

Report Highlights PA Film Production Tax Credit and Industry Analysis

Economics Research Associates (ERA) was retained by the Legislative Budget and Finance Committee (LBFC) to review and estimate the scope of economic and fiscal impacts related to the Commonwealth’s film production tax credit (FPTC) program. ERA specializes in economic analyses and has completed more than 60 economic analyses of the film and motion picture sector since 2000. The ERA report found:

- The use of incentive programs, including tax credits, as an economic development tool is common at both federal and state levels. The motion picture industry has a **high level of multiplier impacts** and is in the top 10% of Commonwealth industries for such impacts. This compares favorably with most industries, including pharmaceutical manufacturing which ranks 127th, whereas the film industry ranks 30th. The Commonwealth currently spends about \$300-\$400M annually on manufacturing and industrial economic development assistance. The FPTC program is currently capped at \$75M annually.
- **The major legislative changes in Pennsylvania correspond with noticeable increases in productions.** Between 2002 and 2008, 922 productions were released that took place, all or in part, in Pennsylvania. Films dominate the industry with 615 productions over this time period and grew at a cumulative annual rate of 33% from 2002 through 2008. Between 2004 and 2008, the film tax credit also grew significantly, from \$10M to \$75M.
- The FPTC for FY 2007-08 and known ancillary activity is estimated to produce a **total economic impact of \$524.6M** for the Commonwealth. Approximately **3,950 jobs** are supported by these projects, generating **\$146.4M in wages**.
- The program has an estimated **\$58.2M cost to the Commonwealth** in terms of tax credits (not all credits were used, or used in the current year). There is an estimated **\$17.9M in additional state and local tax revenues** generated, bringing the **net cost of the program to roughly \$40.3M**.
- The **total industry produces fiscal benefits to the Commonwealth of \$62.7M**. While some of this activity would occur without the benefit of the FTC, **a significant proportion**

of this activity would be at risk without such a tax credit program – though the exact amount could not be quantified. Thus, on the whole, the industry could be said to produce a net fiscal gain in state and local taxes of \$4.5M (\$62.7M minus \$58.2M).

Net Present Value of FY 2007-08 Projects

	Totals
Economic Benefits	
Direct Spending (millions)	\$267.3
Output (millions)	\$524.6
Wages (millions)	\$146.5
Jobs	3,960
Fiscal Benefits (State and Local Taxes and Fees)	
Associated with FTC program	\$17.9
Entire Industry	\$62.7
Fiscal Costs	
Tax Credits Transferred (millions)	\$58.2
Net Fiscal Loss/Gain	
Associated with FTC program	-\$40.3
Entire Industry	\$4.5

Sources: Pennsylvania Film Office; IMPLAN; ERA

- There are several important opportunities for enhancing the economic impact of the film industry which Pennsylvania should consider:
 - A focus on **workforce and physical infrastructure development**, two key factors production companies consider in deciding film locations;
 - **Links to business development and talent retention** programs;
 - Alignment of the credit and its implementation to **specific economic development goals**;
 - Defining and creating a **durable niche** as a way to provide a basis for future growth.

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