Finance, Revenue and Bonding Committee
JOINT FAVORABLE REPORT

Bill No.: Senate Bill 385
Title: AN ACT CONCERNING THE AMOUNT OF THE DIGITAL MEDIA TAX CREDIT.
Vote Date: 4/5/2022
Vote Action: Joint Favorable
PH Date: 3/15/2022
File No.: 541

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SPONSORS OF BILL:

The Finance, Revenue and Bonding Committee

REASONS FOR BILL:

This bill would increase the value of film and digital media production tax credits against the sales and use tax from 78% to 92%. Current law allows eligible production companies and other taxpayers (i.e., transferees) to claim these credits only if there is at least 50% common ownership between the transferee and eligible production company that transferred the credit.

Production companies are more apt to consider states with competitive tax credits in the production location decision making process. This change could incentivize studios to make films in Connecticut.

RESPONSE FROM ADMINISTRATION/AGENCY:

None expressed.

NATURE AND SOURCES OF SUPPORT:

Jonathan Black, Partner and Chair, 10 Productions, LLC testified in support of the bill in the hopes that this bill will incentivize bigger budget productions to film in Connecticut, investing millions of dollars in the state, and creating not only job opportunities, but avenues for longer term investments as well. Chair 10 Productions has been engaging with major streamers, networks, studios and production companies that have all expressed an interest in filming in Connecticut, with projects in the $50-100 million range. With the support from this bill, he thinks it can bring business of upwards of $200 million a year to the state that will be invested in local cities and town and create a flourishing film community that can thrive for many years to come.

Angela Miele, Vice President, State Government Affairs and Tax Policy, Motion Picture Association testified, "as background for the subject, in 2017 Connecticut adopted a measure that allows production companies to use credits earned against their Connecticut Community Antenna Tax ('CCAT') obligations, at a discount of $0.92. The resulting savings to Connecticut exceed $2 million year upon year, while at the same time the state is growing investment in digital media production and jobs….The proposed change in Raised Bill 385, enhances the competitiveness of the state's Digital Media Tax Credit Program to allow an increase in the sales tax liability offset, which achieves a stronger fiscal return to Connecticut while offering budget predictability for television, streaming and digital media producers…Today, cost and certainty are the most important factors in the production location decision making process, therefore, studios look at states with competitive credits, which includes opportunities to efficiently monetize those credits."

Brian O'Leary, Senior Vice President and Tax Counsel, NBC Universal testified in support of the bill, stating that it would achieve two objectives: 1) enhance the competitiveness of the state's television, streaming and digital media tax credit ('Tax Credit'); and 2) while generating an even stronger fiscal return from the Tax Credit program for Connecticut.

Mr. O'Leary noted, "The Connecticut Tax Credit program has been a catalyst for direct and long-term investments in well-paying jobs, leading edge technology and studio infrastructure. This critical point was confirmed in the report issued last month by the international economist firm, Olsberg SPI prepared for the Connecticut Office for Film, Television and Digital Media. The Olsberg economists noted, *'Connecticut's unique incentives offer has enabled the state to achieve what a number of other jurisdictions are aiming to do — i.e. encourage Screen producers and investors to build infrastructure and commit on a longer-term basis. In focusing on long-form production rather than solely on film, the state has built stable production throughput, rather than focusing only on itinerant projects. This means that the state has a very strong platform for future growth.'* The report found the state has attracted more than $550 million in capital investment in production and production support infrastructure, in addition to creating more than 8,700 jobs statewide."

NATURE AND SOURCES OF OPPOSITION:

Kathleen Flaherty, Esq., Executive Director, Connecticut Legal Rights Project, Inc. testified in opposition of the bill stating that the digital media tax credit already results in an annual average loss of $58 million in revenue to the state and expanding the tax credit would mean additional revenue loss.

David Godbout opposed the bill on the grounds that the current session of the Connecticut General Assembly is illegal, in breach of Article 3, Section 16 of the State Constitution.

Patrick R. O'Brien, Ph.D. Research and Policy Fellow at Connecticut Voices for Children, is opposed to the bill. Based on its own analyses, the Connecticut Department of Economic and Community Development (DECD) finds that the film and digital media production tax credit has cost the state hundreds of millions of dollars over the last decade. The recent consultant-written report that the DECD released provides insufficient support for expanding the digital media tax credit or any of the related film tax credits. The Connecticut Auditors of Public Accounts (APA) has identified serious problems with the DECD's operations and management of tax credits, including a nearly $50 million overpayment of the film and digital media production tax credit.

Reported by: Dawn Silveira **Date: 4/19/2022**