

Agenda Report

DATE: January 7, 2002

TO: CITY COUNCIL
THROUGH: LEGISLATIVE POLICY COMMITTEE (12/18/01)

FROM: CYNTHIA J. KURTZ, CITY MANAGER

SUBJECT: SUPPORT FOR HR3131 AND S1278 – UNITED STATES INDEPENDENT FILM AND TELEVISION PRODUCTION INCENTIVE ACT OF 2001

RECOMMENDATION:

It is recommended that City Council:

1. Support H.R.3131 and S.1278 – United State Independent Film and Television Production Incentive Act of 2001; and,
2. Authorize the Mayor to submit correspondence to the appropriate authorities.

BACKGROUND:

Over the past year, a number of groups, including the United State Conference of Mayors, have been working with television and film organizations to examine the issue of runaway production – the practice of making movies and television shows outside of the United States. Many productions feature a domestic American setting but are actually filmed outside the United States. Studies show that from 1990 to 1998 the percentage of U.S.-developed productions shooting in foreign countries nearly doubled to 26.5% with 82% of those productions shooting in Canada. Figures also show that the hypothetical \$40-million film could be cut by 25% in Canada.

It is estimated that as much as \$10 billion is lost annually to local economies by films being made on foreign soil. The affects on economic development range form lost jobs in hotels, restaurants, air and ground transportation, equipment rental companies and lost tax revenues.

Legislation has now been introduced in both Houses of Congress to address this matter. H.R. 3131 and S. 1278 both titled the “United States Independent Film and Television Production Incentive Act of 2001” are targeted at the segment of the market most vulnerable to runaway production. It provides a wage-based tax credit for productions of films, television or cable programming, mini-series, episodic television and movies of the week that are produced in the United State with total wage costs between \$200,000 and \$10 million. The amount of wage

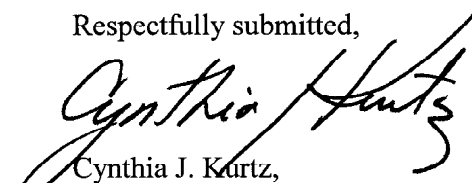
credit, in most cases, would be 25 percent of the first \$25,000 in qualified wages per employee. In low-income areas that qualify under the existing "new markets" tax incentives the credit would be more. These credits would help to offset tax incentives offered by foreign governments.

Such notes organizations as the Directors Guild, the Screen Actors Guild, Academy for Television Arts and Sciences, Film USA and others support this legislation.

FISCAL IMPACT:

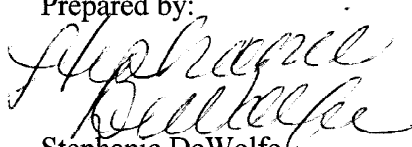
Although the exact impact of this legislation is difficult to define, staff expects it would result in a 10-20% increase in local production.

Respectfully submitted,



Cynthia J. Kurtz,
City Manager

Prepared by:



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