

NJ Film & Digital Media Tax Credit Program



What is the Film Tax Credit Program?



Established under the Garden State Film and Digital Media Jobs Act in 2018 and expanded by the **Economic Recovery Act of 2020**. \$430MM annual allocation through 2040. (additional \$400MM for Studio Partners and \$250MM for Film Lease Production Companies available annually at discretion of the NJEDA)



FILM TAX CREDIT: Provides tax credits for film eligible productions.

- 35% credit on all qualifying labor expenses / 30-35% for qualifying expenses for goods and services.



DIGITAL MEDIA TAX CREDIT: Provides tax credits for eligible digital media expenses in the state.

- 30% tax credit with a 5% bonus for incurring expenses through authorized NJ vendors based in SNJ.
- 35-40% post-production tax credit



DIVERSITY BONUS: Provides a 2-4% bonus on qualified film/ digital media expenses for eligible applicants.

- Diversity plans must prioritize hiring minorities and women in an amount not less than 25% of total hired cast & crew. Additional local hiring requirements for 4%.



FILM-LEASE PRODUCTION COMPANY: Separate Allocation for projects committing to lease or occupy a designated production space and shoot at least 50% of the total principal photography shoot days of the project within NJ at the NJ film-lease partner facility.

- **Increased Tax Credits for FLPC projects to 40% for certain expenses & ATL thresholds increased**



STUDIO PARTNERS: Separate allocation for large studios committing to occupy or execute a purchase contract with a governmental authority for the purpose of developing over 250,000SF.

- Studio partners can capture more ATL salary and wage expenses as qualified expenses.
- **Increased Tax Credits for SP projects to 40% for certain expenses.**

Key Features of the Film Tax Credit Program

- ▶ **Program capped at \$430MM per year through SFY2039**
 - **\$100MM** for Legacy Film Projects
 - **\$150MM** for Film-lease Production Companies
 - **\$150MM** for Studio Partners
 - **\$30MM** for Digital Media Projects
- ▶ Tax credits can be used to offset Corporate Business Tax (CBT) or Gross Income Tax (GIT)
- ▶ Tax credits are transferable
- ▶ ATL/BTL resident and non-resident wages and salary can be included as a qualifying expense
- ▶ Wage and salary payments (including to Loan-outs and 1099s) must include a 6.37% income tax withholding



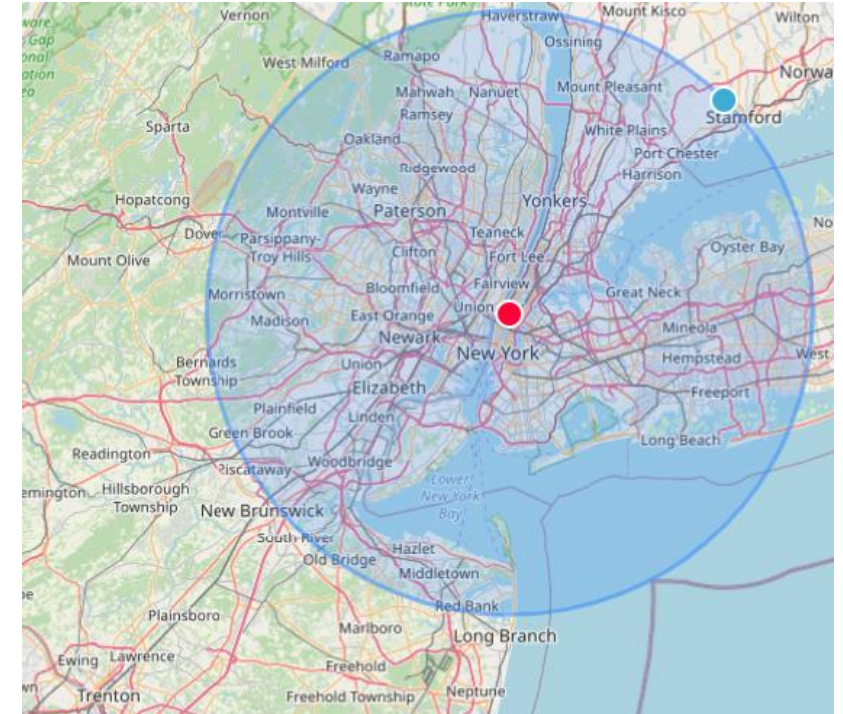
Tax Credit Amounts

► Legacy Film Tax Credit Applications

- 35% for qualifying labor expenses
- 35% for expenses incurred for goods and services used **outside** the 30mile radius of Columbus Circle, NYC.
- 30% for expenses incurred for goods and services used **inside** the 30mile radius of Columbus Circle, NYC.

► Film-lease Production Company and Studio Partner Project Applications

- 40% for qualified labor expenses
- 40% for expenses incurred for goods and services used **outside** the 30-mile radius of Columbus Circle NYC
- 35% for expenses incurred for goods and services used **inside** the 30-mile radius of Columbus Circle, NYC.



Tax Credit Amounts

► Digital Media Applications (Legacy)

- 30% for qualified digital media content production expense (including labor)
- 35% for qualified expenses incurred through authorized vendors with a primary location in the 8 southern counties.
(Atlantic, Burlington, Camden, Cape May, Cumberland, Gloucester, Mercer, or Salem Counties)
- 4% Diversity bonus available



Eligibility Thresholds

► Film Tax Credit Applications

- Project must meet the definition of a "film"
- Film has two possible thresholds for eligibility:
 - Incur at least \$1MM in qualified expenses in a single tax year - **OR**
 - Incur 60% of the total project expenses through Authorized NJ vendors (excluding Post Production)

► Digital Media Applications (non post-production)

- Digital applications must meet **two** thresholds:
- *At least \$2mm of the total digital spend must be incurred through authorized NJ vendors (excluding wage and salary payments to employees) – **AND***
- 50% of the qualified digital expenditures must be for wages and salary expenses paid to full-time workers in NJ who work on digital media

Reality Show Eligibility

- ▶ **Reality shows are eligible for the Film Tax Credit if they meet the following qualifications:**
 - At least **60%** of the total film production expenses, exclusive of post-production costs, are incurred for services performed, and goods purchased through vendors authorized to do business, in New Jersey
 - Qualified film production expenses for goods and services purchased and used in New Jersey must **exceed \$1 million** for the project
 - Reality shows must obtain a **minimum six-episode** order from, and is **commissioned and scheduled to premiere on, a major linear network or streaming service**



Digital Media – Post Production Credit *NEW*

► Studio Partner / FLPF:

- **\$500k** of the total qualified digital expenses are for post-production (including visual effects services) services at a FLPF or by a Studio Partner

► Others:

- **\$500k** of the total qualified digital media expenses are for post production services performed by a qualified independent post-production company

► Tax Credit Amounts

- **40%** for Studio Partners or FLPF
- **35%** for others
- **4%** diversity bonus available

*Costs are an aggregate of a taxpayers expenses in a single year
Can include projects that did not film in NJ



Post-Production Costs

Including, but not limited to:
editing, sound design, visual effects, animation, music composition, color grading, and mastering

Digital Media Content

Including, but not limited to:
animation, video games, visual effects, interactive media, content containing text, graphics, or photographs, sound, and video

Annual Allocation Roll-over

Annual Allocation Cap through 2040			
Legacy Film	Studio Partner	Film-lease Production Company	Digital
\$100MM	\$150MM	\$150MM	\$30MM

- In any fiscal year that there are excess credits available, the Authority can roll the excess amount to the subsequent fiscal year.
- The excess amount must be rolled over into the same allocation bucket for the subsequent fiscal year.
- (e.g.) The Studio Partner allocation can only roll into the subsequent fiscal year allocation for Studio Partners.

Film-Lease Partner Facility (FLPF)

- ▶ A production facility whose owner committed to build, lease, or operate a production facility at least **250,000SF**.
- ▶ A film production company that executes at least a **5-year** lease for **250,000 SF** from a New Jersey film-lease partner facility can be eligible to be designated as a New Jersey studio partner.
- ▶ Only **3** New Jersey production facilities can be designated a Film-Lease Partner Facility under the program.
- ▶ The designation is not an award of tax credits, but does allow qualified productions who use the space to receive increased benefits by being Film-lease Production Companies.



- ▶ To be eligible to receive the designation, the owner shall accept the acquisition by the EDA of equity in the production facility, on *commercially reasonable and customary terms and conditions* set by both parties.
- ▶ A production facility may receive its designation prior to executing an equity agreement with the authority provided final approval of such agreement occurs on or before production starts.

Film-Lease Production Company (FLPC)

- ▶ Separate allocation of **\$150MM** annually & separate project queue.
- ▶ Must commit to lease or occupy a production space in a designated NJ Film-lease Partner Facility.
- ▶ If facility has a TCO: Production must: 1) shoot at least 50% of the total principal photography shoot days for the project within NJ **at a FLPF** or, 2) incur 33% of the qualified film production expenses for goods and services used and consumed at the FLPF.
- ▶ If facility does not have TCO: the film-lease production company must have a lease to **occupy at least 36,000 square feet for no less than 3 years** to apply for benefits early

- ▶ Each Film-Lease Production Company is able to capture more above-the-line (ATL) wages and salary as a qualified expenses depending on the size of the project:

Qualified Expenses	Eligible ATL Wage Cap
< \$50 million	\$15 million
> \$50 million	\$60 million

ATL (above the line) refers to the positions responsible for the creative development, production, and/or direction of the film.

Studio Partner

- ▶ Separate allocation of **\$150MM** annually, separate project queue
- ▶ Must commit to build, lease, or operate a production facility at least **250,000SF** or more for a period of at least **10 years**.
- ▶ Studio Partners must first apply to be designated as a Studio partner, then submit applications under that designation for each project.
- ▶ Only **3** entities can be designated a Studio Partner under the program.
- ▶ No requirement to apply for the Aspire Program.

- ▶ Studio Partners are able to capture more ATL wages and salary as a qualified expenses depending on the size of the project:

Qualified Expenses	Eligible ATL Wage Cap
< \$25 million	\$18 million
> \$25 million	\$72 million

- ▶ If the Studio Partner fails to maintain its designation for the length of the commitment period, the Authority will recapture any excess benefit received by the Studio Partner.



Diversity Bonus

2-4% bonus on all qualified expenses

*Digital media Diversity Bonus is a flat 4%

Eligible Applicants must (Film / Digital)

For an increase of 2%, applicants submit an approved diversity plan outlining goals, which includes:

- the intention to prioritize the hiring of minority persons and women in an amount of not less than 25% of the total hired,
- efforts to ensure equal employment opportunities,
- and specific goals, which may include advertising and recruitment actions, for hiring minority persons and women.

► **For Film Projects** - Diversity bonus can be increased to 4% if the production's diversity plan meets the requirement above as well as the additional requirements below:

Submit Diversity Plan that outlines specific goals that include hiring, no less than 25% of the total on screen talent, are people who:

1. Are women or members of a minority group;
2. Are residents of New Jersey for at least 12 months prior to the start of shooting; and
3. Are members of a bona fide labor union representing performers

► The taxpayer must submit evidence that the applicant has met or made good-faith efforts in achieving those goals to receive the bonus.



Visit www.njeda.gov/film for more information.



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