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**TOP STORY**

**Lights! Camera! States vie for filmmaking action**

By Alison L. McConnell

To boost economic activity and job growth, state officials increasingly are heeding the adage: "There's no business like show business."

State economic development officials know that when Hollywood filmmakers come to town, dollars flow to local hotels, restaurants and stores, to say nothing of the on-the-set jobs created for camera grips, wardrobe assistants and tape editors.

Intense competition for filmmaking revenue has spurred 36 states to adopt tax incentives to entice production companies to make movies in their states. The newest of those took effect in Florida, New York and South Carolina last year.

At least two states Hawaii and Maryland are considering similar proposals in the current legislative session. New Mexico Gov. Bill Richardson (D) trekked to Hollywood last May to personally pitch his state the backdrop for recent movies such as "The Missing" and an upcoming Adam Sandler remake of "The Longest Yard" to studio executives.

Maryland got a tough lesson about the cutthroat world of moviemaking when it lost the venue for "Annapolis," a film starring James Franco as a young man who dreams of attending the U.S. Naval Academy.

At the last minute, producers packed up and left the academy's campus in Annapolis, Md., where they had planned to shoot the film. They headed to Philadelphia on the day Pennsylvania adopted a sweeter tax break for film companies.

Maryland, which recently played host to "Ladder 49" a firefighting drama starring John Travolta and Joaquin Phoenix waives its 5 percent state sales tax for certain production activities. But Pennsylvania's new incentive makes 20 percent of local filmmaking costs free from state taxes.

"We absolutely owe it to the tax credit," said Jane Shecter, director of the [Pennsylvania Film Commission](#). Dennis Castleman, Maryland's assistant secretary for tourism, film and the arts, said Pennsylvania officials convinced Touchstone Pictures to move "Annapolis" to Philadelphia for a savings of \$2.5 million.

"The movie business is bottom-line-oriented. It was strictly about the credit," Castleman said. "States recognize that feature filmmaking has a big economic impact. It's also a matter of pride: You see your state's beauty on the big screen and people want to come visit. It has that lasting effect on tourism."

Eager to put "Annapolis" behind them, Maryland lawmakers are considering the Employee Wage Rebate Grant Program, a proposal from Gov. Robert Ehrlich (R) that would return 50 percent of local film workers' wages to production companies.

"It's going to take the governor's legislative initiative to put us on a level playing field," Castleman said.

The players aren't just states, they're nations, too. Jeff Monks, film commissioner for South Carolina, said states are competing for business with each other and with lower-cost countries such as Canada.

"Ten years ago, it was a regional thing," he said. "Today, we compete with the world."

Federal lawmakers gave states a hand last November when they passed a measure to entice the entertainment industry to shoot films on American soil. The "runaway production" law allows companies to deduct certain production expenses from federal taxes.

All but three states (Delaware, Massachusetts and North Dakota) maintain official film offices.

Wisconsin, which does not have tax credits for production companies, is on the verge of losing its [film office](#). Secretary of Tourism Jim Holperin proposed slashing the office when Gov. Jim Doyle (D) requested a 10 percent cut from state agencies last year.

"It's not that we aren't a great backdrop. But we don't have the tax credits," Holperin said. "Every once in a while a major motion picture would locate in Wisconsin, but not frequently enough."



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Arizona Gov. Janet Napolitano (D) just revived her state's dormant film office on Feb. 2, naming resident actors Leslie Nielsen and Rick Schroeder to the board, to try to pump up flagging film industry revenues. New tax incentives for companies that film in Arizona and hire locals also have been proposed in the Legislature.

The 36 states with incentive programs rely mainly on sales- and use-tax exemptions, according to the Association of Film Commissioners International (AFCI). Some Nebraska, New Mexico and Washington, for example waive lodging taxes on hotel rooms used by production workers for more than 30 days. Others, such as Maine and Tennessee, allow free use of state property for filming.

In July 2004, Sunshine State lawmakers passed the Florida Entertainment Industry Financial Incentive. The legislation allows local digital media production companies to apply for rebates of up to 5 percent of their annual gross revenue.

New York came on board with the Empire State Film Production Tax Credit, signed by Gov. George Pataki (R) in August. It offers production companies a 10 percent state tax credit on expenses.

And in October, South Carolina lawmakers passed the Motion Picture Incentive Act offering several types of tax breaks to companies that film in-state. It also established grant funding for production companies that employ film students from South Carolina colleges and universities.

South Carolina's Monks said his office has seen plenty of activity since. "The bill was signed ... at the end of production season when they're trying to wrap up for the year," he said. "But November and December were pretty busy months for us. We've got lots of people asking lots of questions."

California, the epicenter of the U.S. filmmaking industry, recently launched a program called State Theatrical Arts Resources (STAR) that matches producers with vacant state-owned properties. Via [CinemaScout](#), a state-run Web site, filmmakers can access a detailed list of health facilities, office buildings and historical homes available for use.

Some states used the annual [Sundance Film Festival](#) in January in Park City, Utah, as an opportunity to wine and dine the Hollywood set. New Mexico officials handed out "Film New Mexico" tattoos at a party for filmmakers and tourists.

New York's film office set up a storefront with bagels, coffee, and apple cider flown all the way from the Empire State for Sundance attendees. "While they're hanging out here, we get the opportunity to talk about our incentives and what's great about filming in New York," said Pat Kaufman, director of the Governor's Office for Motion Picture and Television Development.

And if producers interested in Utah where more than 600 films have been shot, according to the state film commission couldn't make it to Sundance, they can check out the state film office's online "[Location Library](#)" to search for the perfect lake, mountain range, cemetery or museum for their films.

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