

Summary of Massachusetts Tax Incentive for the Motion Picture Industry

Three types of tax exemptions/credits available to motion picture production companies that produce motion pictures in MA:

1. Sales & Use Tax Exemption
2. Transferable 20% Payroll Credit
3. Transferable 25% Production Expense Credit

Definition of key terms or, Who and What is Eligible:

- Motion Picture
- Motion Picture Company
- Production Expense/Costs

What is a Motion Picture?

- Feature length film or video (narrative or documentary).
- TV series (a season not to exceed 27 episodes).
- Commercial (A single commercial or a series of commercials for one client with production expenses over \$250k in a consecutive 12 month period).

All must be made in MA, in whole or in part, for theatrical or television viewing or as a television pilot.

What is not a Motion Picture?

- Productions featuring news, current events, weather and financial market reports, talk show, game show, sporting events, awards show, or gala event
- Productions whose sole purpose is fundraising
- Long-form production that primarily markets a product or service
- Production containing obscene material or performances

What is a Motion Picture Production Company?

A company, including any subsidiaries engaged in the business of producing motion pictures, videos, television series, or commercials intended for theatrical release or for television viewing.

What is a Production Expense?

Preproduction, production, and post production expenses directly incurred in the production of a motion picture including:

- Wages and salaries
- Costs for: set construction/operations, photography, lighting, sound, editing, wardrobe, make-up, film processing, transfer, sound mixing, special & visual effects, music, location fees, purchase or rental of facilities and equipment
- Any other production expense determined to be eligible by the DOR

1. Sales Tax Exemptions

Who is eligible:

- Production company that spends at least \$250,000 in total production costs in MA during a consecutive 12 month period
- Accredited film school students

What the sales tax exemption is applied to:

- Production costs incurred in MA

2. 20% Payroll Tax Credit

Who is eligible:

- Production company that spends at least \$250,000 in production costs on a motion picture in MA during a consecutive 12 month period

What the 20% is applied to:

- Aggregate payroll of a motion picture that is subject to MA personal income tax withholding

Aggregate payroll does NOT include payments to an employee when total payments are \$1m or more (“High Salary Employee”)

3. 25% Production Expense Credit

Who is eligible:

- Production company that spends at least \$250,000 in production costs on a motion picture in MA during a consecutive 12 month period

AND one of the two:

- Production company that spends more than 50% of a motion picture’s total production expenses in MA

OR

- Shoots more than 50% of a motion picture’s principal photography in MA

What the 25% is applied to:

- Massachusetts production expenses
 1. Excludes aggregate payroll expenses applied to the payroll credit
 2. Includes payroll of “High Salary Employees” not applied in the payroll credit

Other Key Elements

- Credits to a motion picture can not exceed \$7m
- The law expires 1/1/2013
- Tax liability is credited to the company’s personal income or corporate excise tax liability
- Tax credits can be carried forward 5 years
- Tax credits can be transferred (sold)

For further information go to: <http://www.dor.state.ma.us/business/filmcredit.htm>