Growing Vermont's Filmmaking Economy

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Introduction

S.263, the Vermont Senate's Omnibus Economic Development bill, includes language to restart the Vermont Film Commission, which has been dormant for nearly a decade. If passed, the bill tasks VFC with promoting Vermont as a location for commercial film production and "develop[ing] and support[ing] a thriving Vermont film sector." The commission is also tasked with raising the funds to execute these tasks. The commission is also required to submit a report to the legislature by January 15, 2023 with recommendations on how to nurture a successful film industry in Vermont. Though that report will doubtless be more in-depth, it may be useful to take a brief look at what happened to Vermont's original film commission, what other states are doing to promote their film economies, and how much success they have had in doing so.

There is a clear consensus regarding what the two main aspects of a state film economy are: film commissions and tax incentives. As such, these will be the focus of this report, which will take a 30,000 foot view of the landscape for developing film economies. Hopefully, this broad overview will inform the potential decision to restart the Vermont Film Commission, and shine a light on what it may be able to accomplish for Vermont's economy.

1. History of the Vermont Film Economy

The Vermont Film Commission[1][2]

The Vermont Film Commission was established in 1995 via legislation to "promote Vermont as a location for commercial film and television production

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[1] https://vermonthistory.org/documents/findaid/VermontFilmCommission.pdf

[2] https://www.sevendaysvt.com/vermont/say-good-bye-to-the-vt-film-commission-hello-to-the-creative-economy/Content?oid=2142767

and to facilitate the participation of local individuals in such productions" as a subset of the Vermont Department of Tourism and Marketing. Unfortunately, filmmakers noted several issues with the VFC (x,y,z). VFC was then rolled into the Office of Creative Economy in 2011, essentially killing the agency.

Why did the commission die? In short, it had become entirely innefective at accomplishing its mission. Budget cuts led to the commission only having one full-time employee, its executive director, whom Vermont filmmakers deemed unable to run the VFC effectively. The executive director, Joe Bookchin, stressed that a lack of administrative staff made it difficult to fully accomplish the commission's goals. VFC was not reaching out to filmmakers enough, spearheading a robust marketing effort, or being a helpful source for filmmakers in Vermont. And so, the concentrated effort to cultivate a film economy in Vermont stalled out, shelving a good-faith attempt to bring jobs and widespread economic activity to Vermont.

Tax Incentives in Vermont[3]

Vermont has previously allowed tax incentives related to film production, but both have expired. The first, the Movie Production Tax Credit, "allowed nonresidents to take a credit against income they receive for a dramatic performance in a commercial film production during that tax year." This credit lasted from 1998 to 2012. The second, the Vermont Film Production Incentive, "provided grants to cover certain production expenses incurred on Vermont film productions." The active dates for this incentive is unknown, but it is currently not being offered.

2. What Other States Are Doing

States with No State Film Office/Commission[4]

- Alaska
- Delaware
- Vermont
- Wisconsin

[3] Bloomberg BNA Tax Database
[4] https://www.sagindie.org/resources/states/

States with No Active Tax Incentives[5]

(Bold indicates states that also have no state film office/commission)

- Alabama
- **Alaska**
- Arizona
- Colorado
- **Delaware**
- Washington, D.C.
- Florida
- Idaho
- Indiana
- Iowa
- Kansas
- Michigan
- Minnesota
- Missouri
- Nebraska
- New Hampshire
- North Carolina
- North Dakota
- South Dakota
- Texas
- **Vermont**
- Washington
- West Virginia
- **Wisconsin**
- Wyoming

[5] Bloomberg BNA Tax Database

Regional Competition: A Look Around New England

Vermont's three closest neighbors in New England– Maine, New Hampshire, and Massachusetts– offer a similar northeastern beauty for film's to capture, but all have approached the film economy rather differently. Maine and New Hampshire, boasting a small and rural population, offer the most similar environment to Vermont. Of those two, Maine is slightly more active in developing its film economy, offering a small tax incentive that pales in comparison to Massachusetts. Massachusetts' larger population and significant metropolitan area have allowed it to make a more robust effort to develop of a film economy.

Maine

Film Commission[6]: Maine has an 11-member film commission within the Office of Tourism tasked with promoting the state as a production location, and raising the funds to do so.

Tax Incentives[7]: The Visual Media Production Credit is "available to qualified production companies that conducted certified media productions in Maine." The credit is 5% of expenses incurred for productions over $75,000.

New Hampshire

Film Commission[8]: New Hampshire's Film Bureau assists filmmakers with production within the state, but it is facing similar problems to Vermont's original film commission and is in danger of closing.

Tax Incentives[9]: None.

Massachussetts

[6] National Conference of State Legislatures: "Select State Film Commissions"
[7] Bloomberg BNA Tax Database; https://legislature.maine.gov/statutes/36/title36sec5219-Y.html
[8] https://www.eagletimes.com/news/proposed-office-closure-leaves-future-of-nh-film-industry-in-limbo/article_e3306fde-78bf-5927-845f-08e9680f9140.html
[9] Bloomberg BNA Tax Databse

Film Commission[10]**:** Massachusetts offers a robust film commission that promotes the state to filmmakers and provides them with the resources to operate effectively within the state. They offer a wealth of resources on an easily accessible website.

Tax Incentives[11]**:** The Payroll Credit offers "credit for the employment of persons within Massachusetts in connection with the filming and production of a motion picture." The credit is 25% of the "total qualifying aggregate payroll of the motion picture." The Production Expense Credit offers "credit equal to 25% of its Massachusetts production expenses, not including the qualifying aggregate payroll expenses included in the calculation of the taxpayer's payroll credit."

3. Returns on Investment: How Well Incentives Work for States

A few studies have been conducted to determine the return-on-investment that tax incentive programs provide. Of course, these are all in states with much larger film economies than Vermont would likely be able to cultivate. But they nonetheless provide insight into the effectiveness of proving strong incentive for film productions to operate within a state at sustained levels.

In California, researchers determined that "the benefits are small relative to the subsidies' cost." In short, they determined that there are other factors that may determine whether or not a production operates within their state "such as the growth of the U.S. economy and technological changes." Thus, their program was costing the state more than it was producing in economic benefit because productions may have just operated within the state regardless due to those other factors.[12]

Georgia's report was similarly cautious, saying that the benefits had been "overstated" and warned about lost state revenue, the benefits provided to residents of

[10] https://mafilm.org/

[11] Bloomberg BNA Tax Database

[12] https://lao.ca.gov/LAOEconTax/Article/Detail/388

other states, and the lack of direct impact that credits had on generating jobs within the film industry.[13]

Pennsylvania also raised concerns about their program. Though they note an ROI of 13.1 cents for every tax credit dollar, they cautioned that direct impacts on the economy are difficult to measure. They also noted how the film industry is dominated by California, New York, and Georgia, and that competition is difficult against states where production companies have "invested significant resources and established a long-term presence."[14]

Meanwhile, the numbers from Florida have found a positive ROI for their program, which offers both incentives and sales tax exemptions for productions.[15] Massachusetts' report also found a net gain for its economy.[16]

Overall, the results are mixed and even when there is a positive return on investment, the relationship between a robust tax incentive program and positive economic benefits for a state writ large is murky at best.

Conclusion

Developing a film economy in a technological age where Vermont's natural beauty can be replicated on a soundstage in California, or a similar looking town in Massachussetts is incredibly difficult. The ways in which Vermont could engage in such development are necessarily complicated, and would be much better addressed by a more comprehensive report as dictated in S.263. Nonetheless, a brief view of the landscape for film economies finds that without a film commission there is no legitimate state effort to grow its film economy. These commissions are necessary to help filmmakers through red tape and act as a central hub connecting productions to workers and resources. But, as we have seen in Vermont, and may see again in New Hampshire, a film commission that does not operate effectively is doomed for failure.

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13 https://www.ncsl.org/Portals/1/Documents/fiscal/evaluation_database/ImpactoftheGeorgiaFilmTaxCredit.pdf

14 https://www.pafia.org/resources/Documents/TC_2019_Film_Production_Tax_Credit_Report.pdf

15 http://edr.state.fl.us/Content/returnoninvestment/EntertainmentIndustryIncentivePrograms2021.pdf

16 https://www.ncsl.org/Portals/1/Documents/fiscal/evaluation_database/ReportontheImpactofMassachusettsFilmIndustryTaxIncentivesthroughCalendarYear2016.pdf

Tax incentives are not currently being considered as part of the effort to restart VFC, but they merit some consideration. In conjunction with an effective film commission, some light incentives may provide an extra boost for attracting productions to Vermont, but their impact is uncertain and probably do not warrant a heavy investment. A more in-depth study into the non-tax-incentive factors that drive production within a state would be beneficial. For example, how could Vermont help production companies create a home within the state? Could the state invest in resources like sound stages or other facilities attractive to filmmakers?

Vermont remains as only a handful of states that offer neither a film commission or tax incentives.The state has an interest in getting filmmakers and their crews to spend within the state without either of these programs.