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Tax Credit Analysis: Films, Technology, and Life Science— October 2023

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Statutory Requirements of Evaluation

- Cost of the credit
- Purpose and effectiveness of the credit
- The extent to which the state benefits from the credit





Motion Picture Incentives

63N-8-101



Cost

- The current annual funding limit is \$8.4 million
 - For FY 2023 and 2024, there is one-time funding for \$12 million in tax credit exemptions that are reserved specifically for rural productions
- On average, the state spend about \$9.1 million per year on the Motion Picture Incentive



Purpose and Effectiveness

- Encourage the use of Utah as a site for the production of motion pictures, television series, and made-for-television movies;
- Provide financial incentives to the film industry so that Utah might compete successfully with other states and countries for filming locations; and
- Help develop a strong motion picture industry presence in the state that will contribute substantially to improving the state's economy



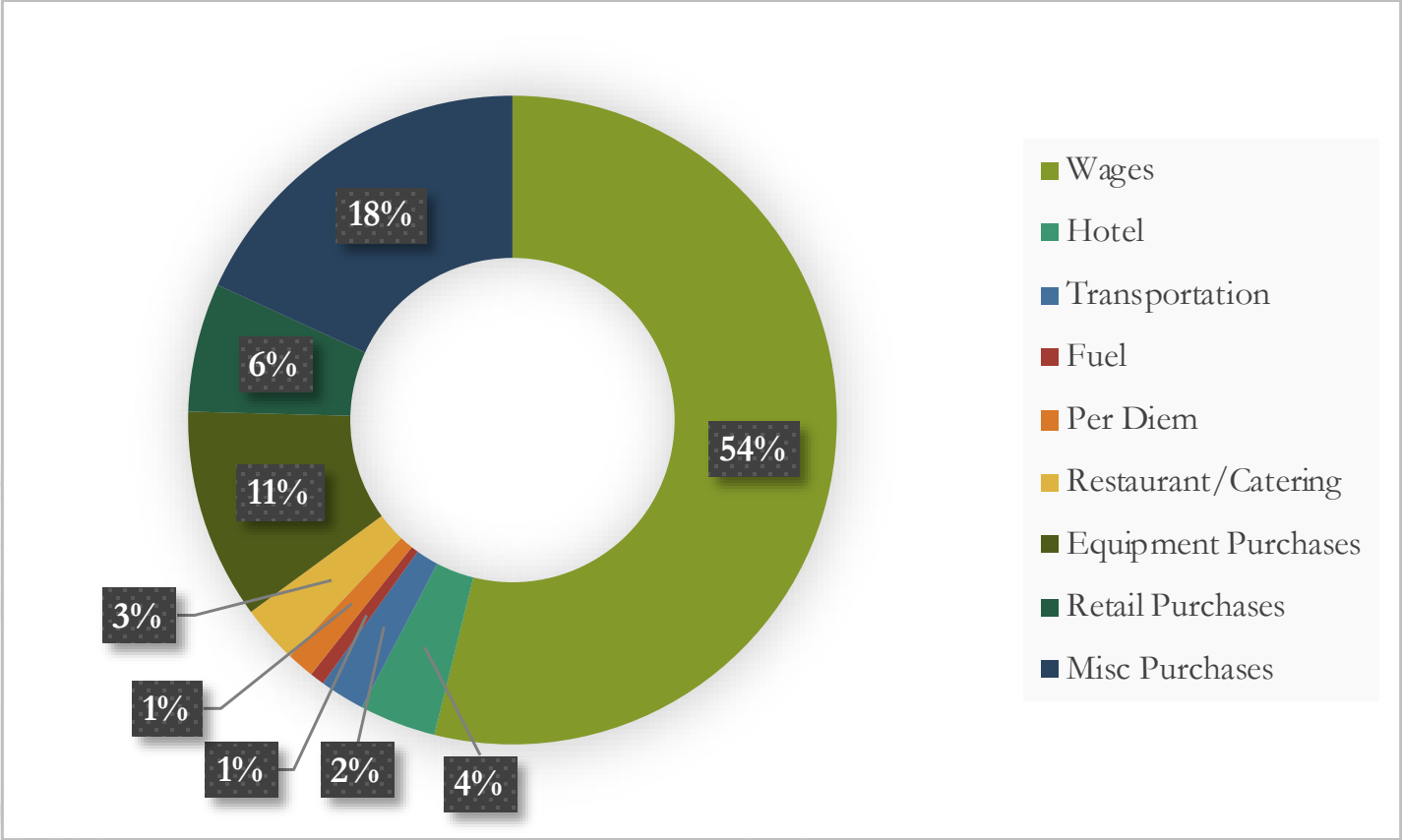
Direct Economic Impact

Annual Report info	2021	2022*	2023*	2024*
Total Projects	30	18	24	13
Total Utah Productions Days	4095	3924	3559	2427
Total Utah Hires	2924	2175	1918	822
Total Utah Extras	3413	5425	6090	1959
Total Utah Spend	\$ 47,097,200.00	\$ 94,373,200.00	\$ 123,778,800.00	\$ 62,250,400.00
Total Rural Spend	\$ 4,871,500.00	\$ 66,042,500.00	\$ 89,419,100.00	\$ 56,291,100.00
Wages	\$ 29,851,900.00	\$ 23,663,600.00	\$ 5,168,400.00	
Estimated Revenue	\$ 4,476,200.00	\$ 2,488,200.00	\$ 661,500.00	

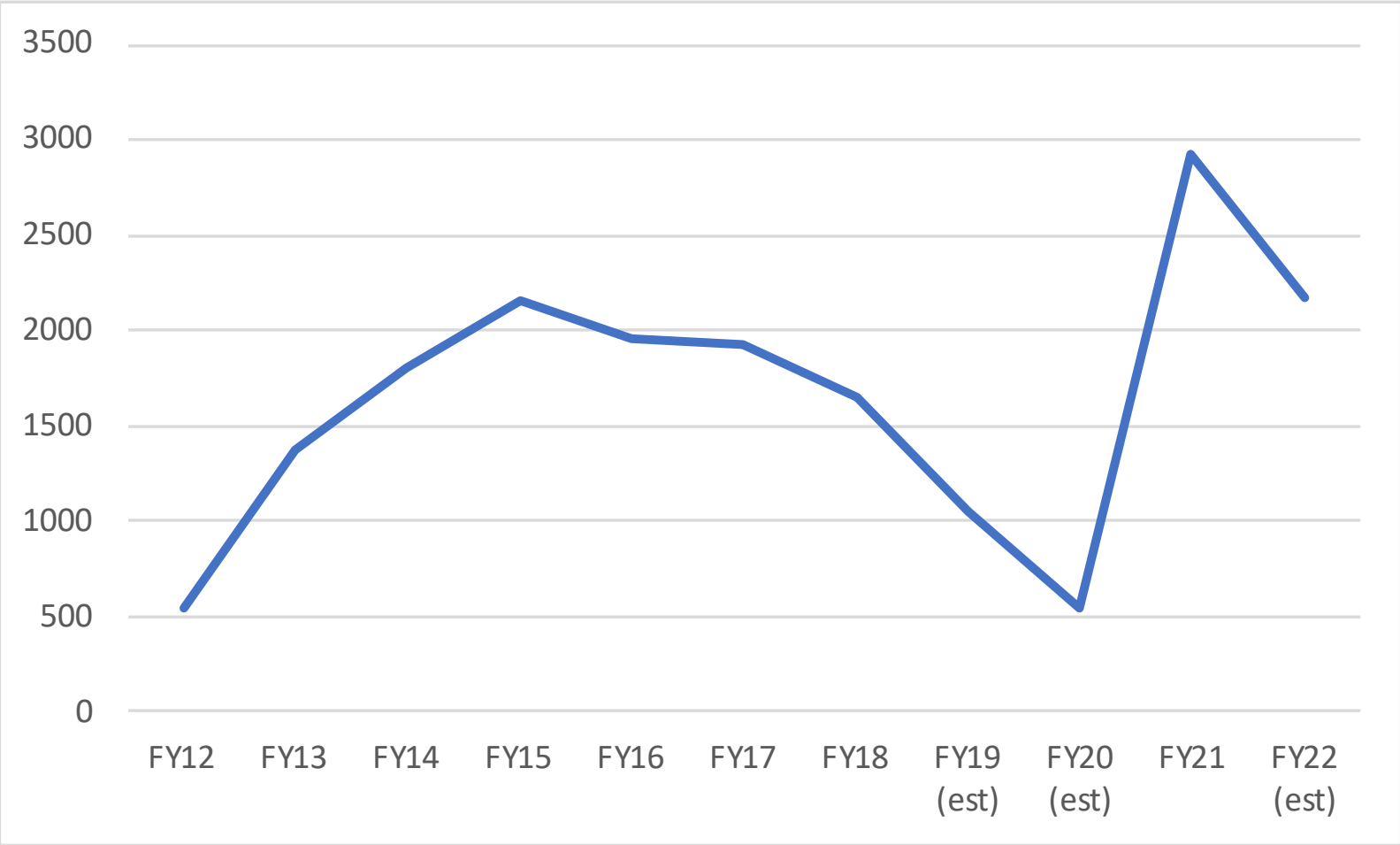
2022, 2023 and 2024 are estimates as audits are not complete for those years.



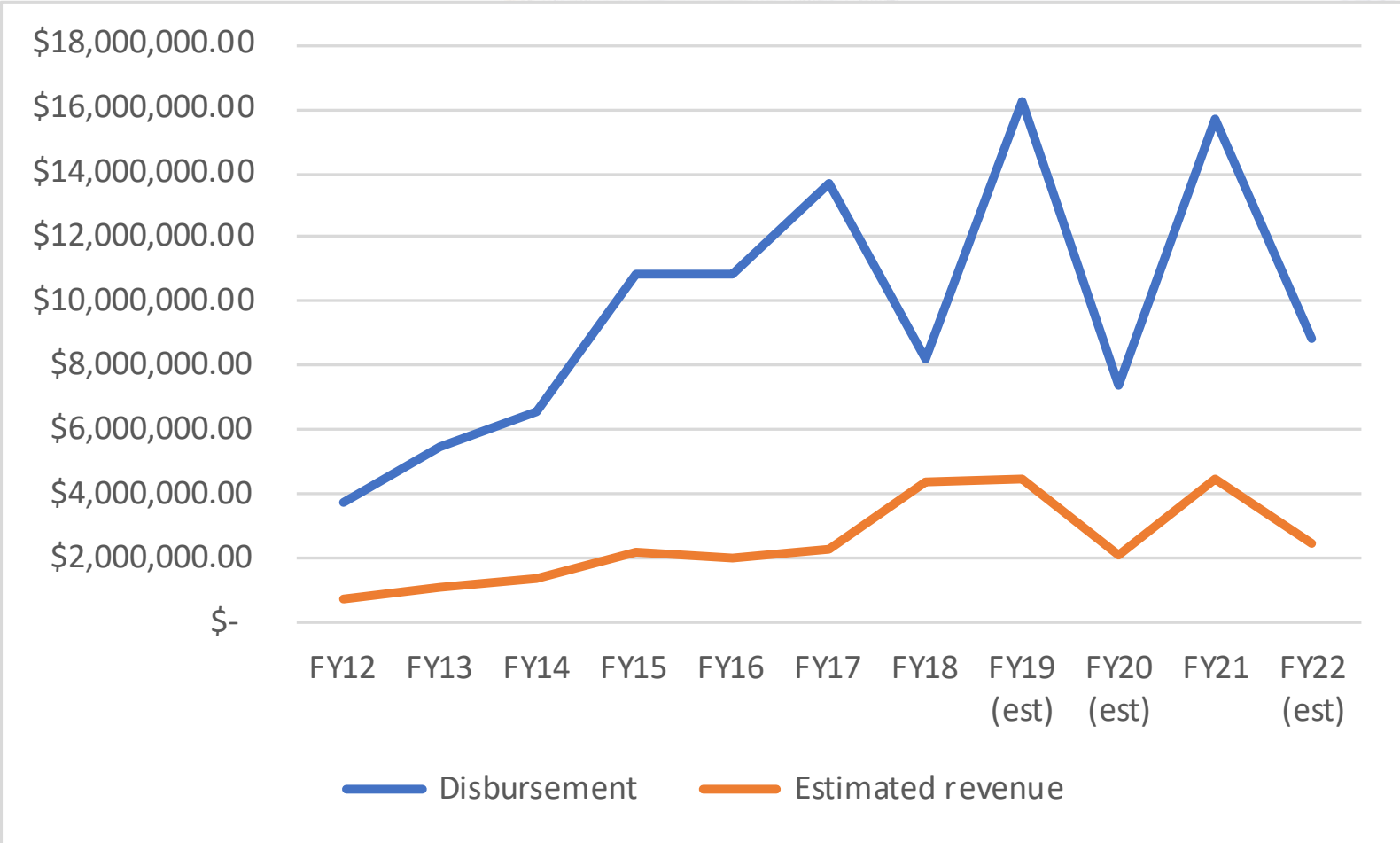
Average Percent of Total Spending By Category



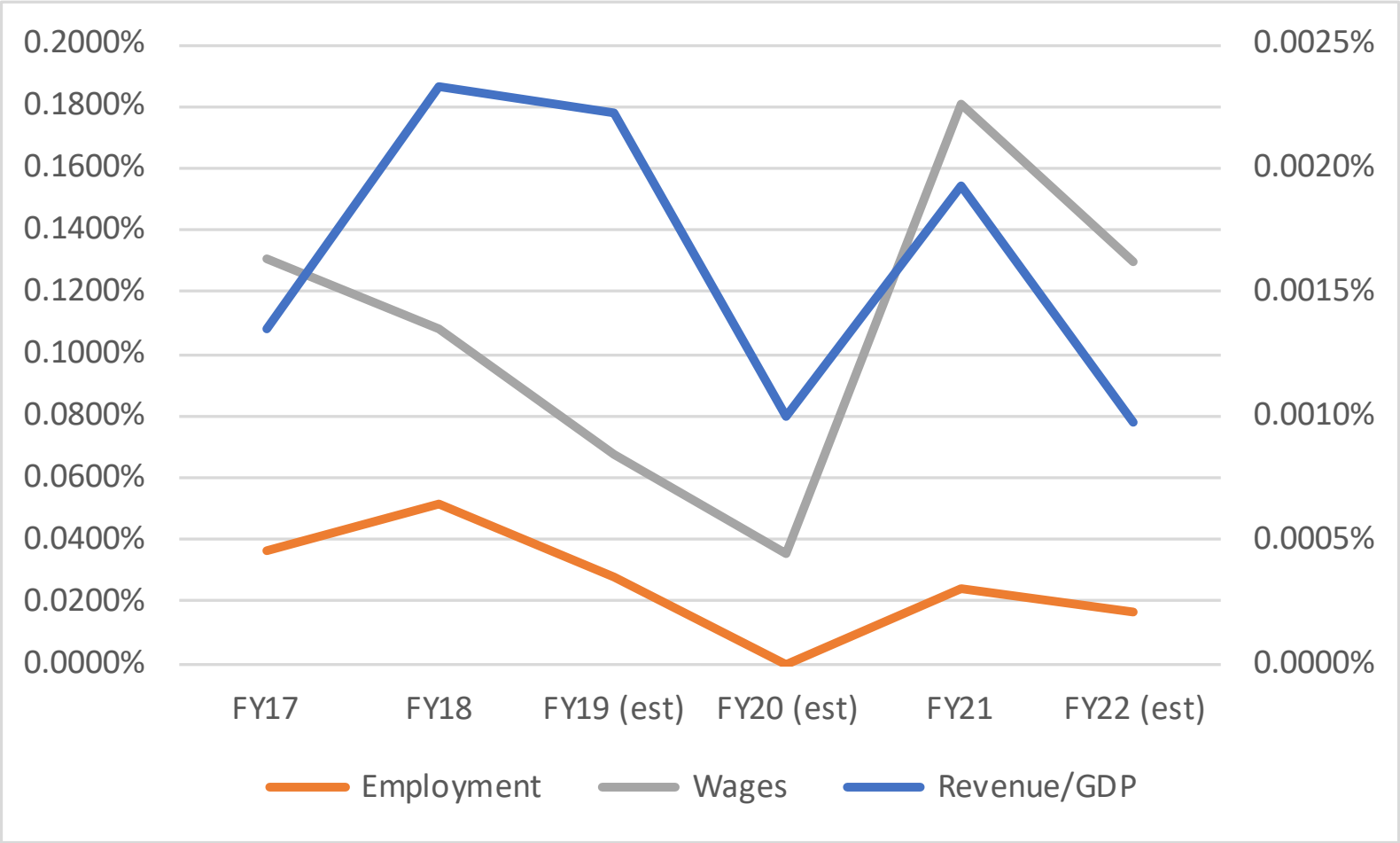
Direct Jobs



Direct Revenue vs Disbursement



Film Industry % Impact on Utah Economy



Conclusion

- Motion picture incentives contribute to the state's economy by generating jobs and revenue
- Direct state revenue averages 29% of direct costs between FY19-FY23
- Because film audits are often behind, not all the data has been reported for FY22 and FY23, so it is difficult to comment on current trends.
 - FY2022: 15 out of 18 projects reporting
 - FY2023: 6 of 24 projects reporting
 - FY2024: 0 of 13 projects reporting





Technology and Life Science Tax Credit

63N-2-801



Eligibility

- Investment must be made in a life science establishment
- The life science establishment must qualify as a small business
- The life science establishment has at least 50% of their employees in the state
- The investment is at least \$25,000
- The applicant owns less than 30% of the life science establishment
- The investment wouldn't have taken place without the investment tax credit.



Credit Authorization

- A nonrefundable tax credit for up to 35% of the purchase price of the qualifying ownership interest over a three-year term
 - Year 1 – 10%
 - Year 2 – 10%
 - Year 3 – 15%
- Total credit not to exceed \$350,000 in a taxable year



Cost of Technology and Life Science Tax Credits

- From CY 2015-2017, no tax credits were claimed
- From CY 2018-2020, 1 credit was claimed on a \$50,000 investment, so \$5,000 was paid in 2018 and 2019 then \$7,500 in 2020
- CY 2021 had a spike of 15 tax credits claimed totaling about \$219,400
- From CY 2022-2023, no new applications or tax credits were claimed
- Cost is to variables year-to-year to find an average annual cost



Purpose of the Technology and Life Science Investment Tax Credit

- Legislation does not define the tax credit's goals or performance metrics.
- The purpose of the tax credit as detailed by GOEO is to encourage investment in Utah's life science businesses and to create jobs.



Conclusion

- The success of the Technology and Life Science tax credit is hard to evaluate because performance is not defined in statute and how performance is currently tracked is too variable
- GOEO currently defines success by the amount of capital that an individual provides to a Life Science company
 - Job creation is not tracked regarding this tax credits
 - Estimated to have created 0 jobs in FY2022 and FY2023
 - Investment fluctuates year-to-year
 - If “Capital that an individual provides” is not Investment, then it is not clear how capital is being tracked at least at the time of publishing this report



Thank you for listening!

- Any further discussion or questions?



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