screen magazine

June 08, 2006
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Deep Discount: Illinois Celebrates its New Tax Credit

When Illinois introduced a wage-based tax credit for film producers in 2003, it was part of an effort to stop a significant drop in revenue and production dollars. Three years later, with production revenue on the rise, the state has opted to re-invest in the industry, passing legislation that effectively doubles the state tax credit amid an increasingly competitive marketplace.

On May 15, the Illinois Film Office (IFO) hosted an event to celebrate and introduce details of the recently expanded credit. The event attracted local vendors, union leaders and filmmakers who expressed optimism that the tax credit would help grow the industry significantly in the near future. The new incentive took effect immediately and applies to productions shot after May 1, 2006.

While the previous incentive offered a tax credit equal to 25 percent of qualifying Illinois labor costs, the new tax credit offers an across-the-board credit equal to 20 percent of all production costs, including post-production. A complete list of roughly 250 qualified production items is available on the film office's website.

IFO Managing Director Brenda Sexton told the crowd that the credit would be especially attractive to film producers because of the talent pool and infrastructure that exists within the state. "We have a fabulous product," she said, "and with this type of incentive, we're absolutely golden."

In addition to attracting production dollars to the state, the new tax credit also aims to promote diversity in production hiring. Producers are required to submit a diversity plan along with their application and will be granted an additional credit for hiring employees from economically disadvantaged areas.

Joyce Davis, diversity officer at the IFO, said she was working with Local 600 (camera) and Local 476 (studio mechanics) to put together a series of minority training workshops. The film office also maintains a list of minority vendors and crew members that it makes available to producers.

Another requirement for productions is that they have their receipts and financial materials processed by a certified public accountant. Sexton said this provision would speed up the process since the IFO would no longer be responsible for processing that paperwork.

Even though the strengthened incentive offers tax credits on a wider range of costs, the spending requirements are the same: $100,000 for a production over 30 minutes and $50,000 for a production under 30 minutes.

Sexton said the lower total spend requirements would be a boon for local filmmakers working with smaller budgets. In fact, now that the tax credit has been strengthened, Sexton said she would turn her attention to working on setting up mechanisms for local funding to help indigenous production.

“Now that our head is above water and our local workers will have work, the focus needs to be on local filmmakers,” she said.

As with the previous incentive, the expanded tax credit also applies to commercial production. Sexton said ad agencies and production companies would use the credit differently than feature film producers.

“There’s a vast difference between the studios and commercial production because the studios have whole teams that focus on incentives,” said Sexton.

Sexton added that the IFO has a staffer, Megan Vidis, dedicated to helping commercial producers apply the credit to their work. She also said the expanded tax credit allows agencies to claim tax credits on all employees, whereas the previous credit did not allow productions to claim their two highest-paid employees.

Since the expanded tax credit passed the state legislature, Sexton said she has been busy fielding calls from studios interested in bringing work to the state, including a pair of potential television projects. She said the response from Hollywood has been overwhelmingly positive.