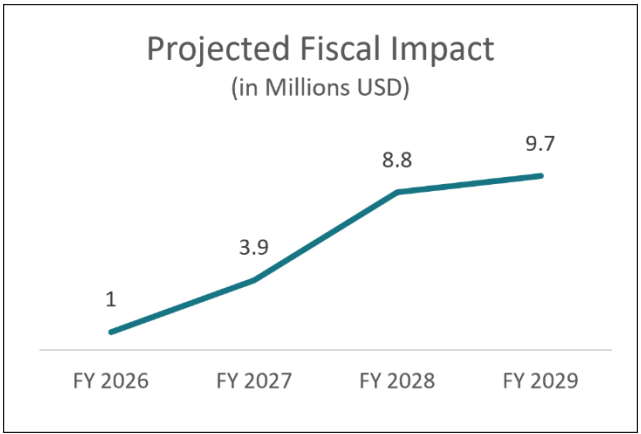
Film Production Credit

Tax Expenditure Initial Review - TEB 1.6.13, 2.6.05, 12.4.02

Tax Expenditure Facts

Year Enacted	2021
Statute	Minnesota Statutes 2026, section 116U.27; section 290.06, subdivision 39; section 297I.20, subdivision 4
Tax Type	Individual Income, Corporate Franchise, Insurance Premiums Tax
Provision Type	Credit
Latest Fiscal Impact Estimate	$3,900,000 – Fiscal Year 2027
Latest Claims Estimate	Fewer than 10 projects – Tax Year 2026
Expiration Date	January 1, 2031



Tax Expenditure Description

A film production credit is allowed up to 25% of eligible production costs paid in any consecutive 12-month period.

An eligible project is a film that includes the promotion of Minnesota, for which the taxpayer expends at least $1,000,000 in any consecutive 12-month period for eligible production costs and employs Minnesota residents to the extent practicable. Films include feature films, television or internet pilots, programs, series, documentaries, music videos, and television commercials. Television commercials are not required to include the promotion of Minnesota.

The credit is nonrefundable but may be carried forward for up to five years. The credit is assignable to another taxpayer. Total credits are limited to $24.95 million in each tax year. The credit was enacted in 2021. In 2023 the prior limit of $4.95 million was increased to $24.95 million each tax year, and the sunset was extended through tax year 2030.

Fewer than 10 projects are expected to qualify for the credit in tax year 2026.

Additional Background Information

The credit applies to Individual Income Tax (TEB 1.6.13), Corporate Franchise Tax (TEB 2.6.05), and Insurance Premiums Taxes (TEB 12.4.02).

A taxpayer must hold a credit certificate to claim the credit. A project must first apply to Explore Minnesota Film for an allocation, and the application must be filed at least 30 days but no more than 180 days before principal photography. The credit certificate is issued after the project is completed and an independent certified public accountant has verified its costs. The credit is administered by Explore Minnesota Film.[i]

The Film Production Credit reduces the amount of income tax revenue, corporate franchise tax, and insurance premiums tax revenue that would otherwise be generated. State income tax collections are deposited in the state General Fund except as provided in the Minnesota Constitution or Minnesota Statutes, section 290.62. State insurance premiums tax collections are deposited in the state General Fund and the Health Care Access Fund as provided in the Minnesota Statutes, section 297I.01. Proceeds from the corporate franchise tax are deposited in the state General Fund.

As of May 2022, 35 states and US territories had tax incentives in place for film production. These incentives vary between states in both strategy and scope.[ii]

Proposed Tax Expenditure Objective for Consideration

The objective of the Film Production Credit is to increase film, television, and digital media production in Minnesota that stimulates workforce development and increases ancillary economic activities.

Sources

A proposed objective for the Film Production Credit was presented to the Tax Expenditure Review Commission on October 28, 2026. This objective was adapted from HF991-2E, which was introduced in the 2021 Regular Session.[iii] The statement of purpose listed in HF991-2E was not included in the enacting legislation. The credit was enacted under HF9 of the 2021 1st Special Session.[iv]

The modified objective shown above was drafted as a result of discussion during the October 28, 2026, TERC meeting and is structured to include both direct impacts to the film industry as well as broader economic activity.

Objective presented October 28, 2026: The objective of the Film Production Credit is to encourage investment in Minnesota film productions.

Potential Metrics and Performance Measures

The performance measure listed within the proposed statement of purpose in HF991-2E would note the increase in the number of film productions in Minnesota as well as the number of people employed in the industry.

Minnesota Statutes 2026, section 116U.27, required the Minnesota Department of Revenue (DOR), in consultation with DEED, to provide a report to the legislature by January 15, 2025, which includes some performance measures of the Film Production Credit.[v] The report includes the following information: [vi]

- amount of credit certifications issued annually
- number of applications submitted
- number and amount of allocation certificates issued
- number of reports submitted upon completion of a project
- number of credit certificates issued
- types of projects eligible for the credit
- total economic impact of the credit in Minnesota, including the change in jobs in Minnesota within the industry for calendar years 2019 through 2023
- number of taxpayers per tax type which are assignees of credit certificates
- annual Minnesota taxes paid by businesses within the industry for taxable years 2019 through 2023

A review of Film Production Credit reports was conducted for Virginia, Pennsylvania California, and Georgia. In general, these reports noted similar information to that required by the Minnesota DOR.[vii]

The Virginia Joint Legislative Audit and Review Commission report reviewed the geographic location of projects that used the film production credit in the state, which may be worth implementing into Minnesota's required report.[viii]

There are two pieces within the Georgia report that may be worth considering in Minnesota. The first is the effects of production companies selling their tax credits to a third party. The rate and volume of these credit transfers could be monitored while evaluating the program. The second notable piece of the Georgia report is a discussion around the overestimating of production costs and jobs created in the early reporting of the program.[ix]

Note that the phrase "ancillary economic activities" in the modified proposed objective statement is meant to include both indirect and induced economic effects such as increased business-to-business purchases in the supply chain and local spending from jobs that are created or supported by the expansion of film production in Minnesota.

Contact Information and Disclaimer

This tax expenditure review was prepared by the Legislative Budget Office for the Tax Expenditure Review Commission pursuant to Minnesota Statutes 2026, section 3.8855, subdivision 4.

Notice: Proposed Tax Expenditure Objective statements are not binding authority and should not be used as a legal interpretation of any tax expenditure statute.

For questions regarding this review, please contact the Legislative Budget Office at 651-297-7146 or lbo@lbo.mn.gov.

For more information, please visit the Tax Expenditure Review Commission website.

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[i] Minnesota Film Production Tax Credit program guidelines published by Explore Minnesota Film can be found at https://www.exploreminnesota.com/sites/default/files/2026-05/1.%20TC26.Guidelines.Final_.10.08.2025.pdf.

[ii] Brainerd, Jackson, and Jimenez, Andrea. "Film Tax Incentives Back in the Spotlight." *National Conference of State Legislatures*. May 5, 2022. https://www.ncsl.org/fiscal/film-tax-incentives-back-in-the-spotlight.

[iii] Omnibus Tax Bill, HF991-2E, 92nd Legislature (2021).

[iv] Laws of Minnesota 2021, chapter 14, HF9, 2021 1st Special Session.

[v] Minnesota Statutes 2025, section 116U.27, subdivision 5.

[vi] Minnesota Department of Revenue, *Film Production Credit Report: Tax Years 2021-2024*. January 17, 2025. https://www.lrl.mn.gov/docs/2025/mandated/250211.pdf.

[vii] For reference, see California Legislative Analyst's Office, *An Update on California's Film Tax Credit Programs*. July 22, 2019. https://lao.ca.gov/LAOEconTax/Article/Detail/388; Pennsylvania Independent Fiscal Office, *Film Production Tax Credit: An Evaluation of Program Performance*. January 2019. http://www.ifo.state.pa.us/download.cfm?file=/Resources/Documents/TC_2019_Film_Production_Tax_Credit_Report.pdf.

[viii] Virginia Joint Legislative Audit and Review Commission, *Evaluation: Film Incentives*. November 13, 2017. https://jlarc.virginia.gov/pdfs/reports/Rpt501.pdf.

[ix] Georgia Department of Audits & Accounts, *Impact of the Georgia Film Tax Credit*. October, 2022. https://www.audits.ga.gov/ReportSearch/download/28730.