

# Movie industry gets a break in California budget REUTERS

By Carl DiOrio  
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LOS ANGELES (Hollywood Reporter) – California finally is offering production incentives to filmmakers and television producers.

That surprising reality had industry and economic executives pinching themselves Thursday.

"I'm sort of floored that it did happen," said Jack Kyser, chief economist with the Los Angeles Economic Development Corp., a private research organization.

On Tuesday, an LAEDC forecast said runaway film and TV production -- in which producers base projects outside California to take advantage of lower costs or financial incentives -- would undermine industry employment during the next several years, largely because of the proliferation of film and TV tax incentives among most other states. Then came the unexpected good news out of Sacramento.

Set to take effect in 2011, a five-year program to fight runaway production was included in a new state budget passed in the early morning hours after an all-night emergency session of the Legislature. The program will provide up to \$100 million per year in tax incentives for qualifying film and TV productions.

"This is going to help," Kyser said.

Gov. Arnold Schwarzenegger was expected to sign the budget Friday. The production incentives program, to be regulated through the California Film Commission, features three key provisions:

-- Studio film projects shooting for less than \$75 million can apply for a tax credit amounting to 20 percent of all "qualifying production expenses" -- essentially below-the-line costs.

-- Independent film productions of \$1 million-\$10 million and all TV series relocating to California will qualify for a 25 percent tax credit.

-- Productions must locate in the state for 75 percent of shooting days or spend three-fourths of a project's budget in California.

## BENEFITS BEYOND THE SET

"Hopefully, this will increase our business and increase business in the surrounding areas through more productions staying in town," Culver Studios CEO James Cella said. "But this also helps florists in Culver City, the local dry cleaners, the whole economy, as the people who work on these productions spend their money locally."

Indeed, state estimates suggest that every \$100 spent on production in California returns about \$285 in economic output.

The state projects the program to be cost-neutral because of benefits in business retention. The LAEDC's Kyser said he believes it will actually add to state revenue.

An Ernst & Young study conducted on the effect of New York's film incentives -- passed in 2004 -- estimated that the Empire State reaps \$1.09 in state revenue for each \$1 in tax credits provided under the program.

The California program isn't as big as those offered by some other states. But neither is it too small to benefit the film and TV industry, Kyser said.

"It's probably somewhere in the middle," the economist said. "It's not lavish like the ones Michigan and some other states have. But it is going to help people sleep in their own beds, because productions won't have to leave town."

Said Cella: "California won't be cheaper than New Mexico, but it will be competitive. So it will become a quality-of-life issue as to whether films and shows stay in California -- there will be a convenience factor."

Schwarzenegger helped guide the incentives through the Legislature. Earlier in his tenure, the former actor had avoided such hands-on involvement out of fear that foes of tax credits would claim he was simply helping out Hollywood friends.

At a news conference Thursday, he said the production tax credits represented one of his "favorites" among an array of business-stimulus measures included in the state budget.

"We have incentives for movies and for TV productions, so that we can keep them in California," he said.

"Obviously this is something that's important to the governor," state Finance Department spokesman H.D. Palmer said.

(Editing by Sheri Linden at Reuters)

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