Film Tax Credits

Overview of Film Tax Credit Programs

Film tax credits became early popularized nationwide in the early 2000s, as a measure to invite entertainment industries into states for economic growth. As of 2025, all but 12 states offer various sorts of film tax credit incentives. Despite wide popularity, scholars across the spectrum agree – **film tax credit programs generate net loss for states.**

Estimates of Return on Investment by Independent Analysts for State Film Incentive Programs

State	Year of Review	Research or Report Sponsor	% of Reimbursement for Qualified Expenditures	State receipts per $ of credit
Alaska	2012	Legislative Budget & Audit Cm	30 - 44%	$0.07
Arizona	2008	Department of Commerce	20 - 30%	$0.27
California	2014	Legislative Analyst Office	20 - 25%	$0.65
Connecticut	2014	Dept. of Economic & Com. Dev.	30%	-$0.09
	2008	Dept. of Economic & Com. Dev.	30%	$0.08
Florida	2014	Economic & Dem. Research	20 - 30%	
		Credits Awarded and Redeemed in 3-Year Review Period		$0.43
		Credits Awarded, with Total Potential Costs of Redemptions in a 3-Year Period		$0.25
Louisiana	2013	Dept. of Economic Development	30 - 35%	$0.11
	2011	Legislative Fiscal Office		$0.15
	2009	Dept. of Economic Development		$0.13
	2005	Legislative Fiscal Office		$0.16 to $0.18
Maryland	2014	D of Legislative Services (Draft)	25 - 27%	$0.06*
Massachusetts	2013	Dept. of Revenue	25%	$0.13
Michigan	2014	Michigan Film Office**	29% (2012)	$0.38
			37% (2011)	$0.24
	2010	Senate Fiscal Agency	42%	$0.11
New Mexico	2014	Dept. of Finance & Administration	25 - 30%	$0.33
	2008	Legislative Finance Committee	25%	$0.14
North Carolina	2014	Legislative Services Office	25%	$0.46***
Pennsylvania	2013	Independent Fiscal Office	25 - 30%	$0.14

Why do tax credit programs tend to be ineffective in the long-run?

- **The tax revenue they generate does not offset their cost.** Estimates of the revenue return to states from film tax credits range from seven to 28 cents for every dollar spent. The remaining cost — from about 70% to 90% — has to be paid for by raising other taxes or by cutting state budgets.

- **The jobs created for state residents tend to be short-term, part-time and low-wage,** Compared to high-paying jobs for celebrities and other out-of-state industry employees. The Massachusetts Department of Revenue, after analyzing applications for film subsidies, reported that "most employees on the projects lasted from a few days to at most a few months". According to Michigan State University, jobs in film production in Michigan during calendar year 2008 lasted an average of 23 days.

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Why do tax credit programs tend to be ineffective in the long-run? (Continued)

- **The idea that film tax credits draw tourism to states is based on flawed, exaggerated evidence.** For example, in New Mexico, only 5-13 percent of total visitor spending was generated because of the film industry in 2014. For a state like Nevada, with already high tourism, this investment might instead dilute tourism from existing industries.

States that have taken action on the Failure of Film Tax Credit Programs

- Florida abolished its film tax credit program in 2016 because of low return on investment. **The state recaptured only 25 cents for each dollar spent and the program failed to provide the anticipated job growth.** The elimination of the film tax credit appears to have had little to no impact on Florida's prominence as a filming location. Of the 100 highest grossing films produced in 2016, three films partially set in Florida received money from other states' incentive programs (Hidden Figures, Dirty Grandpa, and Ride Along 2).

- **New York's** film tax credit program, enacted in 2004, has grown substantially over the years. In the FY 2024 budget, for example, the annual cap on the program was raised from $420 million to $700 million. A recent study by the New York State Department of Taxation and Finance, however, has concluded that **the state only recaptures $0.15 in direct tax revenue and $0.31 for all combined state tax revenue for every $1.00 spent on film tax credits.** The statistics further show an underwhelming return on investment both for employment opportunities and state revenue, causing the legislator to reconsider the expansion of the program.

Table 15: Fiscal Return on Investment to New York State, Total 2018 to 2022

Total State Costs and Return (2018-2022)	Total Credits Awarded	Direct Tax Revenue	Total Tax Revenue
State of New York Taxes ($M)	$3,087.5	$452.2	$960.9
Return on $1.00 in Foregone Revenue		$0.15	$0.31

Source: Economic Impact Analysis by Fourth Economy based on Job Creation Reported by ESD.

- **Georgia** currently has no annual or project cap on the film tax credits provided. The Georgia Entertainment Industry Investment Act, commonly referred to as the Film Tax Credit, was enacted in 2005 to promote investment in film, television, and digital media projects. Georgia House Bill 1100 (2008) significantly altered the original film income tax credit, increasing the value to 20 percent of eligible production expenditures and providing an additional credit of 10 percent to companies that offer Georgia marketing opportunities. All these incentives have undoubtedly turned Georgia into the "Hollywood of the South." Nevertheless, the tax credit program most recently has been estimated to return just
dollar spent.

Table ES1. Film Tax Credit, Tourism, and Construction – State Fiscal Effects*

($ millions)	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028
Revenue gains from economic impact	$224.69	$251.21	$280.85	$313.99	$351.04
Less:					
Tax expenditure cost	-$762.85	-$1,021.50	-$1,188.40	-$1,261.37	-$1,277.45
Alternative use revenue gains	-$79.98	-$89.42	-$99.97	-$111.77	-$124.96
Net Fiscal Effects	**-$618.14**	**-$859.71**	**-$1,007.52**	**-$1,059.14**	**-$1,051.36**
State Fiscal ROI	$0.19	$0.16	$0.15	$0.16	$0.18

* Includes "but-for" adjustment of 92.1%

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