



MEMORANDUM

Date: August 5, 2022

To: The Honorable Chair and Members
Pima County Board of Supervisors

From: Jan Lecher 
County Administrator

Re: **Film Incentives Bill – SB1708/ HB2156**

Background

States have long offered tax incentives to entice new film or television production activity, but support for these programs has spiked in the wake of the recovery from COVID-19 pandemic, which sent the film industry reeling as theaters closed and productions were postponed. Arizona has now joined 35 other states in offering film incentives with the passage of HB 2156.

Pima County Attractions & Tourism Director, Diane Frisch has continued to monitor SB1708, (HB2156) the Film Incentives Bill since it was first introduced in the Arizona Senate in February of 2022. On July 6, 2022, Governor Doug Ducey allowed HB2156 to become law without his signature.

This week Ms. Frisch met with the staff from AZ Film & Digital Media who work under the Arizona Commerce Authority Department. In attendance were: AZ Film & Digital Media Staff: Director, Matthew Earl Jones; Director Legislative Affairs at Arizona Commerce, Brett Galley; Program Manager, Ramsay Wharton and Film Tucson Director, Peter Catalanotte.

Bill Overview

The incentive will provide a refundable tax credit for the Motion Picture Industry based on qualified expenses and for construction of qualified production facilities. The information provide below is based on the adopted bill.

The annual tax credit caps is as follows:

- In calendar year 2023: \$75,000,000
- In calendar year 2024: \$100,000,000
- In calendar year 2025, and each year thereafter: \$125,000,000

The cap allowed in a calendar year for filming at Practical Locations is \$25,000,000 meaning the balance is only applicable for studio construction and/or filming occurring at the studios.

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“Practical location” means a location that is not and does not use an industry standard sound stage or production facility to produce and film the motion picture.

Potential Credit Allocations

Any unused credits will roll up to the following calendar year. Credit allocations are currently as follows:

- Project expenses up to \$10M = 15%
- Project expenses from \$10M to \$35M = 17%
- Project expenses of \$35M and up = 20%

Additional credit may be received for these items:

- Arizona Labor = 2.5%
- Qualified Production Facility = 2.5%
- Post Production at Qualified Production Facility = 2.5%
- Long Term Tenant (aka TV Show) = 2.5%
- The statute defines a “qualified” facility as one that has at least 10,000 square feet.

The Arizona Commerce Authority (ACA) is now working on detailed language and qualifications for the bill which goes into effect January 1, 2023. Funds for this law will be issued through the Arizona Department of Revenue. For that reason, the rules and applications will not be available until September 23, 2023. Prior to release, there will be a 90-day comment window for the public.

We will continue to keep you updated as additional information is released and/or updated.

JKL/dym

c: Carmine DeBonis, Jr., Deputy County Administrator
Diane Frisch, Director, Attractions & Tourism