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OF POLICY STUDIES



ECE Experience the
Creative Economy

June 18-21, 2013

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**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

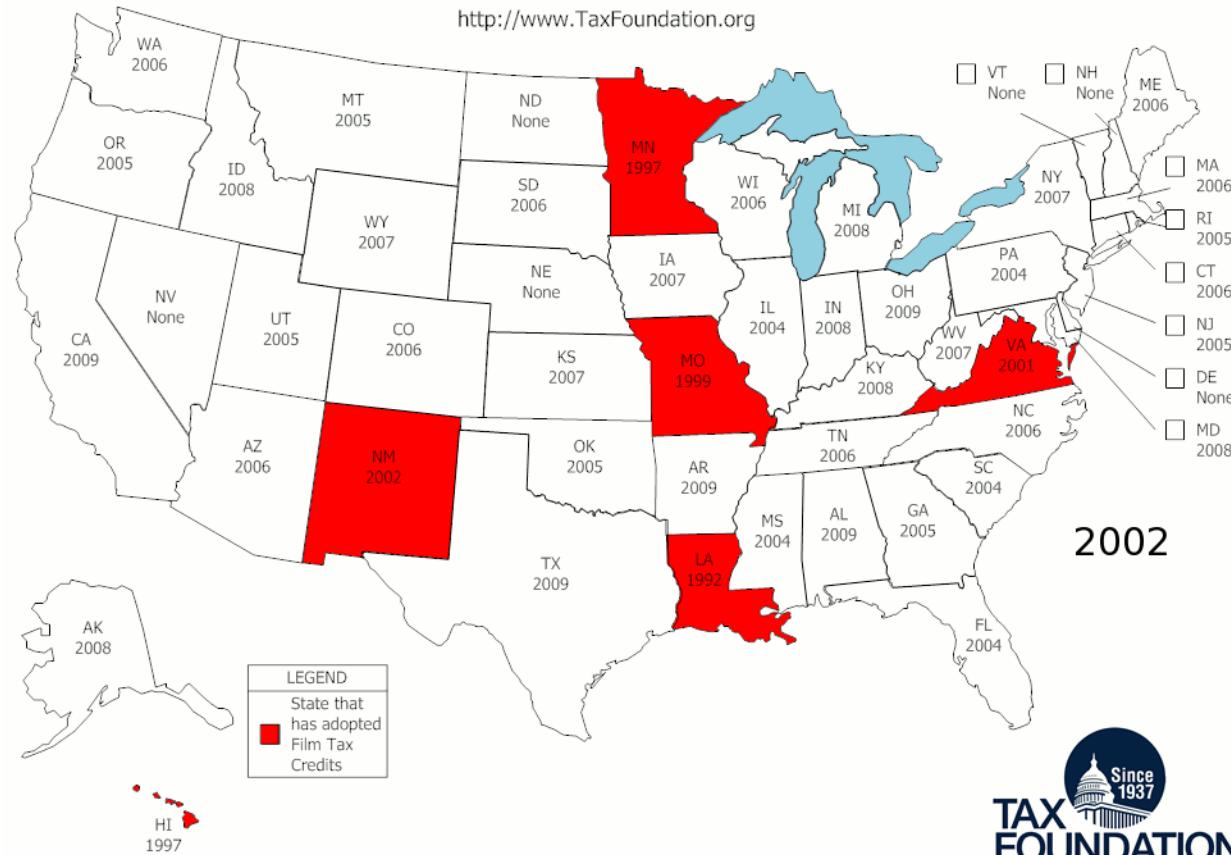
- MPIs proliferated in the 2000s
 - From 4 states in 2002 to 44 states in 2010
 - A few have cancelled or deactivated since 2010
- Cost to states
 - \$1.4 billion in 2010
 - Nearly \$6 billion since 2001
- Also expanded to related industries
 - Music Recording & Production
 - Digital Media Development

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Growth of MPIs by State 2002-2009

<http://www.TaxFoundation.org>



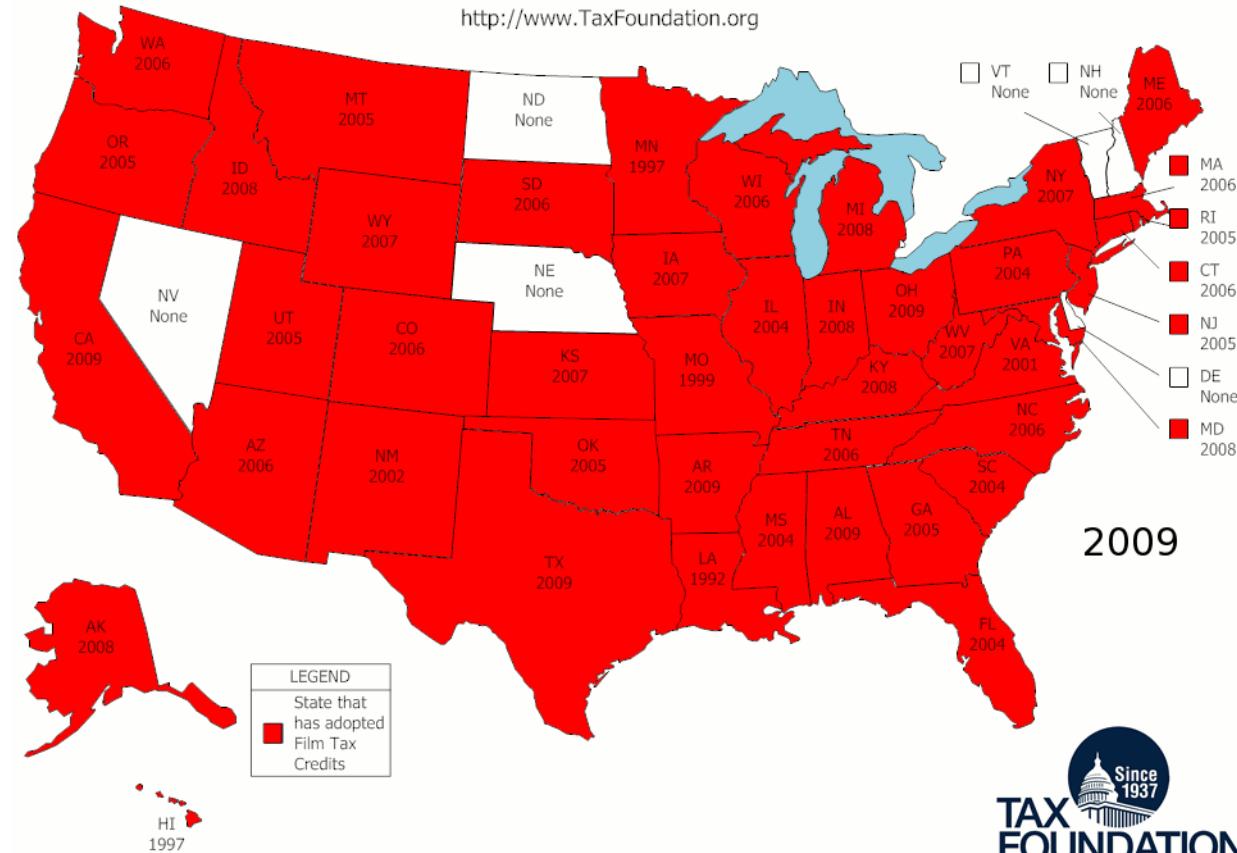
Source: Tax Foundation
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Growth of MPIS by State 2002-2009

<http://www.TaxFoundation.org>



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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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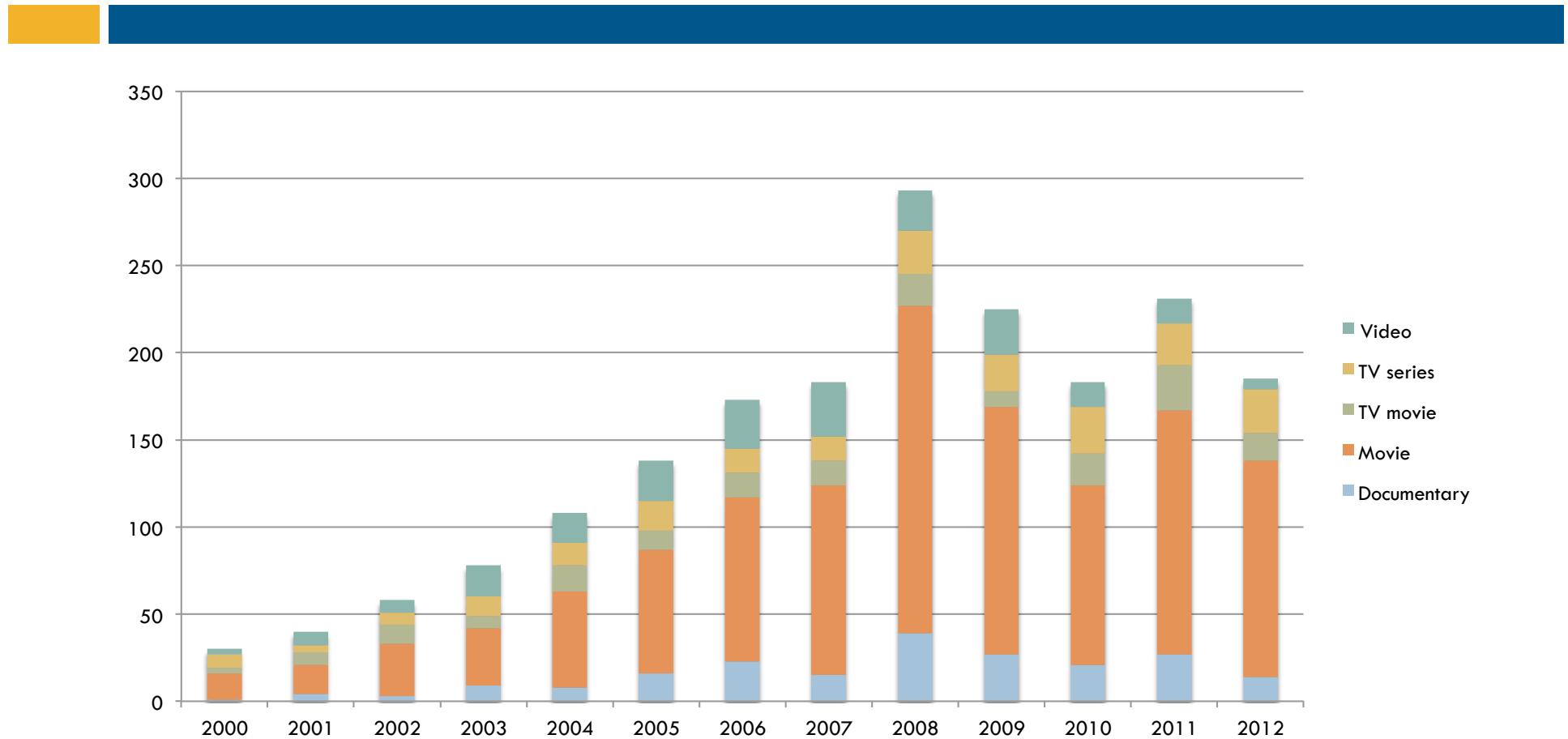
The Case of Georgia

- **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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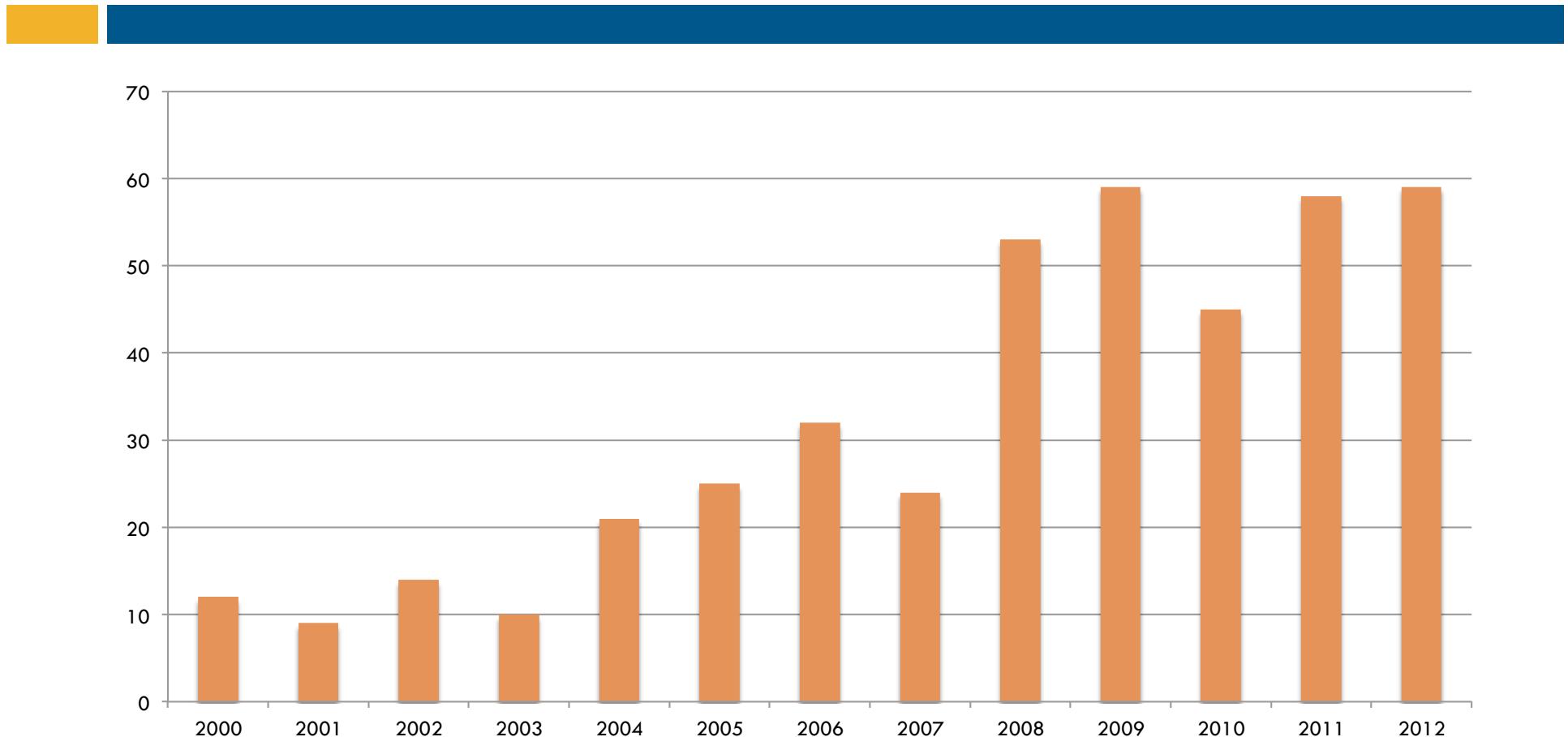
Georgia Productions by Type



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Georgia Feature Films Only



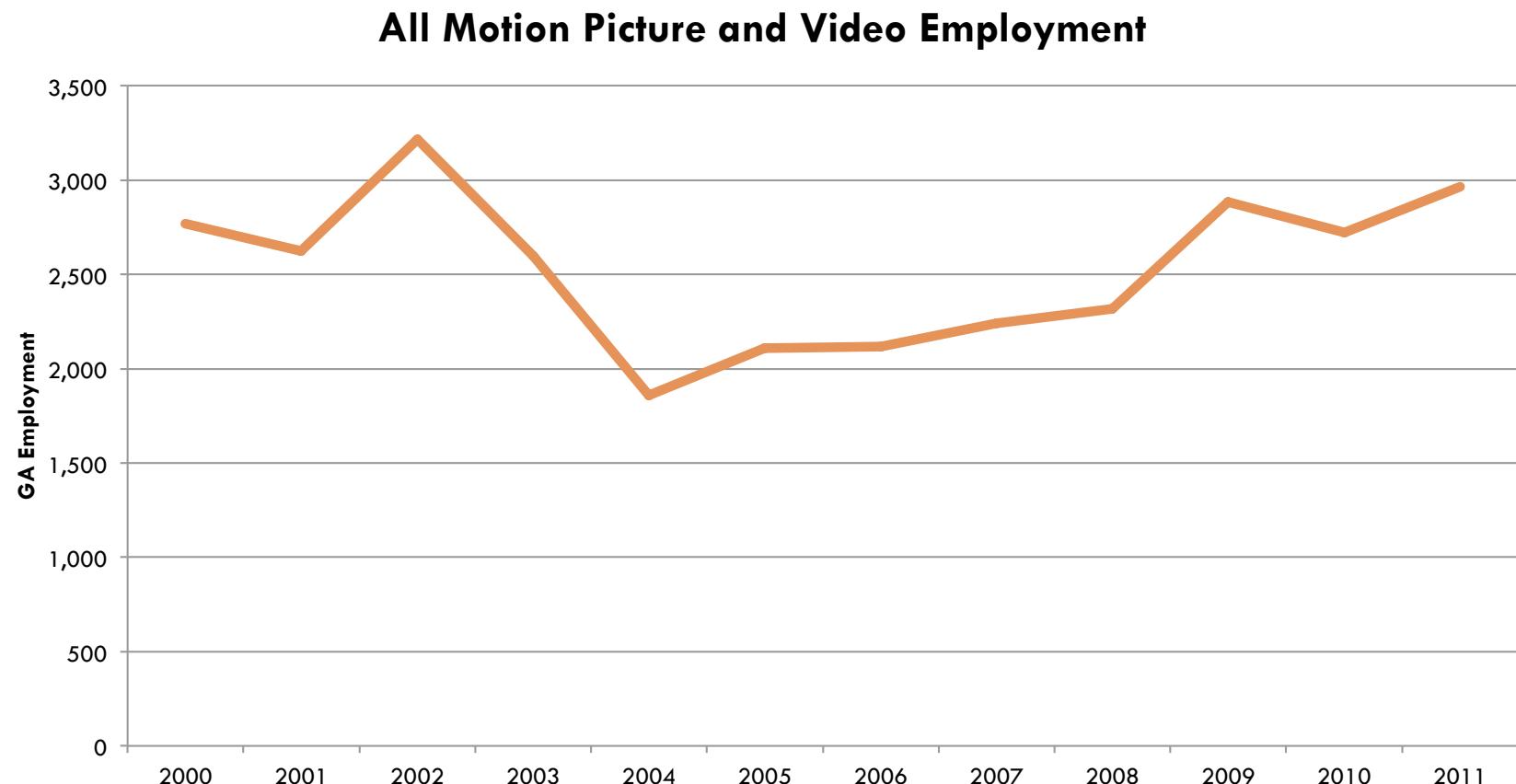
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Georgia Film Employment

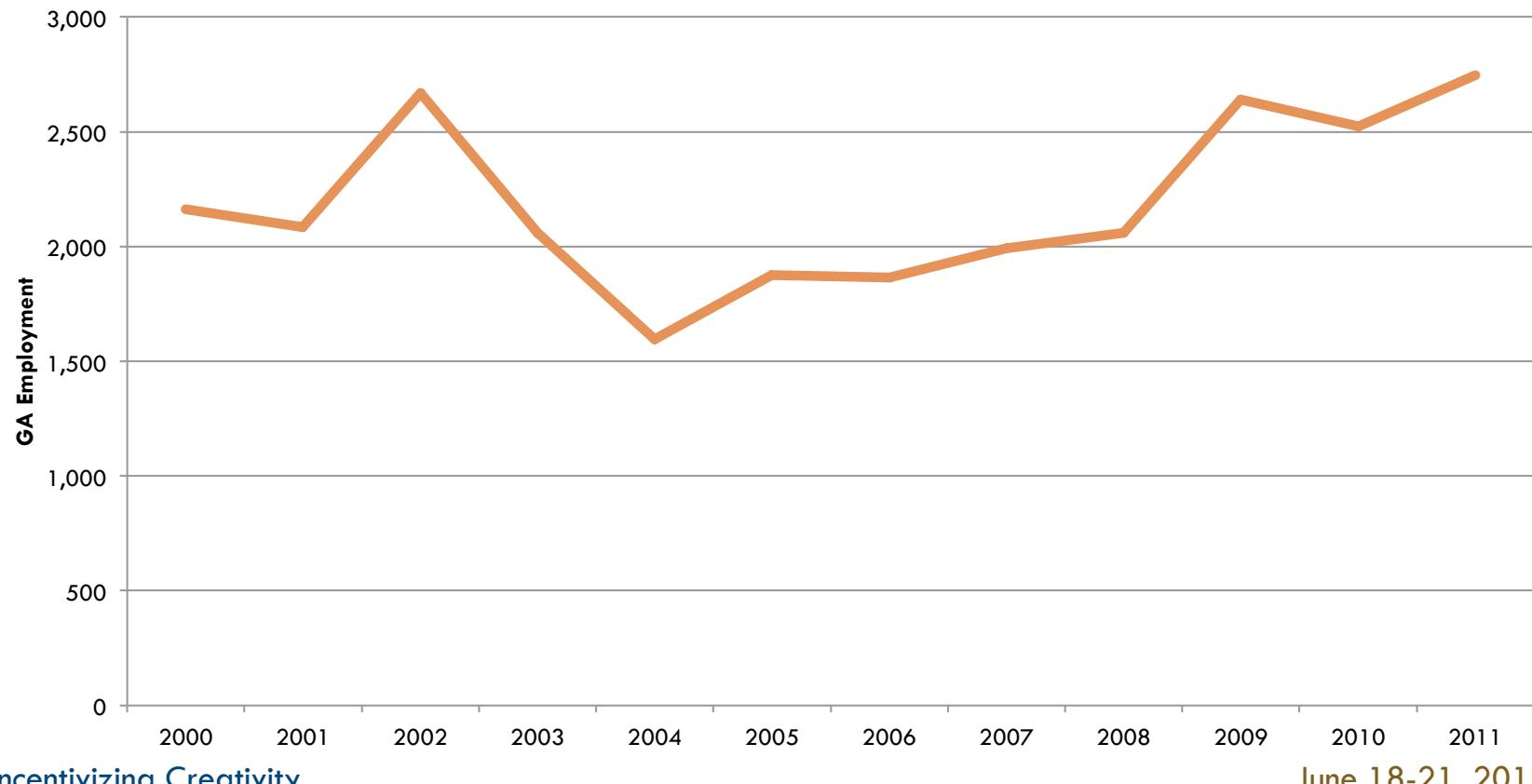


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Georgia Film Production Employment

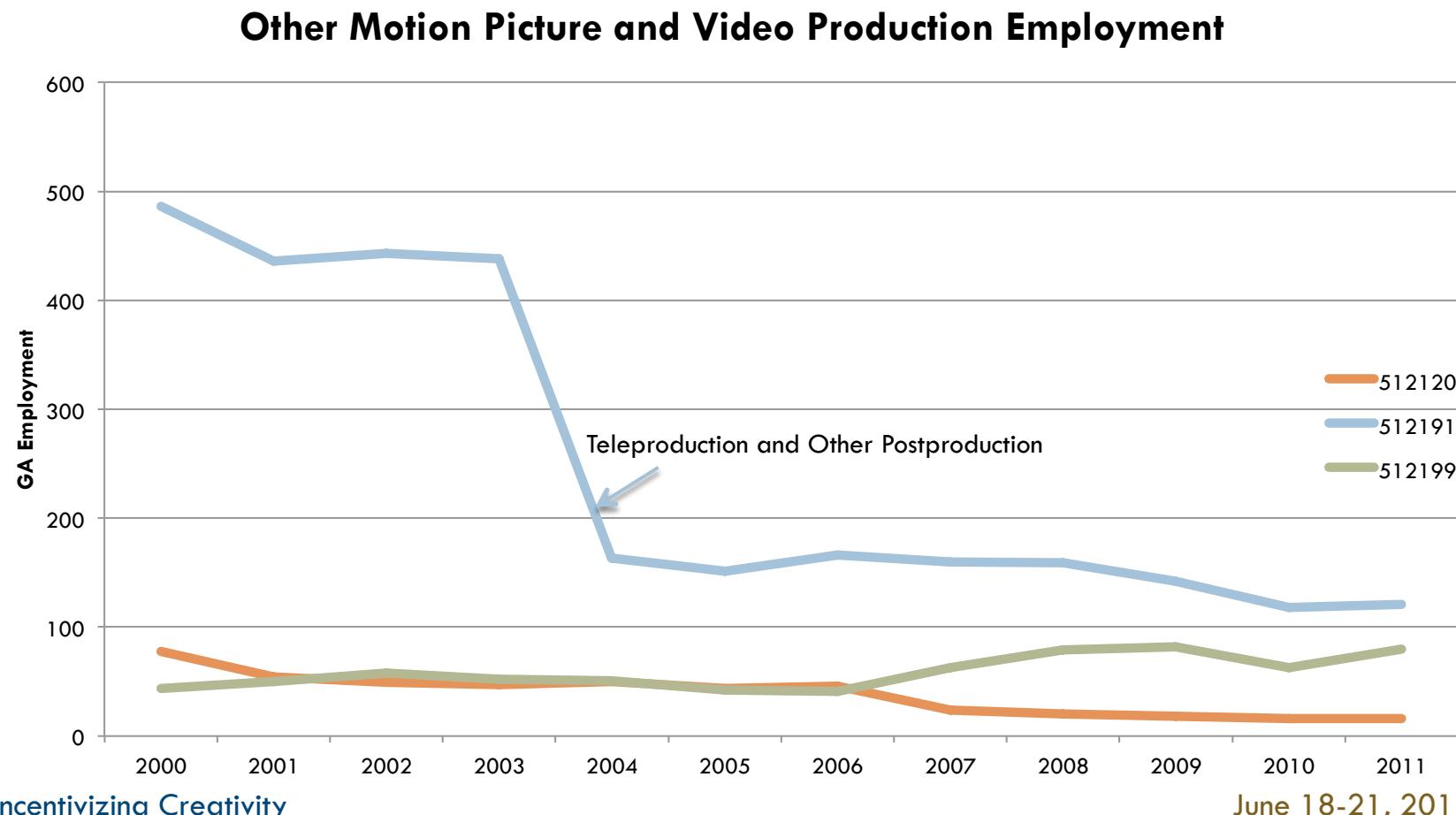
Motion Picture and Video Production Employment



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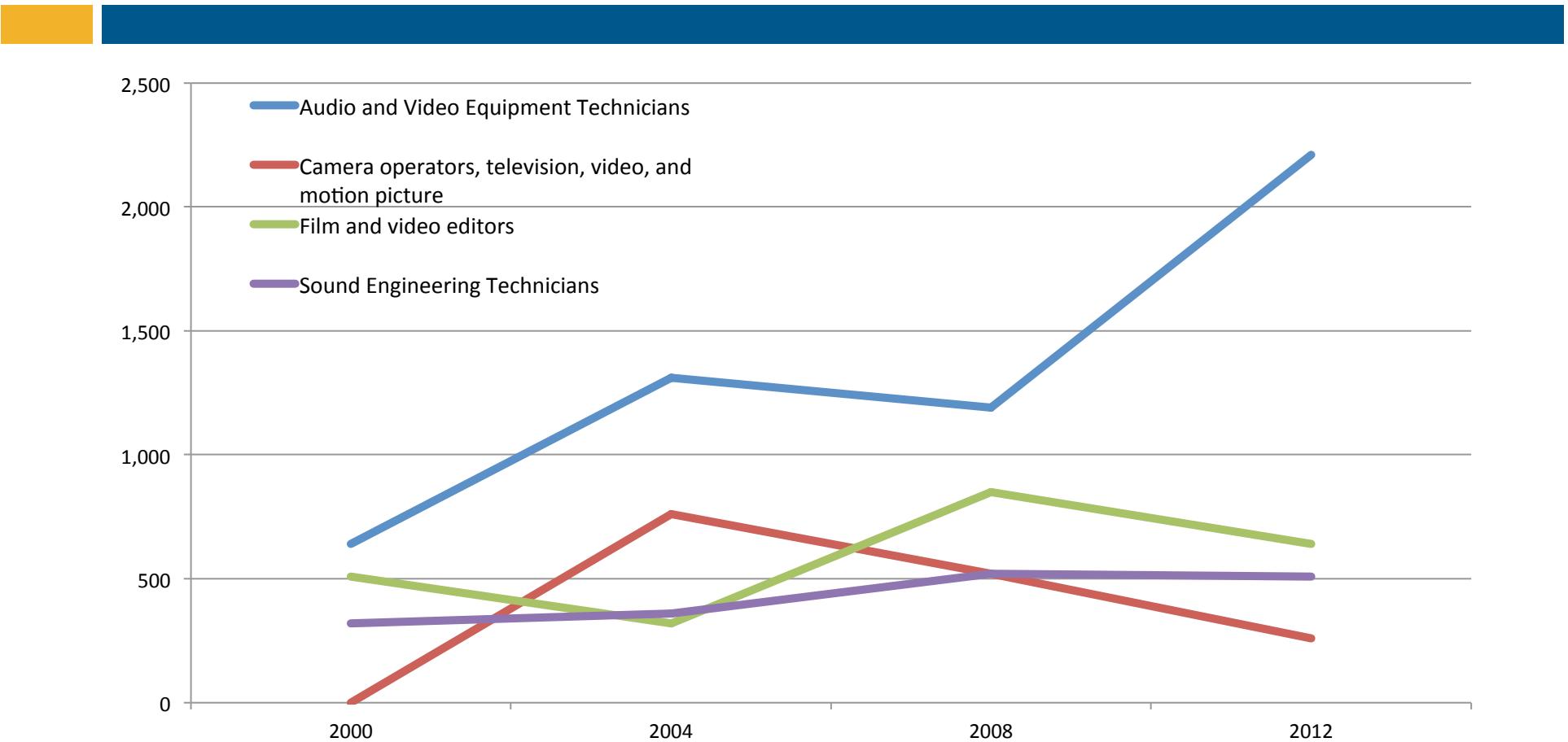
Other Film Production Employment



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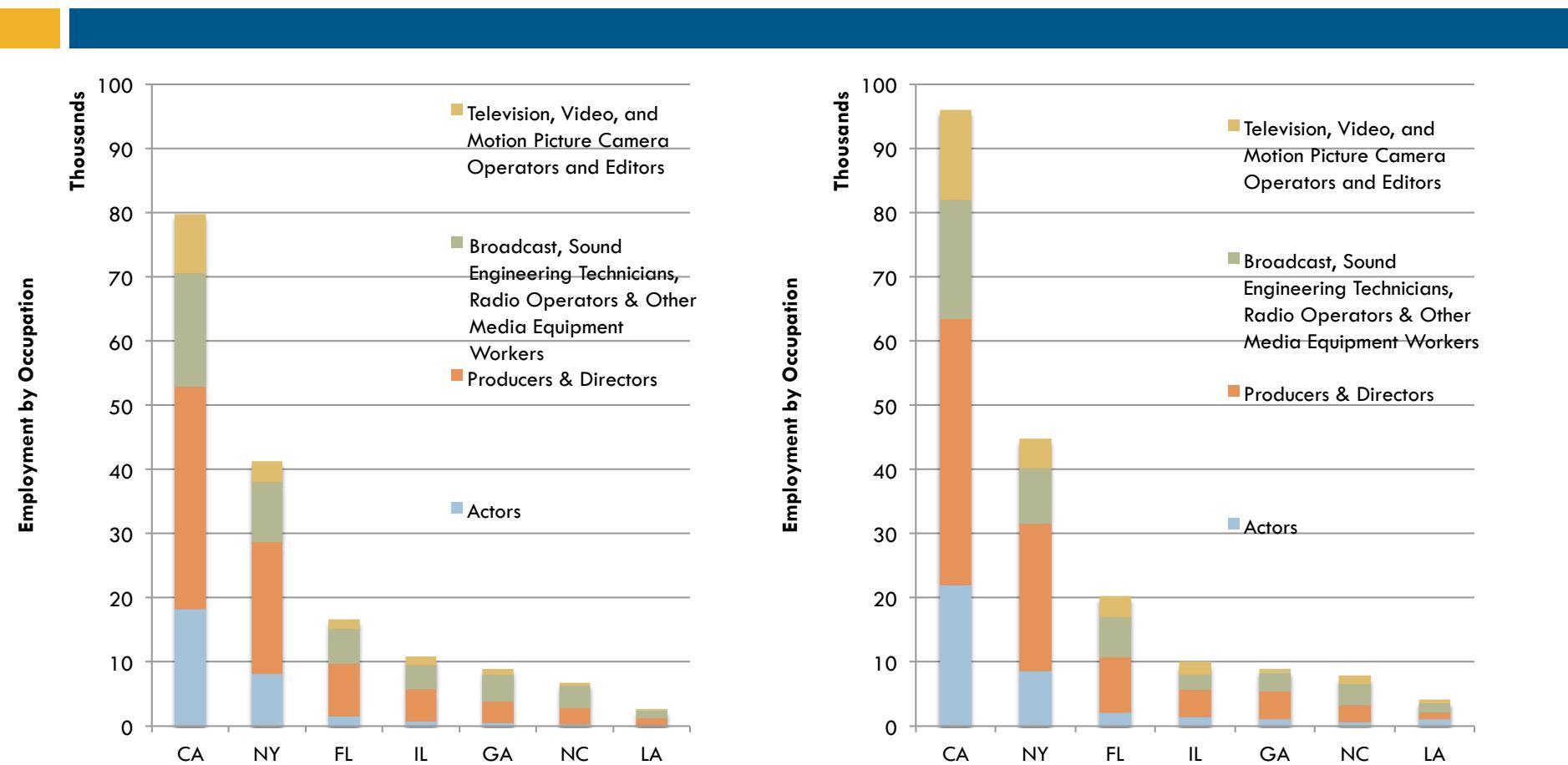
Georgia Below-the-Line Occupations



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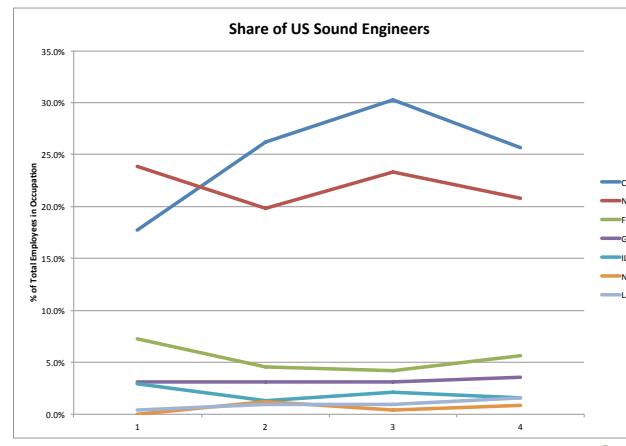
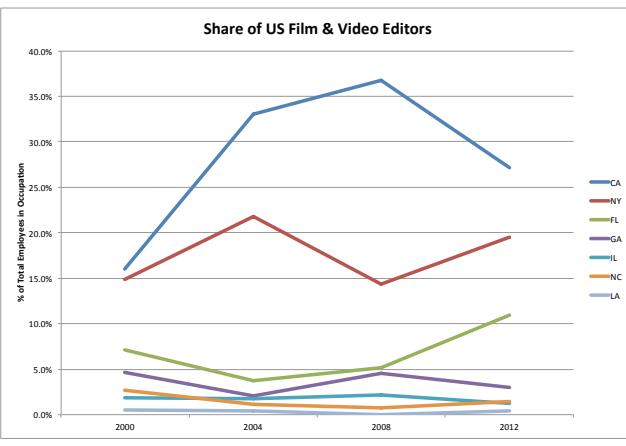
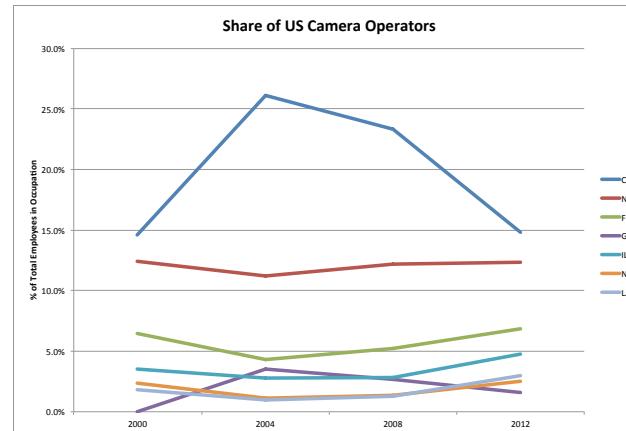
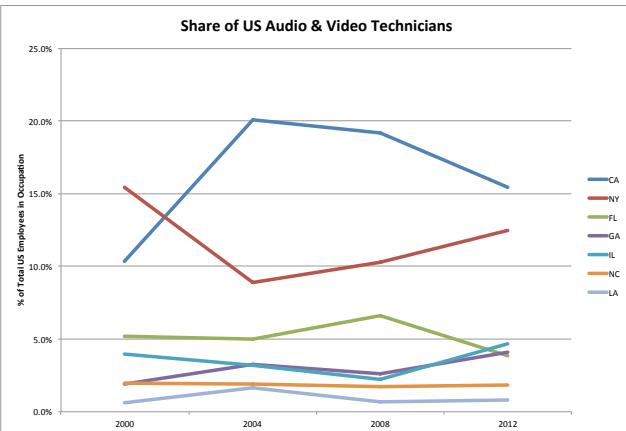
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US Select Film Occupations, 2000-2012



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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