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**Film Production Credit Report**

Tax Years 2021-2024

January 17, 2025

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Minnesota Department of Revenue

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*As required by Minnesota Statute 3.197: This report cost approximately \$5,000 to prepare, including staff time, printing, and mailing expenses.*

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January 17, 2025

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5th Floor, Centennial Office Building

Representative Matt Norris  
5th Floor, Centennial Office Building

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Senator Rich Draheim  
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Senator Carla J. Nelson  
2301 Minnesota Senate Building

Dear Members:

I am pleased to present to you this report on the film production credit, as required by Minnesota Statutes, Section 116U.26, Subd. 5.

The report was produced in consultation with the Department of Employment and Economic Development and the Director of Explore Minnesota. It provides a summary of the implementation of the film production credit for the years 2021 through 2024.

Sincerely,



Paul Marquart  
Commissioner of Revenue  
Minnesota Department of Revenue

## Film Production Credit Report

Minnesota Statutes, Section 116U.26, Subd. 5 requires the Department of Revenue, in consultation with the Director of Explore Minnesota, to report to the legislature on the Minnesota Film Production Credit. The report is to include the following:

- (1) The amount of credit certifications issued annually;
- (2) The number of applications submitted, the number of allocation certificates issued, the amount of allocation certificates issued, the number of reports submitted upon completion of a project, and the number of credit certificates issued;
- (3) The types of projects eligible for the credit;
- (4) The total economic impact of the credit in Minnesota, including the calendar year over calendar year percentage changes in the number of jobs held by Minnesota residents in businesses having a primary North American Industry Classification System code of 512110 as reported to the commissioner, for calendar years 2019 through 2023;
- (5) The number of taxpayers per tax type which are assignees of credit certificates under subdivision 3;
- (6) Annual Minnesota taxes paid by businesses having a primary North American Industry Classification System code of 512110, for taxable years beginning after December 31, 2018, and before January 1, 2024; and
- (7) Any other information the commissioner of revenue, in consultation with the director, deems necessary for purposes of claiming and administering the credit.

### Background

The film production credit was enacted in 2021. The credit is equal to 25% of eligible production costs paid in a taxable year. The credit may be claimed against the individual income tax, corporate franchise tax, or insurance premiums tax.

Eligible production costs include film production costs as defined for the Film Production Jobs Program, including the cost of a story and scenario; salaries and payments for services of a performing artist; set construction and operations; photography, sound, and lighting; editing services; rental of facilities and equipment; other direct costs of film production; talent fees for nonresident talent; and post-production costs.

Eligible films include feature films, television or internet pilots, programs, series, documentaries, music videos, and television commercials. To be eligible, the film must include the promotion of Minnesota and employ Minnesota residents to the extent practicable.

For tax years 2021 and 2022, an eligible project is a film for which the taxpayer expends at least \$1,000,000 in the tax year for eligible production costs. That requirement was revised in 2023 to include \$1,000,000 of eligible expenses within any consecutive 12-month period.

The credit is nonrefundable but may be carried forward for up to five years. The credit may be assigned to another taxpayer.

In 2023, the annual limit was increased from \$4.95 million to \$24.95 million per year and the sunset was extended through tax year 2030. In 2024, the administration of the credit was transferred from the Department of Employment and Economic Development (DEED) to the director of Explore Minnesota.

## Results

### 1. The amount of credit certifications issued annually.

The following table shows the number and amount of credit certificates, grouped by the year in which the credit certificate was issued.

#### Film Credit Certificates by Year Issued

Calendar Year	Number of Credit Certificates	Certificate Amount
2021	0	\$0
2022	3	\$1,084,608
2023	5	\$1,664,424
2024	4	\$1,647,292
<b>Total</b>	<b>12</b>	<b>\$4,396,324</b>

### 2. The number of applications submitted, the number of allocation certificates issued, the amount of allocation certificates issued, the number of reports submitted upon completion of a project, and the number of credit certificates issued.

#### Film Credit Allocations and Certificates

Calendar Year	Applications Submitted	Allocation Certificates	Allocation Amount	Credit Certificates	Credit Certificate Amount	Reports Submitted
2021	0	0	\$0	0	\$0	0
2022	13	9	\$5,438,542	3	\$1,084,608	3
2023	5	6	\$2,823,709	5	\$1,664,424	5
2024	13	8	\$3,364,398	4	\$1,647,292	4
<b>Total</b>	<b>31</b>	<b>23</b>	<b>\$11,626,649</b>	<b>12</b>	<b>\$4,396,324</b>	<b>12</b>

Note: In some cases, the credit was allocated in one year and the credit certificate was issued in the next year. Some projects withdrew after the initial application. Of the 31 applicants, 12 have received credit certificates and 11 have withdrawn. Eight projects are still ongoing.

### 3. The types of projects eligible for the credit.

The table breaks down the credit process by project type. It starts with applications by and ends with credits issued and amount. Not every application gets an allocation, and not every allocated project claims a credit.

Process Stage	Project Type Detail				Total
	Feature Film	National TV/Internet	Documentary	TV/Internet Commercial	
Applications	15	6	7	3	31
Allocations	12	6	2	3	23
Allocation Amount	\$5,132,964	\$4,190,121	\$717,491	\$1,233,823	\$11,274,399
Withdrawn	4	2	5	0	11
Credits Issued	8	3	1	1	13
Credit Amount	\$2,798,647	\$1,004,522	\$323,272	\$269,883	\$4,396,324

### 4 The total economic impact of the credit in Minnesota, including the calendar year over calendar year percentage changes in the number of jobs held by Minnesota residents in businesses having a primary North American Industry Classification System code of 512110 as reported to the commissioner, for calendar years 2019 through 2023:

The credit has faced significant obstacles since its enactment. The program may have been hampered by a lack of promotion to the film industry and a lack of resources for marketing. That issue has been rectified by the creation of Explore Minnesota Film, a state film office within Explore Minnesota that is now administering the program and responsible for marketing and promotion of Minnesota as a location for productions, and for the tax credit program itself. Listed below are some of the difficulties that may have reduced the number of credits in the first years of its implementation.

2021 – The program was enacted on July 1, 2021 as the production industry was just recovering from the pandemic shutdown. Because of the often years of planning and development required for film and TV projects, Minnesota did not receive any applications during the 2021 calendar year.

2023 – The program was expanded to \$25M annually on July 1, 2023 in order to attract larger budget productions. The entire film and TV production industry shut down on July 14, 2023 due to strikes by two of the leading industry unions. The strikes lasted until November 2023. Virtually no production occurred in the US during that time.

2024 – Once the strikes were settled in late 2023, production companies and studios began slowly ramping up production, but at much lower levels than before the strikes. Many of the productions being greenlit have been produced outside the US due to labor costs and more generous incentives in other jurisdictions, primarily the UK, Eastern Europe, and Canada. The larger studios and streaming platforms cut back on overall production as they faced profit losses

and uncertainty about the financial viability of new streaming platforms. Economic reports at the end of 2024 cite a 40% drop in US production over 2022. That year was used as a comparison due to the shutdown in 2023.

The table below shows average annual employment in Minnesota in the film production industry (NAICS classification 512110) as reported in the U.S. Census Bureau’s Quarterly Census of Employment and Wages. Employment dropped sharply in 2020 and has grown each year since but has not yet returned to 2019 levels.

**Minnesota Employment in the Film  
Production Industry**

NAICS Classification 512110

Calendar Year	Minnesota Employees	YOY Change
2019	749	
2020	584	-22.0%
2021	612	4.8%
2022	684	11.8%
2023	712	4.1%

**5 The number of taxpayers per tax type which are assignees of credit certificates under subdivision 3:**

Credits have been assigned on two corporate franchise tax returns. No credits have been assigned on income tax or insurance premiums tax returns. Some taxpayers were assigned more than one credit.

**Film Credit Assignments by Tax Type**

Tax Year	Corporate Franchise Tax		Individual Income Tax		Insurance Premiums Tax	
	Count	Amount	Count	Amount	Count	Amount
2021	0		0	\$0	0	\$0
2022	*	\$1,916,838	0	\$0	0	\$0
2023	0		0	\$0	0	\$0

\*Fewer than 3 entities.



**6. Annual Minnesota taxes paid by businesses having a primary North American Industry Classification System code of 512110, for taxable years beginning after December 31, 2018, and before January 1, 2024.**

**Estimated Taxes Paid by Businesses with a Primary NAICS Code of 512110**

Tax Year	Corporate Franchise Tax		Individual Income Tax		Insurance Premiums Tax	
	Count	Amount (\$000s)	Count	Amount (\$000s)	Count	Amount (\$000s)
2019	*	Negl.	15	\$100	0	\$0
2020	*	Negl.	26	\$100	0	\$0
2021	*	Negl.	31	\$100	0	\$0
2022	*	Negl.	25	\$100	0	\$0

\*Fewer than 3 entities.

Only a small number of tax returns were identified with a primary NAICS code of 512110. Tax credit recipients reported paying \$529,000 in income tax, \$333,000 in unemployment insurance, and \$51,000 in municipal fees. Credit recipients spent about \$25.3 million in total project costs (including qualified and nonqualified expenses) and received \$4.4 million in credits.