

Finance, Revenue and Bonding Committee

JOINT FAVORABLE REPORT

Bill No.: HB-6929
AN ACT CONCERNING THE FILM AND DIGITAL MEDIA PRODUCTION TAX
Title: CREDITS.
Vote Date: 4/19/2023
Vote Action: Joint Favorable
PH Date: 4/14/2023
File No.:

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SPONSORS OF BILL:

Finance Revenue and Bonding Committee on behalf of NBC Universal and Chair 10 Productions.

REASONS FOR BILL:

Beginning with the 2024 income year, this bill would increase the redemption rate of the Film Production and Digital Media Tax Credit applied against the sales and use tax from 78% to 92% of the tax credit's value.

This bill would also require (1) production companies to report the number of full-time and part-time jobs the company created during an annual period, a description of each job, and an explanation of what the company considers to be job creation for the report's purposes and (2) DECD to report this information in its annual report.

This bill aims to bolster economic development throughout the state by incentivizing television and film production in Connecticut.

RESPONSE FROM ADMINISTRATION/AGENCY:

[Jeffery Beckham, Secretary, Office of Policy and Management \(OPM\)](#) testified in opposition to the bill and the increase of the percentage of the Film Production Tax Credit against the sales and use tax. This tax credit program has already been expanded twice in the last six years, and is one of the most expensive tax credit programs in the state – having issued over \$1.2 billion in tax credits between FY 2008 and FY 2022. The CREATES Report, published on March 31, 2021, by the Boston Consulting Group, states that the cost per job created under the Film Production Tax Credit program is approximately \$45,000 which is much higher than any other tax credit program offered by the state. The report estimates that the State loses

approximately \$0.68 in revenue for every dollar of tax credit provided under this program. Raising the credit percentage is not advisable.

NATURE AND SOURCES OF SUPPORT:

[Michael Albergo, Theater, TV and Film Set Dresser, Stagehand and Prop Worker](#) testified that he used to travel from his home in Newtown, Connecticut to Manhattan to work at the Metropolitan Opera, but stopped when he realized his quality of life was diminished by the long commuting hours and time away from home. He now works on production jobs in the Hudson River Valley, but would rather work here in Connecticut. The few times he has worked in Connecticut have been rewarding, and there is no shortage of qualified and eager professionals available to do the work.

[Robert Amodio, Owner, Dio Productions, Member, Connecticut Film and TV Alliance](#) testified that entertainment industry workers cannot get jobs in Connecticut that sustain them financially in their chosen fields. Connecticut is ignored by the film production industry because there is no economic reason for them to come here. Other states are thriving with feature film and television productions because they have a solid infrastructure for film production crews and television production companies because of their strong film tax credit incentives.

[Kathy Banuelos, Senior Vice President, Motion Picture Association](#) testified that Connecticut has successfully utilized its tax credit production as a catalyst of economic growth yielding investment in infrastructure and long-term production commitments. The state-commissioned study of the tax credit program conducted by Olsberg SPI concluded that between 2012-2020 the state saw \$2.72 billion dollars of production expenditures in Connecticut. The analysis further found that the return on investment during this same period was 4.8, in other words, for every dollar of tax credit \$4.80 in economic value was created.

[Danielle Bibbo, Executive Vice President, Business Development and Strategy, ITV America](#) testified that in 2017 ITV decided to relocate from New York City to Stamford specifically to take advantage of the tax incentives offered by Connecticut. If not for the Digital Media Tax Credit their move would have not been feasible. This bill would increase the sales tax offset to a rate consistent with the historical market for transferring credits. The state would capture the value of the discount with no increased costs due to an improved return on investment.

[Lauren and Jonathan Black, Co-Owners, Chair 10 Productions, LLC](#) testified that there is a lot of talent in Connecticut, but very little infrastructure or support for scripted television and feature films. When Chair 10 Productions relocated back to Connecticut in 2021, they launched the piCT initiative (Productions in Connecticut), which is a marketing campaign aimed at bringing more productions to the state. They had interest from producers, production companies and others that have never considered Connecticut before. However, the conversation always turned to New Jersey and the new film tax credit they championed in 2018. With a lack of infrastructure and tax credit it has been hard for Chair 10 Productions to compete. They believe the current tax structure is a starting point, and included in their testimony some "a la carte" options they would like to see included in the bill.

[Edward Cohen, Chief Executive Officer and President, Rock Garden Conspiracy](#) testified that he has been involved in the music business since 1964, but has recently pivoted to film production. His business is thriving because of the current Film Production and Digital Media

Tax Credit. Our current tax credit program is good, but Connecticut is still losing business to New Jersey and New York because they have a better tax incentive program. This is not a giveaway because taxes are paid, and the industry is incentivized to buy and hire local workers. The current tax credit is a starting point, but needs more flexibility and an increase in the marketing budget for new credits and programs.

[Michael Druckenmiller, International Alliance of Theatrical Stage Employees](#) testified that Connecticut has some amazing film and television programs offered by various colleges and universities, but there is little incentive for films and shows to be made here. When studios need to cut costs the first thing that they do is look at locations and determine which state has the most competitive tax credit. This bill would attract legitimate productions to the state, hire local residents, increase revenue to hotels, increase revenue for lumber and hardware stores for set construction, support local grocery stores, restaurants, and other local businesses. Rather than people driving through our state to film in another, give them a reason to film in Connecticut.

[Kate Eisemann, Location Scout Manager, The Locations](#) testified that she has been working in the Connecticut film business since 2006 and has had the pleasure of introducing many productions companies and studios to our state. When the tax credit was first introduced the state was consistently booked with movies. A few years later when the credit was revised to only include television production, there was a dramatic drop of companies coming to Connecticut. Other states offered credits to both film and television, so the film business began to shoot elsewhere. As entertainment has changed drastically in the last few years, credits for television are more valuable due to streaming services making our credit more attractive. However, most films have passed on filming in Connecticut, as productions have moved to New Jersey, Georgia and other states that have much more competitive credits.

[Marilyn G. Haft, Entertainment Attorney](#) testified that her practice is focused on film and television with a specialty in film financing. Tax incentives have become a standard requirement whether by individual production companies or studios and streaming companies. Financiers have come to expect tax incentive financing as a precondition before investing their funds for the film production budgets. The East Coast is full of talented and experienced film crews and a desirable location. Aggressive tax incentives in Georgia, New Jersey, and New York attract productions and have succeeded in booking film productions. Connecticut has a major opportunity to pick up the film production business but unfortunately are not viewed as a competitive tax incentive location. Included in her testimony are specific recommendations to be included in the bill.

[William Hillin, Chief Executive Officer, Hillin Entertainment](#) testified as a strong advocate for the expansion the Connecticut's film and digital media. The benefits of this tax credit expansion would be far-reaching. Attracting more film and digital media projects grows the state's infrastructure, supports local businesses, and grows a skilled workforce. He recognized the potential of this bill to bolster our economy and solidify our position as a thriving hub for the film and digital media industry.

[James Huntsman, Owner Blue Fox Entertainment](#) testified as the owner of Blue Fox Entertainment, an independent film distribution and international sales company, we along without affiliate company, Blue Fox Financing, provide consulting services and cash to filmmakers. US state tax credits and rebates are so important to independent film and

television productions. Most film incentives below 20% do not allocate enough money to get on Hollywood's radar. A few states are above 30% and when the percentage is above that amount it makes a huge difference. There is a significant upside to being an industry leader in production in employment, tax revenue, tourism, and other ancillary businesses.

[Joseph LaNoce, Executive Chef, LaNoce's Fine Food for Film](#) testified that he has 26 years' experience working exclusively as a caterer in the film industry by commuting to NYC to work. This incentive will bring the revenue back into Connecticut. Many young people go to school to become professionals in the industry, but must relocate to other states to pursue their dreams. Bring more film production to Connecticut and you keep jobs in our state. There are many positions from productions assistants, directors, construction, sanitation, catering, restaurants, hotels, and location management. This is a thriving industry looking for a friendly state for film production.

[George Lombardo, Performer, Connecticut Television and Film Alliance](#) testified as a resident of Wethersfield, and a member of the Connecticut Film and TV Alliance, I support this bill that focuses on longer term infrastructure incentives that will encourage companies and projects to locate to Connecticut. Film and Digital Media tax credits are cost effective, and studies show that they have contributed significantly to the development of the state's film and television ecosystem. The return on investment, with an average of 4.6 over the last nine years, means that for every dollar spent on the credits is a \$4.60 of value created in the economy.

[Lucy Marinelli, Resident, Old Saybrook](#) testified that she has been acting all her life. While in high school, Representative Devin Carney asked her class how to keep young people in Connecticut. Supporting the Film & TV Tax Credit is not only how you keep people in Connecticut, but it's how you draw new people in, as well. So many people are moving to New York, Georgia, or LA to pursue their entertainment dreams because they believe they cannot do so in Connecticut. Ms. Marinelli does not want to leave the state where her family lives, where she went to college, and where she works to have an opportunity to pursue her dream. She truly hopes that the Film & TV industry can grow in Connecticut and that members will support the hopes and dreams of constituents.

[Doug McAward, Owner, McAward Productions, Inc.](#) testified that he has been doing business in Connecticut since 1988. In 1991 a group of industry professionals lobbied to the Department of Revenue Services to come up with clarification on how to treat our industry regarding sales and use taxes. After a year of educating the DRS, they issued Policy Statement 9213 which was a huge success for the film and video industry. Mr. McAward was appointed by Governor Weicker to the Film Commission and served for 11 years. Over that time, Film Commission members were able to get the Connecticut Film and Digital Media Office established, staffed, and funded. In 2006 we proposed establishing a film and video tax credit program in Connecticut and it was one of the most effective and creative mechanisms to bring business to our state. This bill will fix all the past harmful tweaking and make the State of Connecticut a viable player in the Film, Video and Digital Media Industry.

[Jason Miles, Board Chair, East Haven Public Television](#) testified that productions have flocked to other states that have engineered their tax credits to be more competitive. When Connecticut passed the original credit, we drew major studios to the state and several TV productions and feature films. When Governor Malloy made changes to the credit it made

Connecticut less competitive. I have included what I believe would give the film industry the resources to flourish as Georgia has done.

[Michael Nelson, Vice President, Lincoln Property Group](#) testified as a commercial real estate broker covering Fairfield and Westchester counties. He receives calls all the time from production companies who are interested in relocating or shooting in Connecticut. When he shows them spaces, they can't afford the rent. A higher incentive package must be considered if the state wants to grow this industry. Connecticut has done a good job establishing a Film, TV, and Digital Media Marketing Tax Credit, but additional incentives are needed to get these companies to bring their business to our state.

[Ray Noia, Line Producer](#) testified that he moved to Connecticut seven years ago because he and his wife love where they live. In his time here, he has seen the NBC Stamford production hub grow. Raising the tax credit would be a huge incentive to attract more here in Connecticut. He knows several people who commute from NYC, Queens, Brooklyn and even Long Island to NBC Studios in Stamford. A few people have moved here to be closer to NBC in Stamford. Passing this bill could be a boost, and would help bring jobs and more revenue to the state.

[George Purdy, Resident, State of Connecticut](#) testified that this tax credit will create new jobs and opportunities for our state and build a thriving film and television industry here. The proposed tax credit is a beginning, but I have included in my testimony additions that will make the tax credit more effective and attractive to the film and television industry. There also needs to be an increase in the marketing budget for the Office of Film, TV & Digital Media to promote the new credits.

[Jacqueline Rowland, Actress](#) testified as a Connecticut born actress who has worked all over the world. She is back in her home state and ready to work. Maximizing the tax incentive will make a huge difference in bringing the industry to the state. Her wish is that Connecticut puts itself on the map as a state that promotes industry, the arts, and natural resources in its cities and towns.

[Matthew Sica, Tax Council, NBC Universal](#) testified that the Connecticut Tax Credit program has been a direct and long-term investment in well-paying jobs, leading edge technology and studio infrastructure. A report issued in February 2022 prepared for the Connecticut Office for Film, Television and Digital Media found the state has attracted more than \$550 million in capital investment in production and production support infrastructure along with more than 8,700 jobs statewide.

[Isabelle Silverman, Chief Financial Officer, Lucky8 TV](#) testified that their company was drawn to Connecticut at the end of 2019 to be part of the new production hub and infrastructure. Over the last year their workforce has increased, and they anticipate the increase continuing. The company has created a more attractive compensation package compared to those being provided in other states. This tax credit enables them to attract and retain talent. Passing this bill will help us continue to participate in the growth of the state and its people.

[T.J. Sullivan, Founder, The Hartford Film Company](#) testified that he was born and raised in Hartford, Connecticut, and his own career is an example of the impact that Connecticut's tax credit has had on many constituents. In 2021, Mr. Sullivan received a job working on the film CALL JANE. While he had worked on other films, this was the first of that size and scale. He

then had the opportunity to continue working in Los Angeles and saw the prerequisites studios use for filming. Cities and states are ranked by the tax credits. Connecticut often fails to even make the top 5 of the rankings. Mr. Sullivan moved back to Connecticut and found the Hartford Film Company. Their debut feature film, MIDAS, highlighted Hartford and its beautiful downtown, parks, and the State Capitol. We hired many Connecticut residents and due to budget thresholds only received a 10% tax credit of which nearly one third was taken by required audits and submission costs. I propose that a special allowance be made for local productions that hire a percentage of Connecticut residents so that their budget threshold for the maximum tax credit could be reduced to \$200,000. I suspect local productions would be the most profitable for this type of credit.

[Adam Tesler, Producer, Director, Peak Curiosity](#) testified that after running a successful business in Los Angeles, he wanted to move back to his home state of Connecticut. Connecticut is a great place for families with excellent schools that is close to major industry. We must do all we can to keep the interest of young creative people. Most of my friends in the entertainment industry were raised in Connecticut. Without a tax credit and robust investment in job training, the industry will always struggle here. I hope to grow my business, create jobs, and build a better Connecticut.

[Kyle Trask-Kuchta, Filmmaker, Resident, Niantic, Connecticut](#) testified that the proposed 37% credit (raised from 30%) is a great starting point. Not only are productions knocking on the doors to film here, but the workforce is here, too. The benefits for bringing more film production to the state cannot be understated as I'm sure you have heard; the economic impact can be a positive one if the credit is increased AND we continue to have support from our governing bodies/arts committees. Mr. Trask-Kuchta has seen firsthand the economic impact when Synthetic Cinema International brings their productions to town. This is just a mere fraction of what can happen with a boost in the actual credit percentage and a focus on promoting the state to production companies. Our film makers are ready to work here but we need to produce and promote a beneficial production infrastructure like New Jersey and Georgia.

[Gregg White, Producer, Assistant Director, Tagmeek Productions](#) understood the financial implications of the tax credits. As a Line Producer, he makes estimates on what a company can expect to receive back in a tax credit. Beginning in 2006, several bigger budget films began filming in the state. He was lucky enough to work on a bunch of them, and not have to face a two-hour drive home and risk my life for my job. He learned that the state was making a push to bring in big budget Hollywood films by putting in production tax credits. He realized then that the tax credits are so important to the livelihood of so many people who work in film.

The following individuals also submitted testimony in support of House Bill 6929:

[Rebecca Bloom, Film Worker](#)

[Giuliana Centatiempo, Film Student](#)

[Eve Costarelli](#)

[Summer Crockett-Moore, Choice Films, Inc.](#)

[Augie De La Noval, Blind River Studios](#)

[Anthony Grazioso, International Alliance of Theatrical and Stage Employees, Local 52](#)

[Nick Kaye](#)

[Ian Langley](#)

[Brian McAward, Member, International Cinematographers Guild](#)

[Madeline Olejnik, Film and Television Coordinator](#)

[Josie Pickett, Intern, Production Company](#)

[Michele Plunkett, Film Producer, Plunkett Production](#)

[Efrain Reyes](#)

[Jessica Thompson](#)

[Robert Tweedie, International Alliance of Theatrical and Stage Employees, Local 52](#)

[Aimee Zaleski, Actor](#)

NATURE AND SOURCES OF OPPOSITION:

[Bryce Chinault, Director of External Affairs, Yankee Institute](#) reminded members that in testimony before a joint committee hearing last year, former Department of Economic and Community Development (DECD) Commissioner David Lehman highlighted the state's film and movie tax credits as an area ripe for reduction or outright repeal. This recommendation was informed by DECD's annual report which found that the Film and Digital Media Tax Credit led to an annual decrease in state revenue of over \$58 million and a cumulative loss of over half a billion dollars since its inception in 2006.

[Patrick O'Brien, Research and Policy Director, Connecticut Voices for Children](#) testified that the bill would increase the film tax credit, but that Department of Economic and Community Development has concluded that the state loses revenue from the credit. According to the 2022 Economic Impact Analysis, the state lost an average of nearly \$80 million a year in revenue from the Film Tax Credit Program. Included in my testimony are two tables that show the programs that generate should generate income and the results from the tax credits.

Reported by: Pamela Bianca

Date: April 28, 2023