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Independent Analysis Validates the Effectiveness, Value of PA Film Tax Credit

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Report Says Ending Tax Credit Could Cause 'Significant' Loss of Productivity

HARRISBURG – An independent analysis released today by a legislative committee said Pennsylvania's film tax credit is a positive economic development tool that has created thousands of new jobs and has raised new revenue for local and state economies, Department of Community and Economic Development acting Secretary George Cornelius said.

Cornelius said the study—which found that the tax credit has produced more than half a billion dollars in economic activity in the state, tens of millions of dollars in revenues for state and local governments, and thousands of jobs paying nearly \$150 million in wages—validates the effectiveness of the program.

"This in-depth study of the film industry in Pennsylvania proves, without hyperbole, that the commonwealth's incentive to bring movie producers here benefits not only the thousands of talented men and women who are hired to work on these projects, but taxpayers and businesses, as well," said Cornelius. "Losing this important incentive would bring more bad news to a state economy that has suffered enough already."

Pennsylvania's \$75 million program provides a 25-cent credit for every dollar of qualified expenditure. To receive the film tax credit, at least 60 percent of a production's budget must be spent in Pennsylvania.

The analysis, conducted by Economics Research Associates of Chicago and released by the Legislative Budget and Finance Committee, concluded that the projects approved for the film tax credit generated \$524.6 million in total economic impact, which resulted in \$17.9 million in state and local taxes.

The study further found that the industry, as a whole, brings the state and local governments \$62.7 million in revenues from taxes, fees and permits; and that 4,000 jobs were created in 2007-08 through projects receiving the tax credit. The total value of wages from those jobs was \$146.4 million.

As a whole, there is a net fiscal gain to Pennsylvania of \$4.5 million when considering all of the revenues generated by the entire industry, according to the analysis.

Since the inception of the film tax credit, Economics Research Associates said the number of productions in Pennsylvania has increased 33 percent annually. There were 31 films that were released in 2004 that were shot in the state. Four years later, after the General Assembly agreed to increase the film tax credit from \$10 million to \$75 million, 175 movies – including "Baby Mama" and "Marley and Me" – were released with scenes filmed in Pennsylvania.

Should Pennsylvania eliminate the film tax credit, the analysis said there could be an adverse impact on the state's film industry.

"Tax credits have demonstrated a strong causal relationship between the credit and levels of production activity in states, and producers locally and nationally indicate that their decision process is highly sensitive to access to credits," the study said. "For states that wish to retain the film industry the costs of redeveloping such a capacity at a future point is likely to be much more costly than supporting and building on current economic capacity."

Besides movie producers Pennsylvania's film tax credit is also for producers of TV talk and game shows, television commercials, and television pilots or episodes.

For more information about Pennsylvania's film tax credit and the Department of Community and Economic Development, visit www.newpa.com. For a copy of the Legislative Budget and Finance Committee analysis of the tax incentive, visit lbfc.legis.state.pa.us.

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