



# The Alaska Film Office 2010 Report to the 26<sup>th</sup> Legislature

February 1, 2010



STATE OF ALASKA  
DEPARTMENT OF  
**COMMERCE**  
COMMUNITY AND  
ECONOMIC DEVELOPMENT

Alaska Film Office

*Sean Parnell, Governor*  
*Emil Notti, Commissioner*

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February 1, 2010

The Alaska Film Office was created by the 25<sup>th</sup> Alaska Legislature through Senate Bill 230. It was signed into law on June 4, 2008. The enabling legislation (AS 44.33.231-AS 44.33.239) instructs the Alaska Film Office to:

- 1) cooperate with organizations in the private sector for the expansion and development of the film production industries in the state;
- 2) promote Alaska as an appropriate location for film production;
- 3) provide production assistance through connecting film directors and makers, and producers with Alaska location scouts and contractors, including contractors providing assistance with permit applications;
- 4) certify Alaska film production internship training programs and promote the employment of program interns by eligible productions; and
- 5) in cooperation with the Department of Revenue, administer the Alaska Film Production Incentive Program.

The history of our work in 2009, as well as the current status of the Alaska Film Office and the Alaska Film Production Incentive Program, is included in this report, as required by AS 44.33.231(b).

Any additional questions may be addressed to the film office.

Sincerely,

A handwritten signature in cursive script that reads "Emil Notti".

Emil Notti,  
Commissioner

# **Alaska Film Production Incentive Program**

## **Regulations**

The Department of Commerce, Community and Economic Development (DCCED) regulations governing the film office and the film incentive program were drafted, issued for public comment and became effective on June 18, 2009. The Department of Revenue (DoR) regulations governing the Film Industry Tax Credit were drafted and issued for public comment. Comments received during the public notice period are currently being evaluated.

A copy of the final regulations adopted by DCCED is posted on the Film Office website: [http://www.film.alaska.gov/pdf/Film\\_Regs\\_Final.pdf](http://www.film.alaska.gov/pdf/Film_Regs_Final.pdf). A link to the DoR regulations will be added to the Film Office website once they are finalized.

## **Pre-qualification Process**

The effective date of the enabling legislation creating the Alaska Film Production Incentive program was September 2, 2008. Many film producers assumed that the effective date would be the day they could begin making qualifying expenditures in Alaska. Since the regulatory process was not completed by that date, DCCED worked with the Department of Law on a process to accommodate producers wishing to begin work in Alaska by the effective date of the bill.

The Alaska Film Office pre-qualified several productions during the period prior to the regulation's adoption. When the AFO pre-qualified those projects, it sent a letter to the producer with disclosure language indicating that DCCED was still in the regulatory process for the Alaska Film Production Incentive Program and that potential tax credits could not be confirmed until the regulatory process was complete.

Now that regulations are in place, the pre-qualification letter specifies the estimated amount of tax credit and the "start date" of the project (for determining the 24-month qualifying expenditure period) while specifically stating that the amount of the actual tax credit may vary. A sample pre-qualification letter is attached as Appendix 1.

Conducted by the Film Office, the pre-qualification process involves reviewing the estimated Alaska budget, looking at the script/treatment and the distribution plan to make sure that the production meets the minimum requirements of the program. The Film Office is committed to a one week or less turn-around on pre-qualifications, once a production has submitted all the required materials.

## **Application Process**

After a pre-qualified production has completed its Alaska operations, it may apply for the Alaska Film Industry Tax Credit. The final application must include the following: a detailed budget and cost breakdown of Alaska expenses claimed for the incentive program that has been verified by an independent, Alaska-licensed CPA; list of personnel and cast including salaries; list of Alaska principle photography days and locations; list of other entities with qualifying expenses (e.g. sub-contractors), including detailed list(s) of such expenditures; list of purchased tangible property and its disposition; a rough assembly of the production; and a sworn certification that the producer followed the laws of Alaska.

Conducted by the Film Office, the Tax Credit Application approval process is the final review of a production's materials. The third-party audit by an Alaska-licensed CPA provides strong assurance to the state that the production expense claims are legitimate and that the amount of tax credit requested is appropriate. The Film Office is committed to a two week or less turn-around on tax credit applications. Once the film office has evaluated the application materials, it approves the issuance of a tax credit through a memo to the Department of Revenue (DoR) which is copied to the production.

## **Tax Credit Issuance and Transfer**

The Department of Revenue provides Film Industry Tax Credit certificates to producers and manages subsequent credit transfers. The credit may be used by producers or subsequent transferees as a credit against corporate income taxes within three years from the date originally issued. There are no limits on credit transfers.

The certificates provided by the DoR are assigned unique numbers when issued to the certificate holders. Transfers are accomplished via written requests. As directed by the transferor, replacement certificates are either returned to the transferor or sent directly to the transferee. The DoR is committed to a quick turn-around on both tax credit issuance and transfer requests.

## Current Status of Alaska's Film Industry Incentive Program

As specified in the legislation establishing the Film Industry Incentive Program, here are the details of the current status of the incentive program: 1) the number of applications received; 2) the number of applications approved by the Film Office; and 3) the number of, and amount of, tax credits disbursed.

- 1) As of December 31, 2009, the Alaska Film Office has received a total of 17 pre-qualification requests. All but one request for pre-qualification have been approved – the one rejected request was for expenses prior to the effective date of the legislation. The total dollar amount of pre-qualified film industry tax credits is \$12,428,115.26, this includes pre-qualified amounts of completed productions that have been issued tax credits.
- 2) As of December 31, 2009, the AFO has received four completed applications for an Alaska Film Industry Tax Credit. All four applications were approved by the Film Office for the requested amount. The total dollar amount of tax credits approved and issued is \$244,546.53. See Appendix 2 for a list of the approved tax credits.
- 3) As of December 31, 2009, the Department of Revenue has issued tax credit certificates to all four approved productions. Two of the four tax credits have been transferred to Alaska taxpayers.

Activity	Total Number
Pre-qualification Forms Received	17
Pre-qualification Forms Denied	1

Year	Activity	Number	Estimated Credit
2008	Pre-qualifications Approved	2	\$149,594
2009	Pre-qualifications Approved	14	\$12,278,521.26
	<b>Total</b>	<b>16</b>	<b>\$12,428,115.26</b>

Year	Activity	Number	Credit Requested
2008	Tax Credit Applications	0	0
2009	Tax Credit Applications	4	\$244,546.53
	<b>Total</b>	<b>4</b>	<b>\$244,546.53</b>

Year	Activity	Number	Credit Issued
2008	Tax Credits Issued	0	0
2009	Tax Credits Issued	4	\$244,546.53
	<b>Total</b>	<b>4</b>	<b>\$244,546.53</b>

## **Other Alaska Film Office Activities**

### **Promoting & Marketing Alaska**

Print advertising has been placed in several important industry magazines and directories including *"P3 Update"* – a technical production magazine (the cover page of this report reproduces an ad that ran in P3), *"Produced By"* – the quarterly magazine of the Producer's Guild, *"DGA Quarterly"* & *"DGA Monthly"* – the magazines of the Director's Guild, *"Creative Source"* – an industry resource directory and *"Locations Magazine"* – the annual publication of the Association of Film Commissioners International (AFCI).

The World Wide Web is a critical component of our marketing efforts. In addition to a thorough update of our website – and securing a new, easy to remember URL: [www.film.Alaska.gov](http://www.film.Alaska.gov) – we've invested considerable effort in making sure that we have listings on commonly used directories, resource sites and film industry trade sites. We have negotiated to have web ads to appear on sites affiliated with print publications when we advertise. We have also established a Google Ad Words account that provides a small text ad when certain phrases are searched.

While paid advertising and web listings are important to keep filmmakers aware of Alaska, personal contact is the most important tool we have to market Alaska as a film location. Having a full-time Film Office ready to talk about Alaska and our incentive program is absolutely essential – we get calls from filmmakers daily. They're looking for a place to shoot and want to talk to knowledgeable Alaskans about the possibilities. Most importantly, they want to know how our incentive program can make Alaska a cost-competitive location.

It is also important to have a presence at film industry trade shows and events. In addition to the annual AFCI Locations Trade Show (held in the Los Angeles area every April), the Film Office has participated in two symposiums offered by "The Incentives Office" (a company specializing in assisting filmmakers with incentives) and participated in the Locations Expo at the American Film Market (the main international marketplace for independent film). Appointments with individual producers, directors and studio executives are scheduled adjacent to these major events to efficiently utilize travel time and budget.

### **Connecting Filmmakers with Alaska Resources**

The [www.film.Alaska.gov](http://www.film.Alaska.gov) website is our primary tool to connect filmmakers with the Alaska individuals and businesses they'll need for a successful Alaska shoot. The site has four main areas: 1- incentive program information; 2- general

Department of Commerce, Community & Economic Development - Alaska Film Office  
[www.film.Alaska.gov](http://www.film.Alaska.gov)

information about filming in Alaska; 3- crew and service provider listings; and 4- an image database of Alaska locations.

The “Incentive Program” page has detailed information on the program and has the required forms available for download. The “Filming in Alaska” page has useful information on Alaska’s regions, transportation, permits etc.

The “Crew and Service Provider” page, as well as our “Alaska Locations” page are built around an industry standard database system: ReelScout. ReelScout was chosen because of industry familiarity with the system, its ease of use for both filmmakers and Film Office staff, and its reasonable acquisition and maintenance costs.

The crew and service provider listings are a fully searchable database maintained by the “listees” and approved by the Film Office. Listings are free to Alaska individuals and businesses. We currently have 126 crew listings ranging from make-up artists to videographers. On the Support Services side, we have 278 listings ranging from B&Bs to video post-production studios.

Our locations library is a work in progress. Staff and budget considerations have precluded the Film Office from building the database from scratch, so we have needed to be creative in our efforts to find information and images. We started with the image library from the former Division of Tourism. In addition, we’re working with local entities such as Convention and Visitors Bureaus, Chambers of Commerce as well as individual location scouts and photographers to build the locations library.

### **Private Sector Cooperation**

The Film Office has a successful cooperative relationship with the Alaska Film Group (the industry’s non-profit trade association), as well as individuals and companies directly involved in the industry. The Film Office is also actively involved in outreach to the Alaska business community for several ongoing projects: first, building out database of crew and service providers; second, providing information about the availability of Film Industry Tax Credits; and finally, building out the infrastructure that will make Alaska more competitive as a film location.

Building our service provider database is important because filmmakers need a wide variety of services beyond the obvious: transportation, food and lodging, accounting, construction, legal, telecommunications, insurance – the list really encompasses the entire Alaska economy.

Businesses with an Alaska tax liability need to know about the availability of the Alaska Film Industry Tax Credits. Developing a strong market for the credits is a critical component on a successful incentive program. Filmmakers need to be confident that once their production is complete that they can monetize their tax credits. Businesses need to know that purchasing tax credits helps diversify Alaska's economy by developing the film industry and, most importantly (at least to business owners), help their own bottom line when paying their taxes (most tax credits retail in the 85 to 90 cents on the dollar range).

Finally, the film industry offers the Alaska business community opportunities to provide infrastructure: production equipment, office space, sound stages and other facilities are opportunities that are opening up as Alaska becomes a preferred location for filming.

### **Certifying Internship & Training Programs**

Although the Film Office uses our crew and service provider listings as our primary resource for filmmakers to fill positions, we are looking for ways to increase our crew base so that fewer out-of-state crew members are needed. We are working with various programs within the University of Alaska system as a resource for filmmakers. We've talked to youth training programs, and are looking into a rural outreach effort to ensure that productions (primarily non-fiction TV) have local individuals who can assist small productions in their own communities. We are also looking into working with various organizations to provide skilled workers with the training necessary to work in set construction, electrical/lighting and other specialized film industry jobs.

### **Alaska Film Office Personnel**

A Film Office Development Specialist (Film Office Manager) was hired and started on July 16, 2009. Dave Worrell was chosen because his background included both industry experience and Alaska State Government service. In addition to many years working in the Anchorage television production community, he served as the Outreach Manager of the Denali KidCare program in the Department of Health & Social Services. Immediately prior to accepting the position with the Film Office, he was the Director of Communications and Government Relations at the Alaska Travel Industry Association.

In addition to the Film Office manager, an Administrative Assistant, Jennifer Mason, was recruited and is providing crucial support to the office.

The Department of Revenue (DoR) has assigned Joseph Schmidt, Corporate Income Tax Auditor, as the day-to-day lead for their department's support of the Film Industry Tax Credit. Additional staff resources have been identified to ensure continuity of service in the event Joe is unavailable.

## **Conclusion**

2009 was, in many respects, the year that the newly reconstituted Alaska Film Office laid the groundwork that a successful program will require. Much work still remains, but many factors are coming together to make Alaska a more desirable choice for filmmakers. Alaska has been in the news, non-fiction TV has "discovered" Alaska, and global economic conditions are making productions more interested in staying in the U.S. Now is the time to capitalize on those factors and encourage more productions to choose to shoot in Alaska.

## Appendix 1 – Sample Pre-Qualification Letter



STATE OF ALASKA  
DEPARTMENT OF  
**COMMERCE**  
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Alaska Film Office

*Sean Parnell, Governor*  
*Emil Notti, Commissioner*

month date, year

name, title  
company  
address  
city, st zip

Dear name:

We have received your pre-qualification application for "*production name*" to receive a tax credit under the Alaska Film Production Tax Credit program. After reviewing your materials, we are pre-qualifying your project for a tax credit of up to \$?????.???. Qualifying expenses incurred after month date, year, (the date agreed upon by the film office and company name - per 3 AAC 188.020), will be eligible for the Alaska Film Production Tax Credit.

This approval does not guarantee the amount of tax credit that may be earned. After we receive the final application for the tax credit and the required verification materials we will determine the actual tax credit amount. The Alaska Film Office may award a larger or smaller tax credit, depending on circumstances. Regulations regarding the award of tax credits are detailed in 3 AAC 188.050. The full set of regulations can be viewed at our website: <http://www.film.alaska.gov>.

Thank you again for your application. We appreciate your choice to film in Alaska and wish you a successful production.

Sincerely,

David Worrell, Manager  
Alaska Film Office

Alaska Film Office  
550 West 7th Avenue, Suite 1770, Anchorage, AK 99501  
Telephone: (907) 269-8190 Fax: (907) 269-5666  
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## Appendix 2 – Approved Tax Credits

### Completed Productions

(Tax Credits Approved)

Type	Company	Production	Production Project #	Pre-qualified Amount	Pre-qual Date	Actual Tax Credit Amount	Approval Date
1 N-F TV	Moore Huntley Productions	Alaska: Most Extreme	09-001	\$61,865.00	02/03/09	\$79,504.07	09/11/09
2 N-F TV	Kaos Entertainment	Grizzly Land	09-002	\$54,240.00	07/30/09	\$54,138.08	10/21/09
3 N-F TV	The Ascending Path	Disaster on K2	09-003	\$36,638.00	11/03/08	\$46,009.45	10/28/09
4 FF	Proposal Productions	The Proposal	09-004	\$112,956.00	09/15/08	\$64,894.93	11/27/09

Completed Productions: 4

P-Q Amt: \$265,699.00      **Issued Total: \$244,546.53**

**Total Productions: 17**

Pre-Qualified Total\*: \$12,428,115.26

\* Including Completed Productions