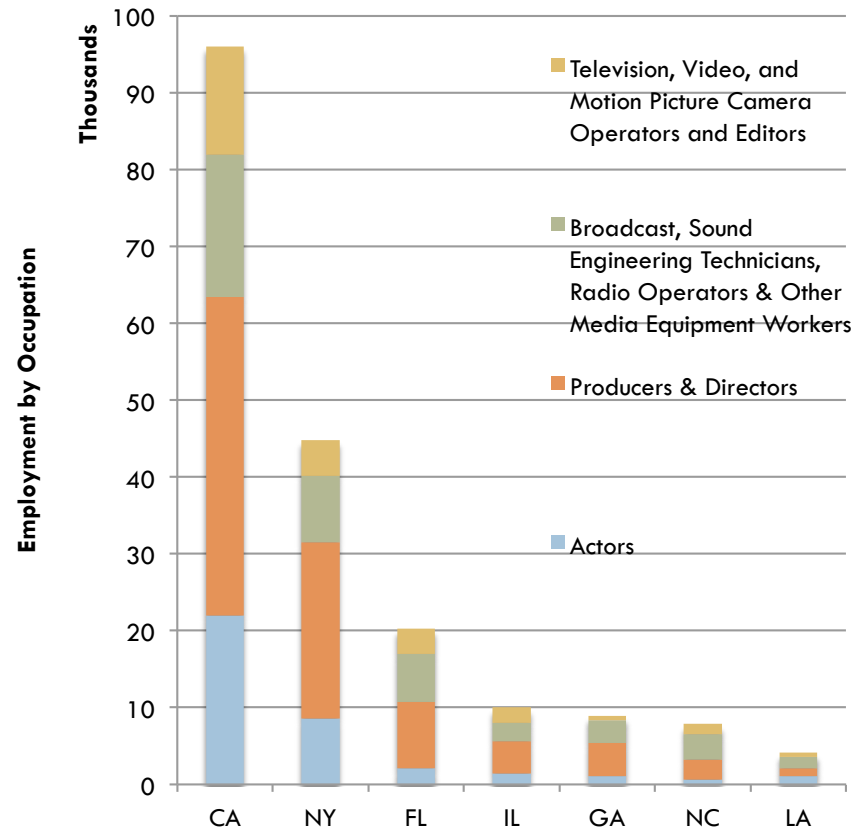
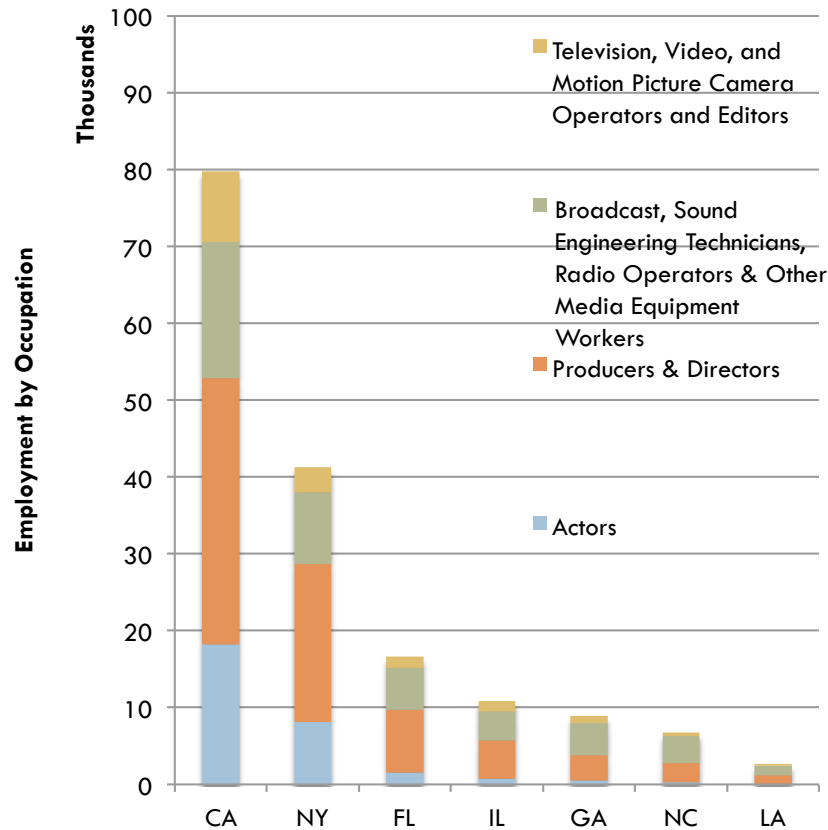
Georgia Below-the-Line Occupations



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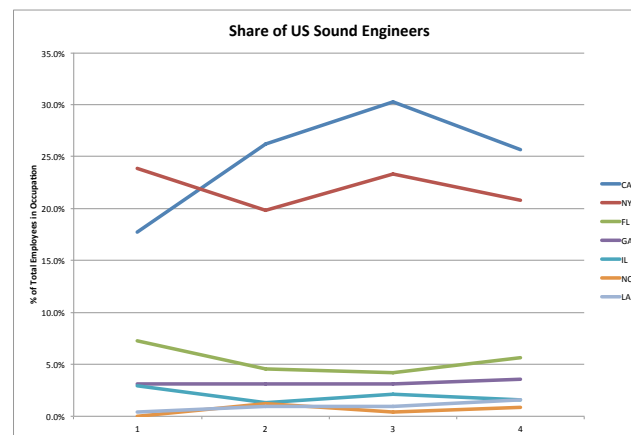
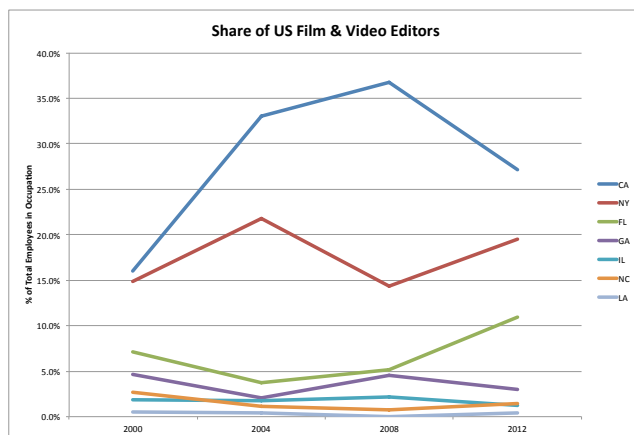
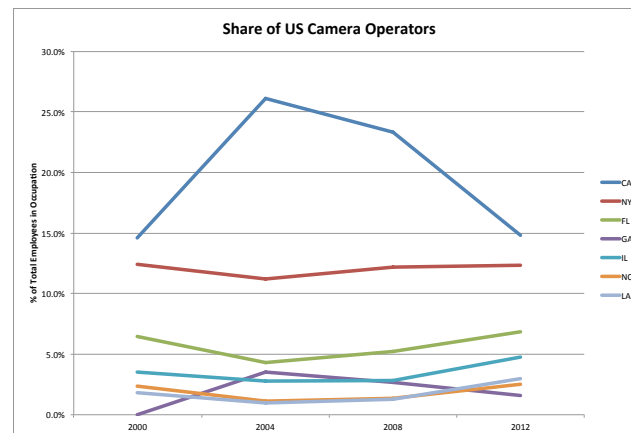
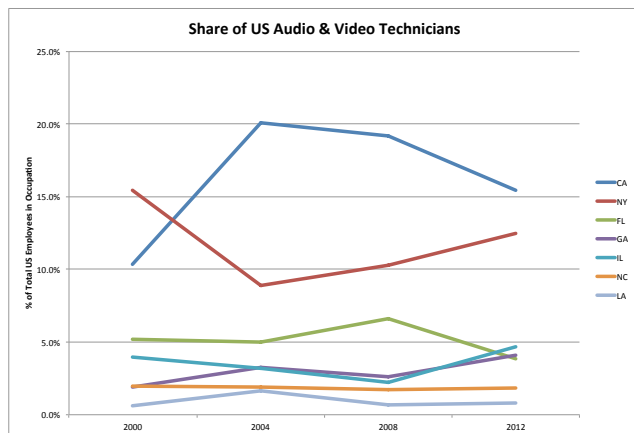
US Select Film Occupations, 2000-2012



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Share of US Below-the-Line Occupations, 2000-2012



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Georgia Film Industry Job Growth

- **Industry employment peaked in 2002**
 - ▣ **This is the year other states, most notably Louisiana, began offering tax incentives**
- **Steady growth since 2004**
- **The largest growth rates were in years of tax incentive packages being implemented (2005 and 2008)**

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Detailed Job Growth

- **Production jobs have accounted for virtually all growth, & have surpassed the 2002 peak in 2011**
- **Teleproduction and Other Postproduction declined sharply in 2004, and has been flat since**
- **Distribution and other motion picture industries have been flat since 2000**

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Summary of Findings

- ❑ **Competing tax incentives seem to have a great impact**
- ❑ **The employment effects of tax incentives taper off noticeably after the first year**
- ❑ **Feature films increasingly dominate the production levels**
- ❑ **The growth in film production does not equate to similar growth in local employment**

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Policy Implications

- ❑ **Caution in using MPIs**
- ❑ **Production and employment are affected by competing states**
- ❑ **Employment effects tend to be short-lived at best**
- ❑ **Lack of growth in post-production and other areas suggests potential problems for sustainability**

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Future Research

- **Time-series analysis using ES-202**
- **Establishment analysis combining ES-202 with IMDb Pro and Georgia Sourcebook**
- **Look at “critical components” in Georgia**
- **Social Network Analysis of Georgia film projects**
- **Qualitative analysis of Georgia as a potential production center**

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The End

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filmed on location in the state of georgia



Georgia

georgia.org/media