



Martin O'Malley Governor
Anthony G. Brown Lt. Governor
Christian S. Johansson Secretary
Dominick E. Murray Deputy Secretary

January 28, 2012

The Honorable Thomas V. Mike Miller, Jr.
President, Maryland Senate
Stat: House, H-107
Annapolis, Maryland 21401-1991

The Honorable Michael E. Busch
Speaker, Maryland House of Delegates
State House, H-101
Annapolis, Maryland 21401-1991

RE: Maryland Film Production Employment Act of 2011 - Annual Report

Dear President Miller and Speaker Busch:

Pursuant to Tax General Article § 10-730, I am pleased to submit the Department of Business and Economic Development's Film Production Employment Act of 2011 Annual Report.

Please note that the Maryland Film Production Employment Act came into effect on July 1, 2011. In the first six months of the program, four production companies applied for and were qualified to receive a Maryland Film Production Employment Act Tax Credit. Only one of those four applicants, season one of HBO television series *VEEP*, has completed production in the State. They finished filming on December 6, 2011. Companies have 180 days after the conclusion of the film activity in the State to submit ALL closing documentation. DBED does not anticipate receiving closing documentation from this production until April, 2012.

I look forward to your review of this report and will be available to furnish any additional information that is needed. If my staff or I can be of further assistance, or if you have any questions regarding this report, please contact me at 410-767-6301.

Sincerely,

Christian S. Johansson
Secretary

Enclosure

Maryland Film Production Employment Act – Tax Credit

Annual Report

Pursuant to Tax General Article §10-730

Submitted by

Maryland
Department of Business and Economic Development

January 2012

Maryland Film Production Employment Act - Tax Credit

Overview

During the 2011 Maryland General Assembly, Senate Bill 672 - Maryland Film Production Employment Act of 2011 (Act) was introduced and subsequently signed into law. The Act repealed the existing Film Production Rebate Program and replaced it with a tax credit for qualified direct costs of qualified film production activities including feature films and TV series. Under the Act, the Department of Business and Economic Development (DBED) can award a maximum of \$7.5 million in credits in each fiscal year. Qualifying production activities are eligible for a tax credit of up to 25% of the qualified direct costs for a feature film, and 27% for a television series. If the amount of the tax credit exceeds the total tax liability in the tax year, the entity can claim a refund in the amount of the excess. The Act became effective on July 1, 2011 and terminates on July 1, 2014.

The Act requires DBED to report on specific data before January 1 of each year. Pursuant to Tax General Article § 10-730 the report must include:

- (1) the number of film production entities submitting applications;
- (2) the number and amount of tax credit certificates issued;
- (3) the number of local technicians, actors, and extras hired for film production activity during the reporting period;
- (4) a list of companies doing business in the State, including hotels, that directly provided goods or services for film production activity during the reporting period; and
- (5) any other information that indicates the economic benefits to the State resulting from film production activity during the reporting period.

In the first six months of the program, four production companies applied for and were qualified to receive a Maryland Film Production Employment Act Tax Credit. One production has submitted a letter of intent stating that they will be returning to Maryland for another season of a television series. Only one of those four applicants, season one of HBO television series *VEEP*, has completed production in the State. They finished filming on December 6, 2011. Companies have 180 days after the conclusion of the film activity in the State to submit ALL closing documentation, including a Report on Agreed Upon Procedures by an independent CPA. DBED does not anticipate receiving closing documentation from this production until April, 2012.

Attached is the Maryland Film Office's tracking report for productions which have applied for a Maryland Film Production Employment Act Tax Credit since its inception. All productions have been qualified and approved to receive a tax credit and have either been issued a preliminary tax credit certificate or a letter of intent indicating the maximum amount of tax credit for which the company is eligible and the fiscal year from which those credits will be drawn. The final tax credit amount will be determined based on the company's actual qualified direct spend after the conclusion of the film production activity in the State.

The attached chart indicates projected spend, estimated hires, estimated wages, anticipated production days and the maximum tax credit amount for each company. This information is taken directly from the applications for tax credit submitted by the production companies.

As under the past program, the data from the productions that have completed production and submitted closing documentation during this fiscal year will be included in the annual report submitted to the Governor and General Assembly at the end of the year as dictated by the statute.

Further information regarding the Maryland Film Production Employment Act Tax Credit process and be found on the Maryland Film Office website at <http://www.marylandfilm.org/FilmProductionEmploymentAct.html>

Appendix A - Maryland Film Production Employment Act – Tax Credit

Maryland Film Office -- MARYLAND FILM PRODUCTION EMPLOYMENT ACT – TAX CREDIT					
Production Company	Second in Command Productions, LLC	Jamesy Boy, LLC	Bishop Varney Productions Inc	Knight Takes King Productions, LLC	Second in Command Productions, LLC
Project Name	VEEP – season 1	Jamesy Boy	Better Living Through Chemistry	House of Cards – season 1	VEEP – season 2
Project Type	Television series, 7 episodes	Feature Film	Feature Film	Television series, 13 episodes (including pilot)	Television series, 10 episodes
MAXIMUM Tax Credit Amount	\$3,789,235.00	\$600,000.00	\$951,878.00	\$11,676,029.00	\$5,482,858.00 (RESERVED - pending formal application)
Tax Credit Funding (FY)	FY2012	FY2012	FY2012	FY2012 (\$2,158,887); FY2013 (\$7,500,000); & FY2014 (\$2,017,142)	FY2014
Tax Credit Percentage	27%	25%	25%	27%	27%
<i>Estimated</i> TOTAL QUALIFIED Direct Costs	\$14,034,202.00	\$2,400,000.00	\$3,807,512.00	\$43,451,311.00	\$20,306,883
Projected Budget	\$20,041,651.00	\$2,700,000.00	\$5,905,000.00	\$67,972,650.00	\$28,518,793
Expected Number of Filming Days	38	24	25	112	TBD
LOCAL HIRES: <i>Estimated Crew</i>	423	75	75	100	TBD
LOCAL HIRES: <i>Estimated Actors/Extras</i>	1693	335	270	2000	TBD
<i>Estimated</i> TOTAL Wages:	\$8,519,987.00	\$1,181,576.00	\$2,328,250.00	\$25,000,000.00	TBD
Anticipated Start Date	October 3, 2011	January 17, 2012	February 27, 2012	March 14, 2012	Approx. September 2012
Anticipated Wrap Date	December 2, 2011	February 17, 2012	March 30, 2012	October 29, 2012	Approx. December 2012
Federal ID Number	27-0974751	45-3608021	35-2426710	80-0725506	27-0974751
Application date	7/1/11 (9am)	7/12/11 (1:44pm); 7/18/11 (10:13am); 10/17/11 (reapplication)	7/1/11 (12:35pm); 11/18/11 (reapplication)	11/22/11 (3:02pm)	Letter of Intent to film 2 nd season (11/22/11)
Prelim Tax Credit Certificate Number and Date issued	FY12-TC01 - 7/21/2011 (must film by 11/17/11)	FY12-TC02 – 7/21/11 VOID FY12-TC04 – 11/18/11 (must film by 3/16/12)	FY12-TC03 – 8/16/11 VOID FY12-TC05 – 11/21/11 (must film by 3/19/12)	FY12-TC06 – 1/5/12 (1 of 3) and Letter of Intent for remaining amt (must film by 5/3/12)	Letter of Intent – 1/17/12 reserving credits from FY2014 (must apply by 6/14/12)
<i>Synopsis</i>	VEEP is a half hour comedy starring Julia Louis-Dreyfuss who plays the first female Vice President of the United States.	<i>Jamesy Boy</i> , tells the story of a teenager trying to put his life back together after serving time in prison. The film is based on a true story.	<i>Better Living Through Chemistry</i> is the story of a straight-laced pharmacist's uneventful life that spirals out of control when he starts an affair with a trophy wife customer.	<i>House of Cards</i> is an hour long drama based on the novel and British series of the same name. Producers include Kevin Spacey & David Fincher who will also star in and direct respectively.	VEEP is a half hour comedy starring Julia Louis-Dreyfuss who plays the first female Vice President of the United States.