

Committee on Taxation,

Please find attached a packet including (1) hand-out titled AB506 Executive Summary and (1) page of proposed amendments, titled AB 506 Amendments-Comments. They are being submitted on behalf of the Nevada Film Incentive Task Force. We have already sent these to all members of the committee, but would like to officially register them for the hearing.

We will also be in attendance at the hearing on Thursday morning and would like to testify. JR Reid will be our primary spokesperson and he will be in Carson City and available. His phone number is 702-429-7900

If you have any questions or suggestions, please reply or call me at 702-785-7654 or JR at 702-429-7900.

Thank you for your assistance.

Joshua A. Cohen
Nevada Film Incentive Task Force
josh@cohencidence.com
702-785-7654 Cell/Text

James "JR" Reid
Nevada Film Incentive Task Force
www.NevadaFilmIncentive.com
President, JR Lighting
(702) 649-5555
jreid@jrlighting.com

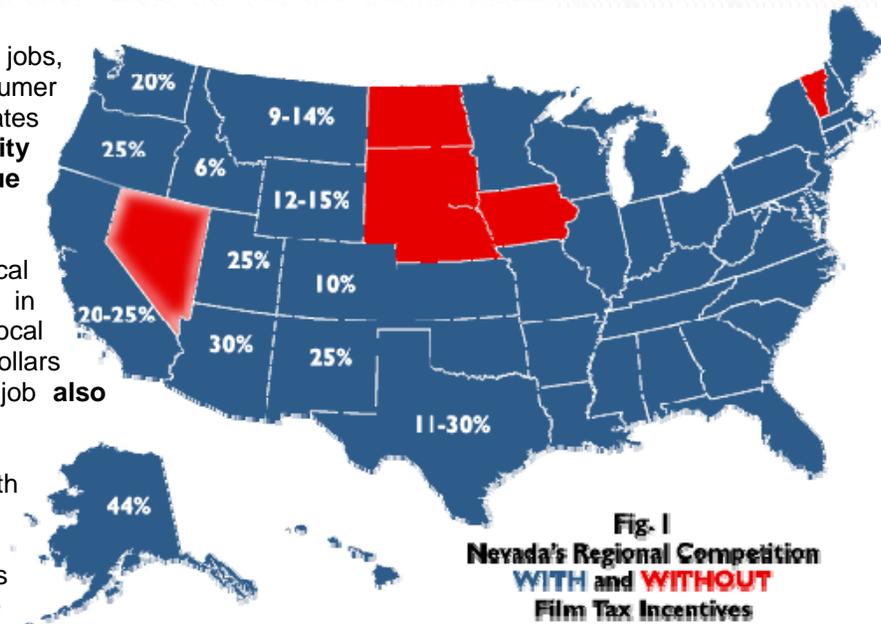
The Motion Picture Jobs Creation Act (AB506) Executive Summary

➤ 44 states offer film tax incentives to lure big productions with big out-of-state money. **Nevada is one of six that does not.**

➤ Incentives create thousands of jobs, diversify the economy, increase consumer demand and draw tourism. **Other states produce up to \$20 in economic activity and \$1.90 in state/local tax revenue for every \$1 in incentive.**

➤ Productions create instant local hires, rentals, and purchases, which in turn necessitate even more local employment. **72-76% of all incentive dollars go to labor, and each production job also creates 0.7 secondary jobs.**

➤ Job creation is paramount, with various state programs **creating between 3,000 and 10,000 high-paying, full-time jobs.** NY bumped its incentive from 10% to 30% to compete with MA & CT, creating/ retaining 19,500 jobs in one year (that's almost 1% of Nevada's population)

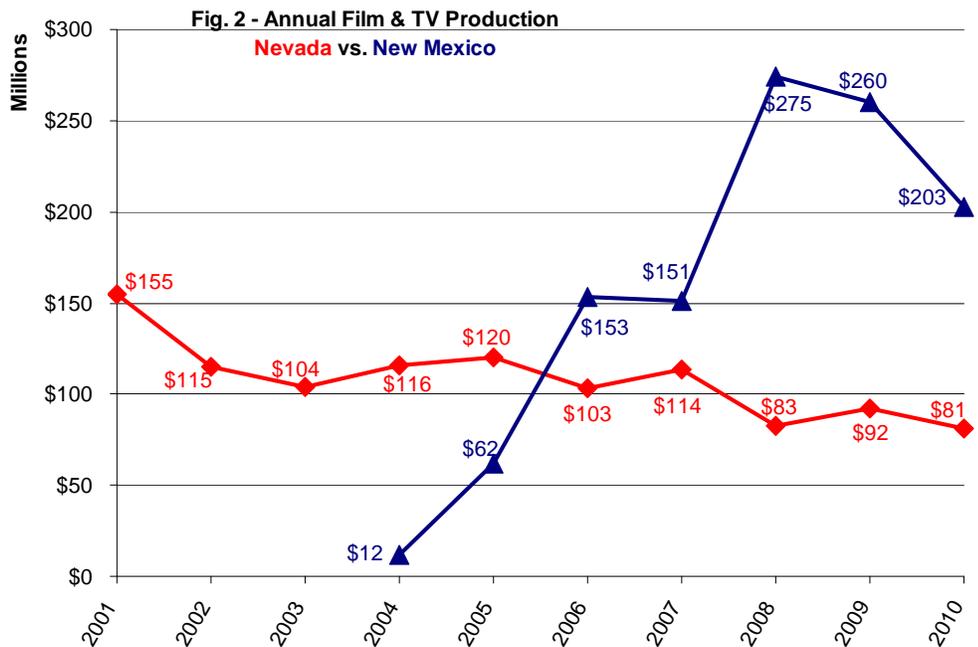


➤ NM instituted a 25% rebate. Producers now pass over us to shoot there simply because it's so much more affordable. NM has a personal income tax, no proximity to Los Angeles, and no major tourism draws. Still, their industry **skyrocketed from \$12M/yr to \$275M/yr**, which is just a fraction of the total economic impact... and they did it during the recession. It is clear that tax incentives were the single procuring cause for hundreds of millions of out-of-state dollars employing NM locals.

➤ Meanwhile NV's film industry **declined** over the last decade **from \$155M to just \$81M**. Nevada is losing inter-state competitiveness, out-of-state money, long-term jobs & our best local talent. The old paradigm of "Nevada will always win business because of our unique locations" is not good enough any more. NV's film & television industry will continue to shrivel into non-existence... unless we can compete on a level playing field with our neighboring states.

➤ Film tax incentives, along with our natural advantages (unique locations, normally low tax structure & proximity to LA) will combine to create the **perfect storm** we need to draw the industry here permanently, regain lost jobs and create a viable and sustainable industry for Nevada.

➤ The Motion Picture industry is non-polluting and complementary with gaming, drawing tourism and non-qualified income, like tips, gaming, conventions and even lap dances. This legislation will further bolster our reputation as the **Entertainment Capital of the World.**



Prepared by the Nevada Film Tax Incentive Task Force

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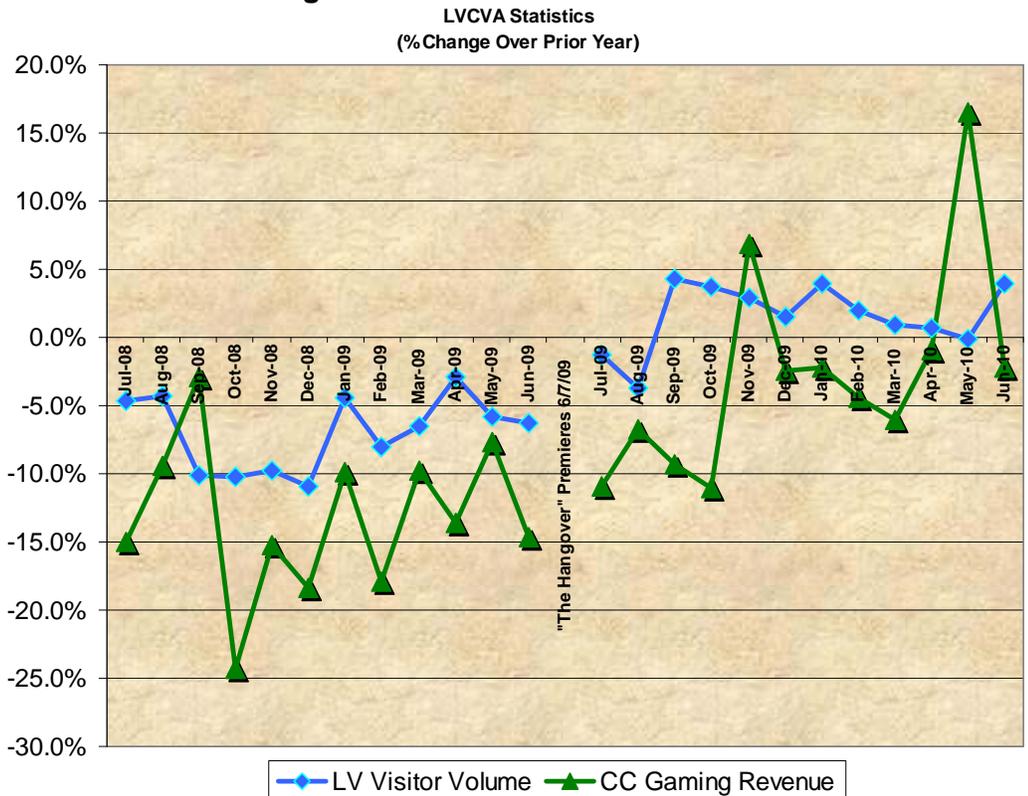
The Solution:

- ▼ AB506 creates a **transferable tax credit of 25%** on most qualified, in-state expenses. All money spent in-state on eligible expenses (Nevada labor, performers, rentals, hotel rooms, transportation, taxes, permits, food, etc) will be submitted to the NFO for review with certification from an independent CPA, then earn a credit toward tax liabilities due. Credit will be approved by the NFO & Commission on Economic Development and issued by the Dept of Taxation. Credits can be transferred or sold, and are good for 3 years.
- ▼ **Analogy:** a restaurant attracts a new customer by offering him a coupon good for 25% off his second visit. The result is that the new customer (who wouldn't have otherwise come into the restaurant) will pay all the money (and tip) from the first meal at the time of the first meal. This allows the restaurant to pay its staff, rent, advertising, and other expenses throughout the local economy. The only thing the restaurant commits to is part of the revenue from the new customer's second meal. Net result: the restaurateur brings in additional revenues worth 1.75 meals from a new customer who would have otherwise eaten elsewhere.
- ▼ Eligibility Requirements:
 - At least 60% of shooting days must be in Nevada
 - Minimum qualified, in-state expenditure is \$250k for films and TV series and \$100k for smaller productions, like documentaries and commercials
- ▼ If the owner of a credit can't use all of it, he can sell it to a Nevada business or individual that does, usually at a discount. Casinos and other big companies can save a great deal on taxes, enabling them to hire more people.
- ▼ AB506 also allows for a 100% credit toward leasing buildings and land from the state. While this is not a deal-maker for most producers, it is a nice perk that other states around us don't usually offer. It essentially trades the use of State property for an interest-free loan from the producer. These revenues are not accounted for in the estimates on the next page.

▼ Positive exposure will increase visitor volume statewide. NM estimates that **each dollar paid out by the state generates \$2.50 in tourism revenue** over the following 4 years after issuance.

▼ "The Hangover," advertising Nevada to millions of moviegoers around the world, contributed to an **8.5% annual increase** in Las Vegas visitor volume and an astounding **10.5% annual increase** in Clark County gaming revenue. Even if only a fraction of that was attributable to the film, it means big money for the tax base every time we are featured on-screen. A conservative estimate is that more on-screen advertising would **increase tourism at least 1.5% state-wide.**

Fig. 3 "THE HANGOVER EFFECT"



The Motion Picture Jobs Creation Act (AB506)

Executive Summary

Estimated Economic Impact

- ▼ Primary tax base revenue sources come from direct hires, contractors and suppliers to a production, as well as the employees, goods, rentals and other tax-generating expenditures, including:
 - Payroll taxes
 - Real & personal property taxes
 - Food, lodging, rental cars, airport, sales & gasoline taxes
 - Business & vehicle registrations, licenses & fees
 - Gaming & tourism

- ▼ Realistic estimates (see calculations below):
 - \$50M/yr tax credits, yielding...
 - \$200M/yr new productions
 - **\$759M/yr net economic impact**
 - \$26M/yr tax base profit

- ▼ AB506 will be **fiscally positive, earning the tax base \$1.53 for every \$1 issued** as a credit. All of the production's out-of-state money will have already been spent in-state (and the tax base will have recovered its money) before the tax credit is issued.

Fig 4. AB506 Economic Impact Estimates

	Local Labor 75%	Local Business 25%	Subtotal
Gross Direct Expenses (Qualified/Incentivized)	\$150,000,000	\$50,000,000	\$200,000,000
Incentive Tax Rate	25%	25%	
Tax Incentives offered by State, Cities, Counties	(\$37,500,000)	(\$12,500,000)	(\$50,000,000)
State & Local Taxes, Fees, Licenses (%) *[1]	13.83%	11.47%	
Direct Tax Base Revenue	\$20,749,567	\$5,735,367	\$26,484,933
Indirect In-State Spend Bonus Ratio *[2]	0.7		
Gross Indirect In-State Spend Bonus	\$140,000,000	\$105,000,000	\$35,000,000
Indirect Tax Base Revenue	\$14,524,697	\$4,014,757	\$18,539,453
Clark County Tourism Revenue (2008) *[3]	\$27,963,436,505		
Est. Tourism Increase from On-Screen Advertising	1.50%		
Gross Tourism Increase	\$419,451,548		
Avg. Combined Tax Rate on Tourism Rev. *[3]	7.46%		
Added Tax Base Revenue from Tourism	\$31,291,085		\$31,291,085
Net Economic Impact	\$759,451,548		
Economic Activity from Each \$1 Credited	\$15.19		
Combined Tax Base Revenue Collected by State, Cities & Counties	\$76,315,472		
ROI	1.53		

[1]-Based on current Nevada Businesses

[2]-Based on IMPLAN and Applied Analysis Studies

[3]-Based on LVCVA Economic Impact Series by Applied Analysis, January 2010

AB 506 Suggested Amendments

- *Blue italics* is suggested revised language
- ~~Red strike-through~~ is material to be omitted

Suggested Change

Sec. 4. 6. A television series, including, without limitation, a drama, ~~a reality show~~ a talk show, a comedy, a soap opera, a telenovela, ~~a game show, an awards show~~ or a miniseries

Sec. 9. 8. The commission on Economic Development *with The Nevada Film Incentive Task Force* :

Sec. 10. 1. (h) The payroll for residents of Nevada, ~~or personal that provide services in this State crew members,~~ *performers and other residents working directly for the production or contracting for the production;*

~~Sec. 10. 1. (k) State and local government taxes for lodging and rental vehicles;~~

Sec 11. 2. (a) Five percent of any wages paid to residents of this State *in a qualified Nevada training program;*

~~Sec 11. 2. (b) Eight percent of any sales tax paid to lodge any film or production crew member for at least 30 days in this State;~~

~~Sec 11. 2. (c) Seven percent of any sales tax paid to rent or lease a motor vehicle for at least 30 days in this State;~~

~~Sec 11. 2. (d) Six percent of any sales tax paid for any tangible service or goods other than food; and~~

Comments

These shows are already here and do not create any new jobs. They should not get any relief

There should be some business and labor oversight in developing regulation for this bill

We should not be providing tax incentives for out of state workers to come here and take Nevada jobs. This makes it clearer.

This is redundant – already covered in Sec 10. 1. (e) and (f)

This was designed to help our Colleges and other training programs get more students who can pay the higher tuition and help build our crew base

This is already covered in Sec 10. No producer should be rewarded for giving a Nevada job to an out-of-state employee

This is already covered in Sec 10. Did you want to limit the amount of tax they could deduct in Sec 10?

Most productions will deduct that tax along with the rentals and purchases they make. 11.2 (b-d) create unnecessary additional credit bonuses. They will bring in no additional business, and they may make the program unsustainable.

Then make the appropriate changes in the Digest

EXPLANATION- Matter in *bolded italics* is new; matter between brackets (~~omitted material~~) is material to be omitted

AB 506 Amendments

Sec. 4. 6. A television series, including, without limitation, a drama, (a ~~reality show~~) a talk show, a comedy, a soap opera, a telenovela, (~~a game show, an awards show~~) or a miniseries

Sec. 9. 8. The commission on Economic Development *with The Nevada Film Incentive Task Force* :

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