



The Alaska Film Office 2012 Report to the 27th Legislature

February 15, 2012

Alaska Film Production Incentive Program

The Alaska Film Production Incentive Program (Program) was created by the 25th 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 Department of Commerce, Community, and Economic Development (DCCED or the department) to establish an Alaska Film Office (AFO) to:

1. cooperate with organizations in the private sector for the expansion and development of the film industry in the state;
2. promote Alaska as a location for film production;
3. provide production assistance by connecting filmmakers with Alaska contractors, suppliers, and workers;
4. certify Alaska film production internship training programs and promote the employment of interns by eligible productions; and
5. in cooperation with the Department of Revenue (Revenue), administer the Program.

This report provides an update on Program status, procedures, and other activities.

Photo courtesy of Bob Crockett

Photo courtesy of Cameron Glendenning



Cover Photo: "Talking Circle Media Film & Television Company Crew & Staff 2010" Gary Johnson, Jonathan Butzke, Jeremiah Jones, Zachary Melms, Laura Ganis, Michael Bergstrom © 2012 Talking Circle Media

Current Status of the Alaska Film Production Incentive Program

The Program creates an incentive for companies that incur qualified film production expenditures in Alaska. The incentive ranges from 30 to 44 percent of qualified expenditures and is issued as a transferrable tax credit. In practice, a production company typically does not owe taxes in Alaska and sells the tax credit to a business with an Alaska corporate income tax liability.

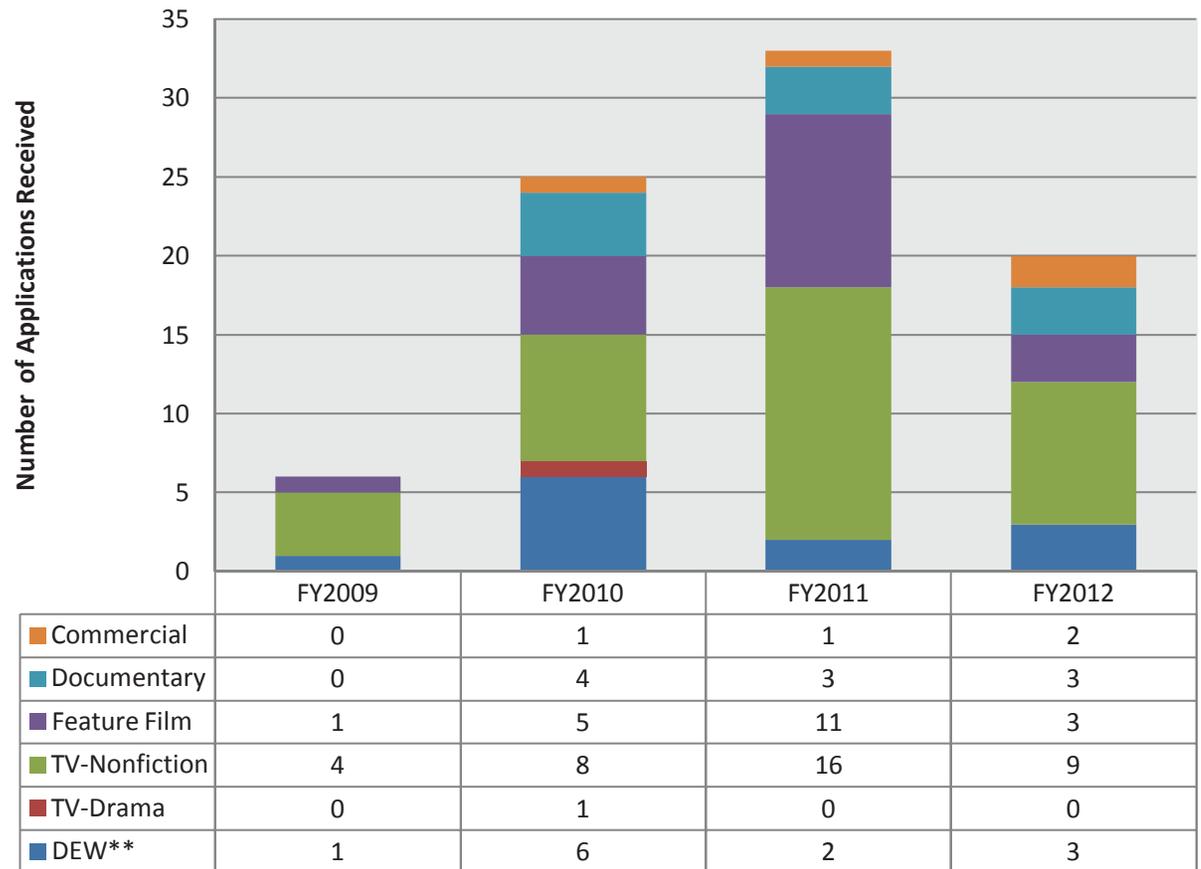
The AFO is required by statute to track and report the number of applications received, final applications approved, and the number and amount of tax credits disbursed (AS 44.33.231(b)).

1. **Applications received** - As of February 6, 2012, the AFO has received a total of 84 pre-qualification forms. Twelve productions, not included in the calculations below, include three denials, five expirations without production, and three withdrawals. Based on the remaining 72 qualified productions, the estimated tax credit encumbrance is \$46,221,473. This includes completed productions with approved tax credits. Figure One summarizes applications received since Program inception. See [Appendix One](#) for a detailed list of qualified projects and their status.



Camera Operator #7 Jonathan R. Butzke, Talking Circle Media, Filming NBC Universal special Reality Show "Treasure Hunters" from high position on Matanuska Glacier, AK © 2012 Talking Circle Media

Figure One
Qualified Production Applications
FY2009 - FY2012*



*FY2012 data presented is year-to-date as of February 6, 2012

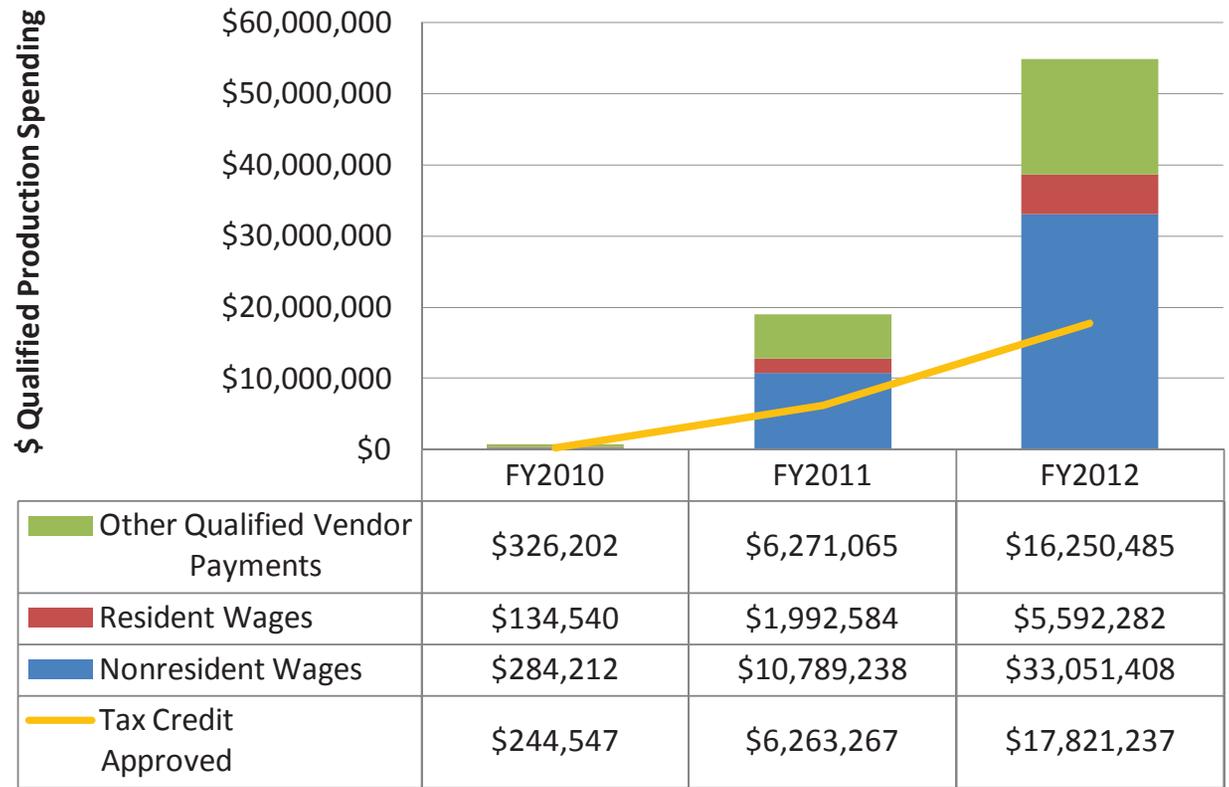
**Applications denied, expired prior to production, or withdrawn

2. **Applications approved** - As of February 6, 2012, the AFO approved 36 final applications for an Alaska Film Industry Tax Credit (tax credit). The total requested was \$25,799,319, and the AFO approved \$24,329,051.20. Figure Two summarizes approved tax credits since Program inception. See [Appendix Two](#) for a list of the approved tax credits by production.
3. As of February 6, 2012, Revenue issued 39 tax credit certificates to approved productions for \$24,329,051.20 (several productions had credits partially approved during the evaluation process).



Photo courtesy of John Markel, Alaska Film Locations

Figure Two
Approved Final Applications and Tax Credits
FY2010 - FY2012*



*FY2012 data presented is year-to-date as of February 6, 2012



Left: Screening room under construction at Evergreen Films Sandlewood Studio in Anchorage.

Far left: Sound proofing material awaiting installation in Evergreen Films's smartstage and green screen area at their Sandlewood Studio.



Evergreen Films/BBC Earth's co-production of WALKING WITH DINOSAURS 3-D filmed in Alaska and is slated for domestic theatrical release by 20th Century Fox in late 2013 © BBC Worldwide & Evergreen Films Inc.

Summary of Alaska Film Production Incentive

Qualification Process

Production companies are required to apply for qualification for the production incentive. To determine if a production meets qualification requirements, a committee reviews the estimated Alaska budget; the script or a synopsis; projected salaries and work history of producers, directors, and actors; and the distribution plan. In addition to the qualification form and documentation, the committee evaluates any anticipated indirect benefits of the production.

A production that completes the process is issued a qualification notice (notice). The notice establishes the two-year period for production and a tax credit estimate. The notice also states the amount of an approved tax credit may vary based on actual qualified expenditures.

Final Application Process

After a production completes its Alaska operations, a final application and supporting documentation are submitted for review, verification, and calculation of the tax credit. In addition to the final application, productions must submit an expense report verified by an independent, Alaska Certified Public Accountant (CPA), a rough assembly of the production, and a sworn certification that the producer followed the laws of Alaska and AFO procedures.

The department initially provided suggested guidelines for CPAs performing expense report verifications. However, based on a program review, the AFO established mandatory CPA training and Agreed Upon Procedures (AUP) that must be followed when preparing the expense report. The training and AUP became mandatory in February 2012. The AFO completed the first CPA training session on January 27, 2012 with 38 attendees.

A DCCED committee of at least three people reviews the final application and determines the approved tax credit. In the short history of the program, 94.3 percent of requested tax credits have been awarded. After committee approval, the AFO notifies the production company and Revenue of the tax credit award.

Tax Credit Issuance and Transfer

Revenue issues tax credit certificates to producers and manages subsequent credit transfers. The tax credit may be used by producers or transferees as a credit against corporate income taxes within three years of the original date of issuance. Revenue typically issues both tax credit and transfer requests within two business days.

Tax credit certificates are assigned unique numbers when issued. Transfers are made to taxpayers using a form provided by Revenue. As directed by the transferor, replacement certificates are either returned to the transferor or sent directly to the transferee.

Revenue interprets “redeemed” to mean the date the tax return was filed, not the payment due date. The tax due can be reduced by the amount of the credit. The amounts shown above represent the fiscal year in which a credit was claimed on a return filed with Revenue. The average holding time for a tax credit, as of January 31, 2012, was 298 days.

The administrative duties of the film credit program consume approximately 18 percent of a full-time auditor position.

Figure Three
Tax Credits Redeemed by Fiscal Year

FY2011	\$ (193,765.00)
FY2012*	\$ (2,224,995.41)

*FY2012 data presented is year-to-date as of February 6, 2012



Chery Manning, producer, helps Ron Holmstrom, actor, don his costume for the award-winning short film, ‘Change,’ produced by Alaskans with a local cast and crew.

BOB HALLINEN / Anchorage Daily News
Extras Fred Thoerner, Bogdan Shepard and Ryan Rockom, all from Anchorage, with Property Master Jason Hammond during the filming of the movie *The Frozen Ground* continues on the location on Old Harbor Avenue in east Anchorage on Wednesday, October 19, 2011.



Regulations

DCCED regulations governing the Program became effective on June 18, 2009. Revenue regulations governing the tax credit became effective on December 22, 2010 and were amended effective March 4, 2011.

Copies of the current regulations adopted by DCCED and Revenue are posted on the [AFO website](http://www.film.alaska.gov).

DCCED has conducted a review of Program regulations, and will soon be issuing a revised regulation package. The most important aspect of this revision is the adoption by reference of the AUP for Alaska CPAs that conduct verifications of final applications. An AUP has specific meaning in public accountancy in accordance with the American Institute of CPAs Professional Standards, sections 201 and 601.

In addition to the revised verification standards, the regulation package will fix technical errors in the original regulations, clarify the required documentation and eligibility criteria to qualify for the program, standardize language between the regulations and program applications, clarify the definition of qualified expenditures, fully establish the distinction between wages and payments to independent contractors with regard to the incentive rate for each, require disclosure of related party transactions, and further define the criteria used to determine if qualified expenses are ordinary, reasonable, and not in excess of fair market value.

In total, the proposed changes will give producers, CPAs, and AFO staff clearer guidance with regard to the practices and standards needed to verify qualified spending claims that will be submitted for tax credit consideration.

Figure Four
Alaska Film Office Tax Incentive Process

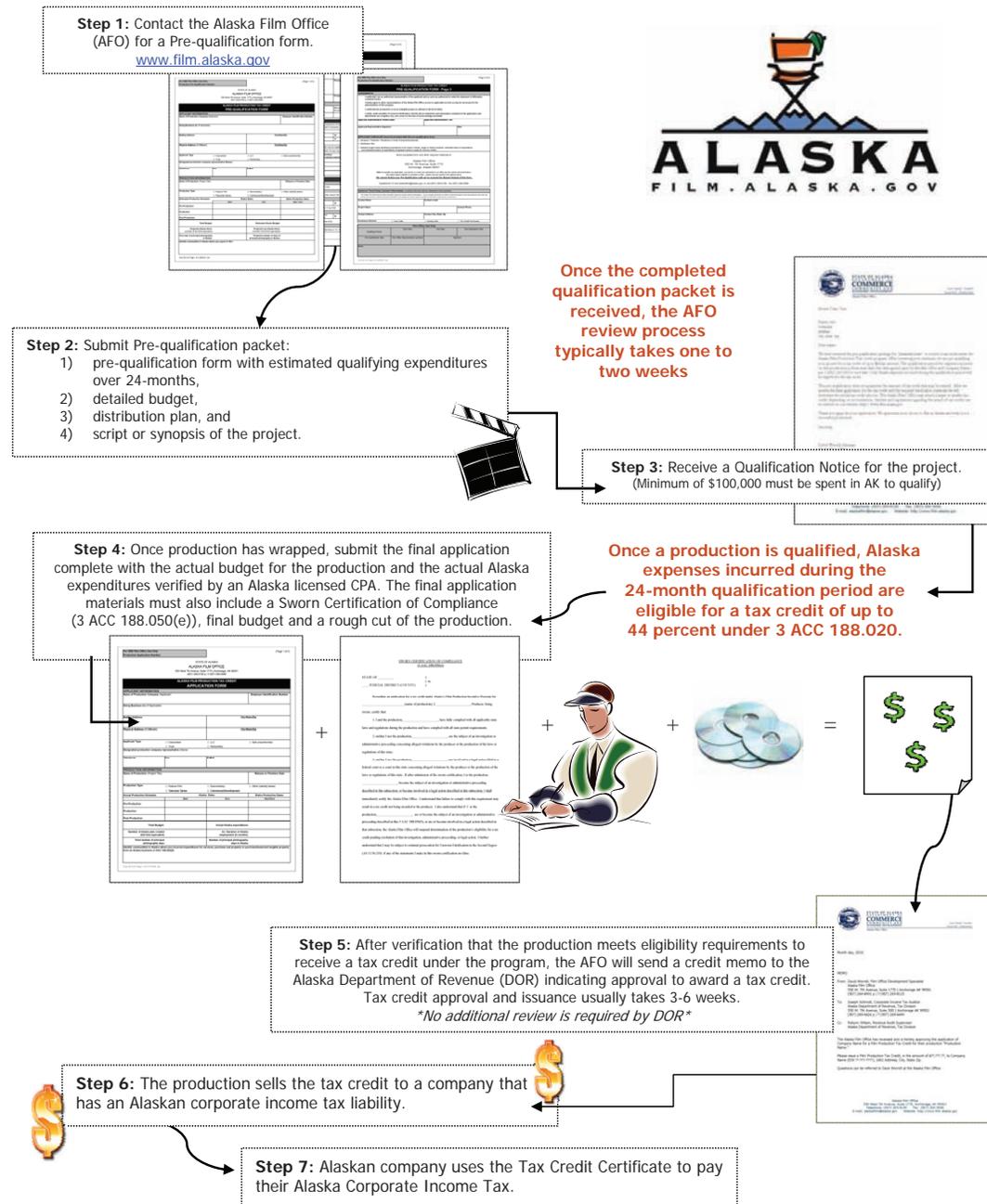




Photo courtesy of Colby Colmbs, Alaska Mountaineering School

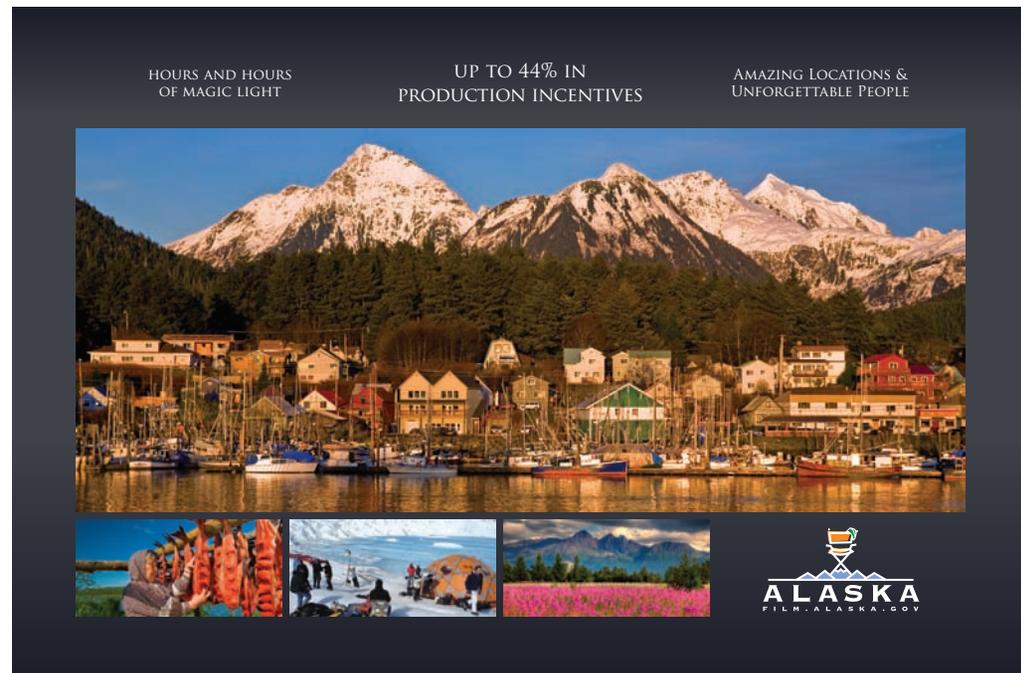
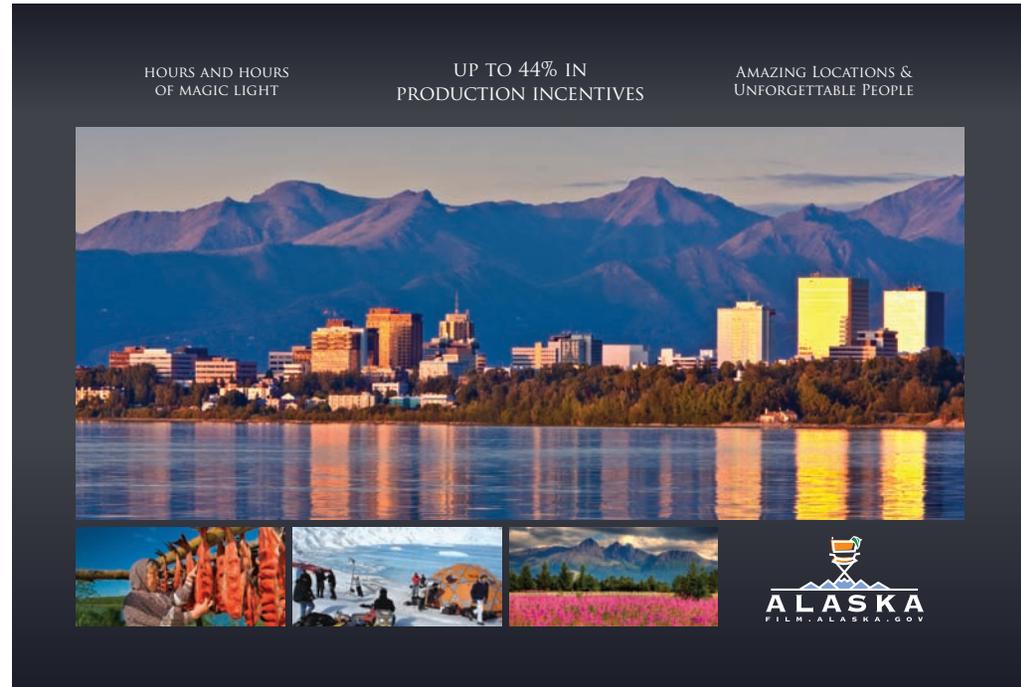
Other Alaska Film Office Activities

Print ads are placed in leading industry magazines and directories. These include *P3 Update* – a technical production magazine, *Produced By* – the quarterly magazine of the Producers Guild, *DGA Quarterly*, and *DGA Monthly* – the magazines of the Directors Guild, and *Locations Magazine* – the annual publication of the Association of Film Commissioners International (AFCI).

The AFO utilizes the internet in several ways. In addition to ongoing updates of the [website](#), the AFO is listed in film industry directories, trade publications, and web sites. Web ads appear are also negotiated as part of the AFO's print ad placements. A Google Ad Words account also generates text ads when phrases related to Alaska film are searched.

While print and web advertising are important to keep filmmakers aware of Alaska opportunities, personal contact is the most important tool to market Alaska as a film location. The AFO is contacted daily by filmmakers about Alaska and the incentive program. Filmmakers want to know how the incentive program makes Alaska a cost-competitive option, how locations and local expertise add value to their productions, and what local talent, suppliers, and crew are available.

The AFO staff attends film industry trade shows and events. In addition to the annual AFCI Locations Trade Show in Los Angeles, the AFO also participates in events offered by industry support companies and in the Locations Expo at the American Film Market (the main international marketplace for independent film). Appointments with producers, directors, and studio executives are scheduled around major events to efficiently utilize travel time and budget.





Connecting Filmmakers with Alaska Resources

The [AFO website](#) is the primary tool to connect filmmakers with Alaska businesses and individuals in the following areas:

- The *Incentive Program* page provides information on the Program and the required forms available for download.
- The *Filming in Alaska* page provides useful information on Alaska's regions, transportation, permits, rules, and regulations.
- The *Crew and Service Provider* page is a fully searchable database maintained by the "listees" and approved by the AFO. Listings are free to Alaska individuals and businesses. There are currently 333 crew listings ranging from make-up artists to videographers, 502 support services ranging from B&Bs to video post-production studios, and 167 Alaska actors.
- The *Alaska Locations* page provides a database of 434 images of Alaska communities, locations and buildings.

The *Crew and Service Provider* and *Alaska Locations* pages use ReelScout, a film industry database, with easy to use features, and reasonable costs.

The AFO created a "Make it Authentic" web page to link producers to Made in Alaska products and the Alaska Product Preference program. Continued cross-promotion will result in additional product placements in productions, as well as the hiring of artists, craftsmen, technicians, and experts to ensure accuracy in the portrayal of Alaska Native cultures, occupations, resources, and other subject matter.





Photo courtesy of John Markel, Alaska Film Locations

Private-Sector Cooperation

The AFO fosters a cooperative relationship with the Alaska film industry, allied non-profit trade associations, and the business community at large.

Ongoing outreach and involvement with the Alaska film industry helps build the crew and service provider database and promote the Program. The service provider database provides filmmakers with a wide variety of indirect services such as transportation, food and lodging, accounting, construction, legal, telecommunications, insurance, and more.

Development of the film industry gives Alaska businesses opportunities to provide direct goods and services such as production equipment, office space, sound stages, and other facilities. Business opportunities will continue to expand as Alaska becomes a preferred location for filming.

Businesses with corporate income tax liabilities can learn about the opportunity to buy tax credits on the AFO web page *For Alaska Business*. These businesses typically receive a savings of 10 – 20 percent on their tax obligations based on their negotiations.

Certifying Internship and Training Programs

Although the AFO offers the crew and service provider listings as its primary resource for filmmakers to fill jobs, there remains a need to increase the numbers of qualified crew through film industry training. The Legislature appropriated \$486,000 to the Alaska Workforce Investment Board (AWIB) to provide crew and cast training grants. The AFO worked with AWIB on program design in 2011 and on program implementation in 2012.

The first wave of funding will be distributed through competitive grants to training providers to develop curricula and stage training programs. Through the Alaska Job Center Network, workers can apply to receive matching funds for individual training accounts (ITA). Workers can use their ITA to take certified training programs.

The AFO continues to support the efforts of local school districts, the University, labor unions, private employers, and other private training providers to expand film industry training in Alaska.

Public Record Requests

The Program garners a significant level of public and media attention. The AFO works with the Department of Law (Law) to respond to Public Records Requests (PRR) from the media and private citizens since the inception of the program.

Applications submitted to the AFO are subject to the Alaska Public Records Act. However, applicants may assert privacy or trade secret rights by labeling submitted information as confidential and submitting a written legal justification for the claim. If an application falls under a PRR, these claims are considered by Law, but may not preclude the records being released. Applicants will be notified prior to any public disclosure and they can seek other legal means to prevent the application being made public.

Based on a recent PRR, applicants that wished to assert a privacy or trade secret right were concerned with the disclosure of creative content prior to a production release date; the full production budget; information that would put the production or the company at a competitive disadvantage in negotiating salaries, vendor payments, and other fees; or details of production characteristics that could be copied by competitors.

The AFO makes a standardized set of information available online. In addition to the Annual Report to the Legislature, all qualification applications, and final applications are available on the [AFO public information page](#). The listings are continuously updated when new projects are qualified or approved. New policies and treatments are being developed in conjunction with Law as a result of ongoing PRRs.

State of Alaska
Court film "To
Make a Decision".
1st Camera unit,
Talking Circle Media
staff Producer
Jonathan R. Butzke,
DP Patrick Murphy,
Sound Mixer
Russell Lewis, Actor
Shane Mitchell.
Anchorage, AK ©
2012 Talking Circle
Media





Red Lobster Commercial shot in Southeast AK. Photograph by Cameron Glendenning.

Alaska Film Office Personnel

The AFO has one development specialist to serve as lead in most Program functions. There is also an administrative assistant dedicated half-time to the AFO.

The AFO is supported by the division director and development manager in the pre-qualification review and in all other programmatic work. Two other division employees, a development specialist and an accountant, assist in the final application review process. There is additional assistance from all of these individuals and the Commissioner's Office in marketing, communications, and outreach.

Revenue assigns an auditor as lead for the Program. Additional staff resources are available to ensure continuity of service, if necessary.



DP Jonathan R. Butzke, Talking Circe Media, filming Grizzly Bears for National TV Series "Animal Atlas" at AK Wildlife Conservation Center. Portage, AK © 2012 Talking Circle Media



Alaska filmmaker Jan-Pieter Welt with IMAX camera.

Conclusion

The AFO has initiated or will soon initiate the following action plan to continue Program improvement:

- Finalize the regulations update project as previously referenced.
- Restructure film.alaska.gov to include job opportunity postings; in production, and wrapped listings; workforce training opportunities; and other resources to connect the local industry and workforce with the incentive program and film development. Alaska worker and vendor success stories about securing a job or contract with a film or television production will also be posted.
- Increase reporting and transparency through continuous updates of pre-qualification updates and approved final applications.
- Promote and engage the Alaska workforce in the training opportunities authorized under the Alaska Crew and Cast Advancement Program (AKCCAP) in conjunction with the AWIB. Certify other training programs available through the University of Alaska, labor unions, and private training providers and make that information available on the AFO web site.

- Build on relationships in the industry and encourage the development of productions best suited for Alaska. For example, properties such as *The Cruellest Miles*, *Firecracker Boys*, and other Alaska-centric stories should be pursued through active engagement with producers and others to greenlight these projects. Alaska still has untapped resources that can be developed into films, episodic television, and other media.
- Continue to develop communication and coordination with state and federal agencies, the local supplier network, and the Alaska workforce.

With the premier of *Big Miracle* on January 25 in Washington DC, January 29 in Anchorage, and February 3 nationwide, the State of Alaska and Alaskans have their first exposure of the impact of the film production incentive. The value of the program with regard to tourism promotion and a heightened sense of Alaska pride, in addition to direct economic returns has yet to unfold. DCCED will continue to refine the management and operation of the program to realize the full potential of developing the film industry in Alaska.

BILL ROTH /
Anchorage Daily News
Actor Ahmaogak
Sweeney, 12, who
plays Nathan in
the whale rescue
adventure movie *Big
Miracle*, arrives at
the Alaska premiere
at the Regal Tikahtnu
Stadium 16 theater in
Anchorage on Sunday,
Jan. 29, 2012.

