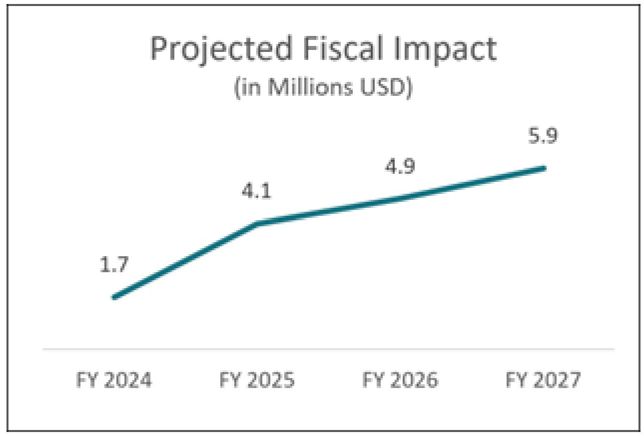
Film Production Credit

Tax Expenditure Initial Review - TEB 1.6.13, 2.6.05, 12.4.02

Tax Expenditure Facts

Year Enacted	2021
Statute	Minnesota Statutes 2025, 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	$5,900,000 – Fiscal Year 2027
Latest Claims Estimate	Up to 10 taxpayers – Tax Year 2024
Expiration Date	January 1, 2031



Tax Expenditure Description

A film production credit is allowed equal to 25% of eligible production costs paid in a taxable year.

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 beginning after expenditures are first paid in Minnesota for eligible production costs and employs Minnesota residents to the extent practicable.[i] Films include feature films, television or internet pilots, programs, series, documentaries, music videos, and television commercials.

The credit is nonrefundable but may be carried forward for up to five years. The credit is assignable to another taxpayer. The credit applies to Individual Income Tax (Item 1.6.13), Corporate Franchise Tax (Item 2.6.05), and Insurance Premiums Taxes (Item 12.4.02). Total credits are limited to $24.95 million in each tax year.[ii] Unused allocations remain available for up to five future program years.[iii] The credit was enacted in 2021 and is scheduled to sunset January 1, 2031.[1]

Additional Background Information

The tax credit was updated during the 2023 legislative session, changing the expiration date from January 1, 2025, to January 1, 2031, and the total credits allowed per year from $4.95 million to $24.95 million.[iv]

Beneficiaries of the tax credit must acquire a credit certificate to be eligible, and that certificate must be acquired 30 to 90 days prior to principal photography. This credit is administered by Explore Minnesota Film.[v] 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

[1] The description of the tax expenditure differs from the 2024 Tax Expenditure Budget published by Department of Revenue to reflect law changes enacted during the 2023 Regular Session.

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.[vi]

Proposed Tax Expenditure Objective for Consideration

The objective of the Film Production Credit is to encourage investment in Minnesota film productions.

Sources

The proposed objective for the Film Production Credit is adapted from HF991-2E, which was introduced in the 2021 Regular Session.[vii] 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. [viii]

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 2025, section 116U.27, requires 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.[ix] The report includes the following information: [x]

- 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 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.[xi] In general, these reports noted similar information to that required by the Minnesota DOR.

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.

There are two pieces within the Georgia report 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.

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 2025, 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] Laws of Minnesota 2023, chapter 64, article 1, section 8.

[ii] Laws of Minnesota 2023, chapter 64, article 1, section 9.

[iii] Minnesota Statutes 2023, section 116U.27, subdivision 4(c).

[iv] Laws of Minnesota 2023, chapter 64, article 1, sections 8-10.

[v] Minnesota Department of Employment and Economic Development, *Film Production Tax Credit Program Credit Allocation Application Guide*. May 31, 2023. https://mn.gov/deed/business/financing-business/tax-credits/film-production/.

[vi] 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.

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

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

[ix] Laws of Minnesota 2022, chapter 116U, section 116U.27.

[x] 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.

[xi] Virginia Joint Legislative Audit and Review Commission, *Evaluation: Film Incentives*. November 13, 2017. https://jlarc.virginia.gov/pdfs/reports/Rpt501.pdf; 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; 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; Georgia Department of Audits & Accounts, *Impact of the Georgia Film Tax Credit*. October, 2022. https://www.audits.ga.gov/ReportSearch/download/28730.