



GEORGIA DEPARTMENT
of REVENUE

INTRODUCTION TO FILM TAX CREDIT

Chester Cook, Deputy State Revenue Commissioner
Kelsey Finn, Director of Income Tax Policy

Office of the Commissioner

October 4, 2023

INTRODUCTIONS

- 1 Chester Cook, Deputy State Revenue Commissioner
- 2 Kelsey Finn, Director of Income Tax Policy
- 3 Austin Gibbons, Director of External Affairs



Visit our film tax credit website

FILM TAX CREDIT BASICS

- 20% base credit determined by qualified direct expenses incurred by the production company.
- 10% of qualified direct expenses for use of marketing opportunities, primarily the Peach Logo.
- Production Company
 - Comprised of feature films, series, pilots, movies for television, televised commercial advertisements, music videos recorded in Georgia in whole or in part, intended for multimarket commercial distribution. Does not include news or athletic events, local interest programming, instruction videos, or corporate videos.
 - Must spend \$500,000 in Georgia qualified expenditures to qualify for the film tax credit.

LEGISLATIVE HISTORY

- 2005: Georgia Entertainment Industry Investment Act becomes law
- 2008: 20% Credit and 10% Uplift are added into existing law
- 2013: The General Assembly passed changes to ensure more productions occur in Georgia
 - Dropped the sales tax exemption
 - Required withholding for loan-outs
 - Initiated voluntary audit
- 2016: The General Assembly required credits be certified electronically.
- 2020: The General Assembly passed HB 1037 and significantly tightened the program.
 - Phased in a requirement that all productions undergo a mandatory audit before the credit is utilized or transferred
 - Created the certified audit program for third-party auditors
 - Provided a clear path for production companies to protest audit findings

AGENCY INVOLVEMENT



GEORGIA DEPARTMENT of REVENUE

1. Conduct audits of claimed credits and verify the audits of third-party auditors
2. Certify and decertify eligible auditors
3. Responsible for final authorization of credits
4. Conducts administrative appeals of audits

Rules
Regulations
Reporting

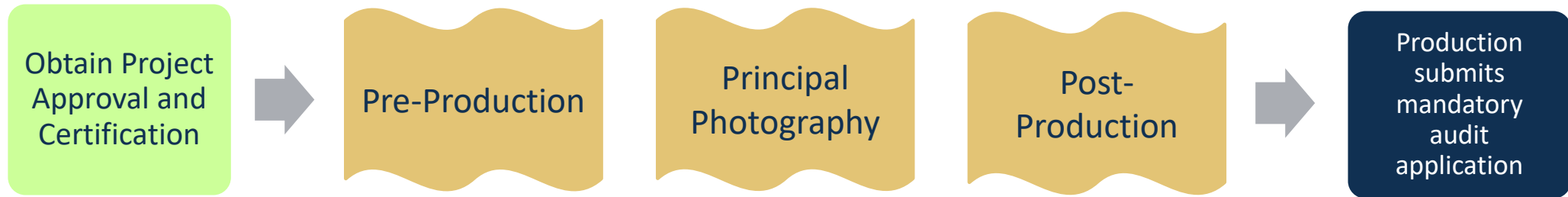
1. Certify companies and productions
2. Provide a list of approved projects to DOR
3. Promote through the Georgia Film Office



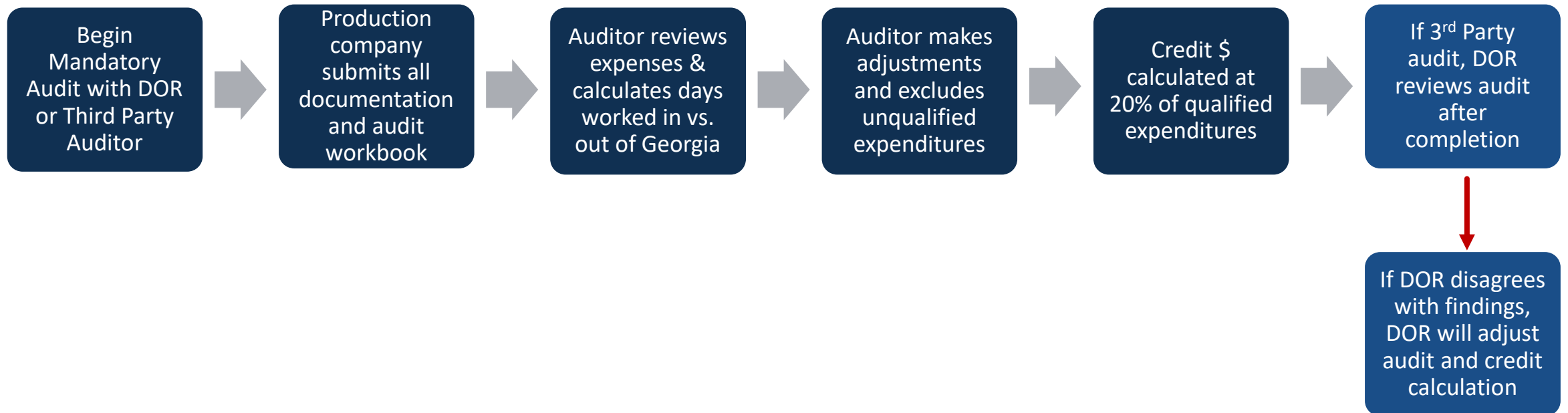
FILM AUDIT GROUP RESPONSIBILITIES

- The Department has 11 current auditors augmented by 3rd party certified CPA audit firms.
 - Self-funded by receipt of audit fees submitted by productions.
- Conducts audits of production expenditures submitted by productions or certified auditors.
- Approves and finalizes the issuance of the film tax credit certificates for mandatory audits.
- Documents every film tax audit conducted by DOR consisting of mandatory audit, voluntary audits, and involuntary audits preparing management reports on the film tax program audit activities.
- Transfers credits between transferers and transferees.
- Oversees the certified auditor program.
 - 5 outside auditors currently certified.

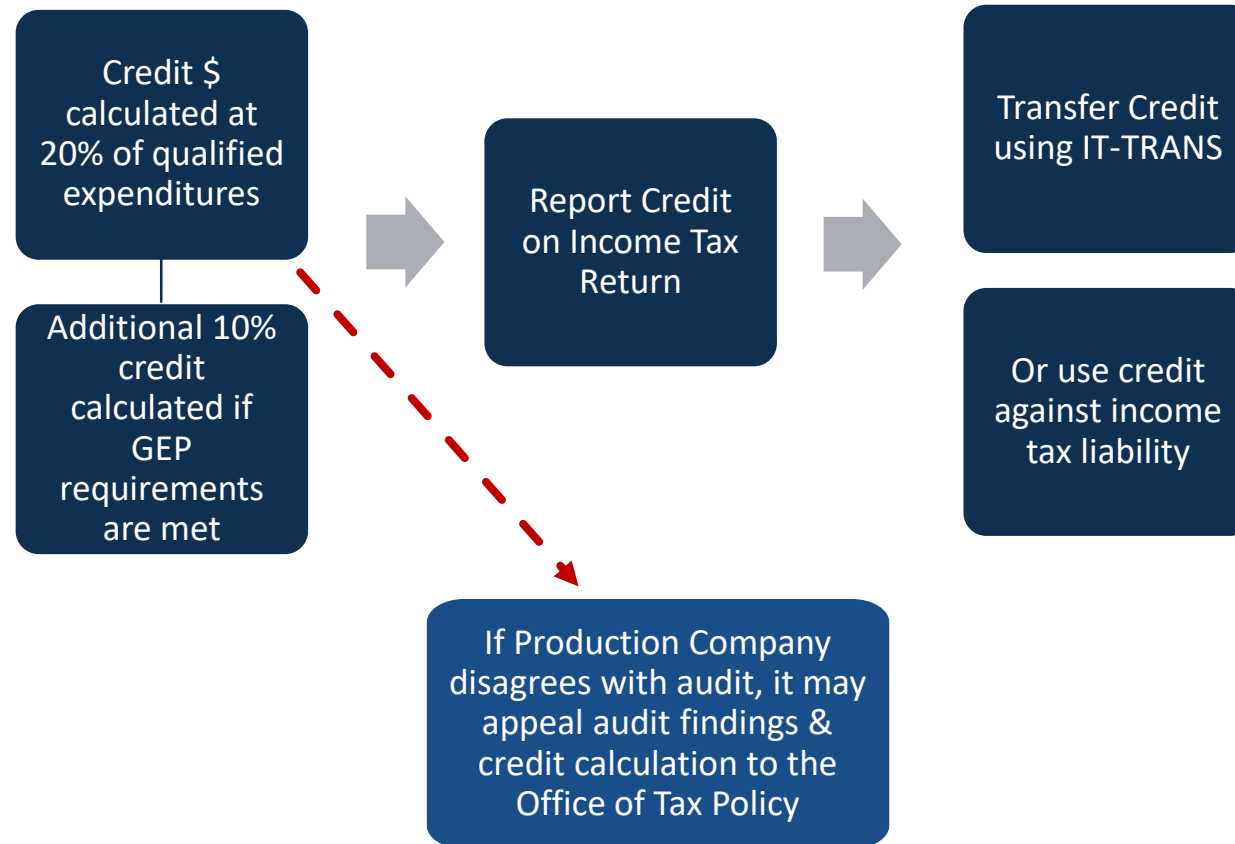
FILM TAX CREDIT LIFE CYCLE (PART 1)



FILM TAX CREDIT LIFE CYCLE (PART 2)



FILM TAX CREDIT LIFE CYCLE (PART 3)



INITIATING THE AUDIT

Production Company Responsibilities

- Complete application and submit payment
- Decide between DOR audit **or** third-party audit with DOR review

DOR Responsibilities

- Assign an auditor to begin audit procedures
- Adhere to the Audit Procedures Manual

REQUIRED AUDIT DOCUMENTATION



View Audit Procedures Manual

- Receipt of purchases
- Payroll reports
- Daily Production Reports for all filming dates
- Production documents
- Bank records
- Legal contracts
- Employment contracts
- Balance sheets
- Financing agreements
- Employment contracts

LIST OF QUALIFIED EXPENDITURES

- The production company provides a completed audit workbook and the required documentation. During the audit, DOR will exclude any expenditure that is unqualified from the credit calculation.
- Expenditures can be “unqualified” due to the type of expense, where the expense occurred, and whether the expense was through a Georgia vendor.



View qualified expenditures

QUALIFIED EXPENDITURES

- For an expense to qualify, it must be performed on the filming site or be provided by a Georgia vendor.
- The following do not qualify:
 - Postproduction expenditures for footage shot outside of Georgia
 - Marketing
 - Publicity
 - Story rights
 - Distribution
 - Any expenditure for work or services not conducted or rendered in Georgia
 - Expenditures for goods that were not purchased or rented or leased in this state from a Georgia vendor
 - More than **one** round trip flight

GEORGIA VENDOR RULE

- A Georgia vendor is a vendor that:
 - Sells or rents goods or provides services in their ordinary course of business in Georgia
 - Has a physical location in Georgia with at least one individual working at such location on a regular basis
 - Is registered to collect sales and use tax
 - Has a local Georgia business license
- Georgia Vendor Exception
 - If a vendor provides services at the filming site, they don't have to be a Georgia vendor
 - Services performed on site must be identified in daily production reports provided to the Department and withholding must be paid on employees to qualify.

FINALIZING THE AUDIT

DOR Responsibilities

- Verify third-party audit (if applicable)
- Obtain approval from Audits Division leadership for certificate authorization
- Issue audit findings and credit certificate
- Make adjustments to expenditures, as necessary

Production Company Responsibilities

- Provide additional documentation (if applicable) upon review of audit
- Follow DOR instructions for claiming credit

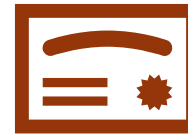
FILM TAX CREDIT AUDIT FINAL CERTIFICATION LETTER



Total amount of qualified expenditures



Film tax credit amount



Film tax credit certificate number (for the income tax return)



Tax year to be used by the production when reporting the credit on the return

CLAIMING THE CREDIT



1. Production company claims credit using the Film Tax Credit Certificate Number. Tax credits are generated on Schedule 10 under credit code 122.
2. Production company reports credits earned and available from prior years, credits generated in the current year, credit sold or consumed in the current year, and credits carried forward to the next year.
3. DOR ensures the 20% and/or 10% credit is issued through the Integrated Tax System and the certificate is mailed to the production company.



QUESTIONS?

Chester Cook and Kelsey Finn

chester.cook@dor.ga.gov

kelsey.finn@dor.ga.gov