



MIDNIGHT,  
TEXAS



LONGMIRE

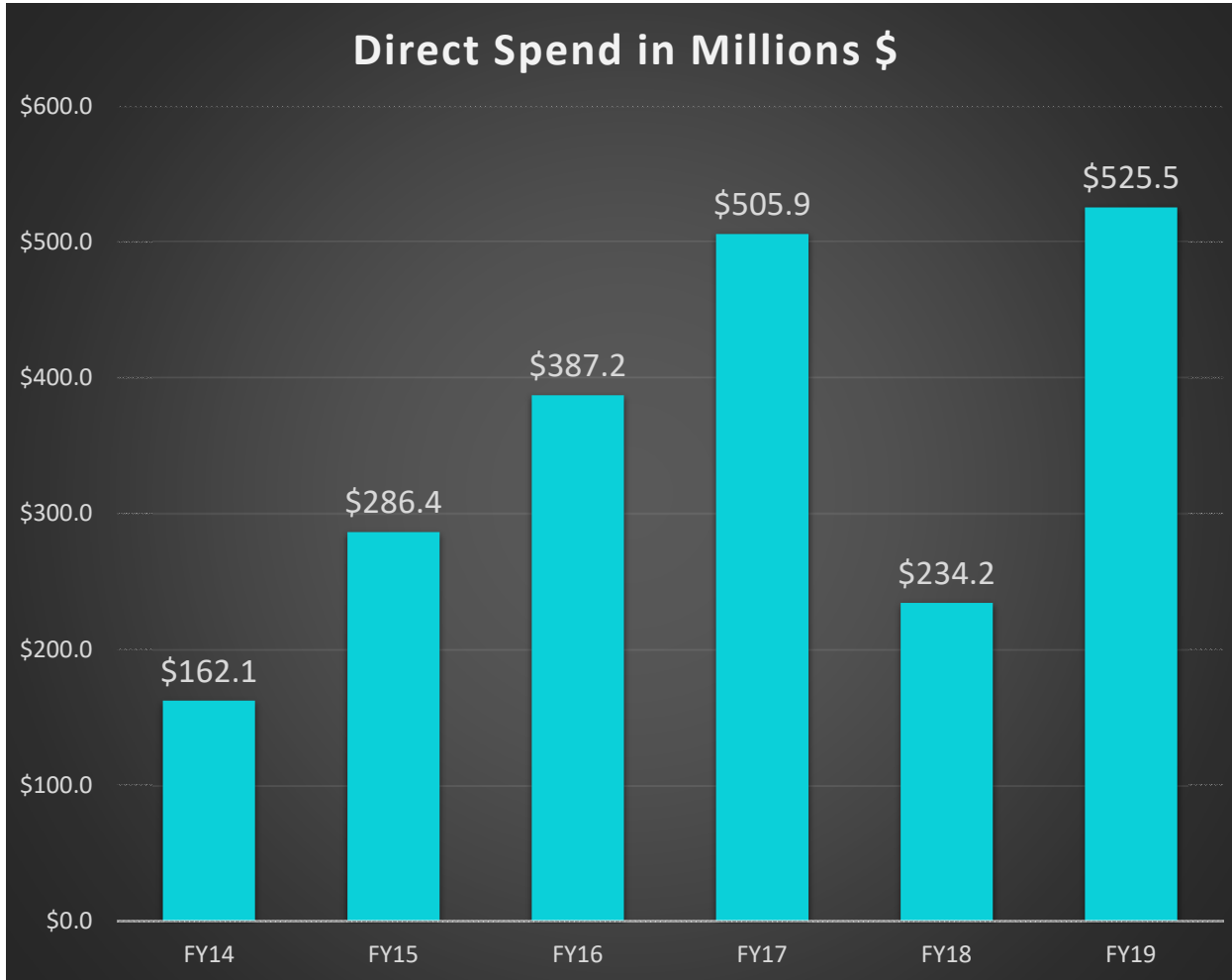
# NEW MEXICO'S FILM PRODUCTION TAX CREDIT

*PRESENTED TO THE REVENUE STABILIZATION & TAX POLICY COMMITTEE, 10/23/2019*

STEPHANIE SCHARDIN CLARKE, SECRETARY, TAXATION AND REVENUE DEPARTMENT  
JON CLARK, DEPUTY SECRETARY, ECONOMIC DEVELOPMENT DEPARTMENT

## FILM: CHANGES EFFECTIVE JULY 1, 2019 (SB2):

- Annual cap increase
  - From \$50 million rolling cap to \$110 million rolling cap and \$100 million “hard cap” on backlog liabilities
- Tiered payout system eliminated
- Creation of “New Mexico Film Partners”
- Extra 5% credit for filming in rural locations
- TRD prepared draft rule related to Qualified Production Facilities – clarifying what is required to receive the additional 5% credit



FILM  
PRODUCTIONS  
DIRECT  
SPENDING

**\$2.1 Billion**  
in the last six years

# TAX CREDIT BACKLOG IS PAID

## ESTIMATED TAX CREDITS TO BE PAID OUT PER FISCAL YEAR

(in millions \$)	<b>FY19</b>	<b>FY20</b>	<b>FY21</b>	<b>FY22</b>	<b>FY23</b>
Estimated Direct Spend	\$530+	\$530+	\$530+	\$530+	\$530+
Backlog Payments	\$99.9	\$29.4			
Estimated Total Payments	\$149.9	\$80.6	\$110.7	\$145.0	\$165.0

RURAL FILM  
LOCATIONS SINCE  
JANUARY 1, 2019



Alamogordo  
Carrizozo  
Cedar Crest  
Chama  
Española  
Farmington  
Hatch  
Las Vegas  
Navajo Nation  
Rio Arriba County  
Roswell  
Ruidoso  
Santa Clara Pueblo  
Shiprock  
Torrance County  
Valencia County  
Zia Pueblo



- 1,000 film & television industry jobs
- Film partner: 10-year commitment
- 1<sup>st</sup> studio purchase in the US







- 333 New Jobs
  - Accounting, art, casting, construction, electric, grip, hair & makeup, set, sound, special effects and wardrobe
- \$61,619 average salary
- \$500 million in private investment

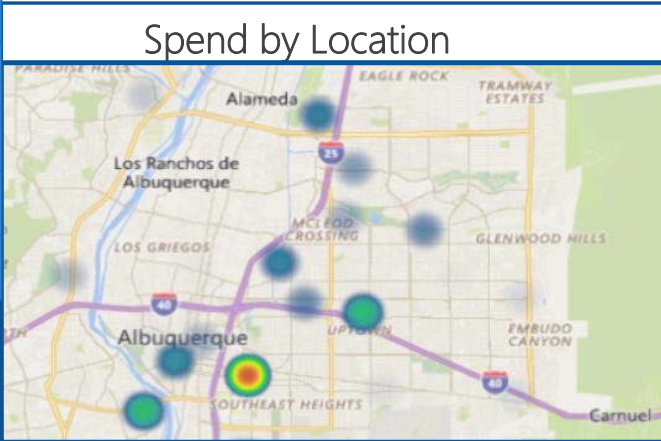


# MIDNIGHT, TEXAS

## PILOT & SEASON 1 AND 2 NM ECONOMIC IMPACT

400+ New Mexico Vendors	
Film Equipment Rentals	\$3.6M
Facility/Production Offices	\$3.52M
Rolling Equipment Rentals	\$2.34M
Food	\$2.28M
Location Department	\$2M
Lodging/Accommodations	\$1.98M
Set Dressing	\$1.36M
SPFX/Props	\$1.36M
Other	\$6.4M

**\$ 74,000,000 +**  
NM Production Spend



**\$ 32,000,000 +**  
NM Resident Payroll  
FCAP Wages: \$800,000 +

**Employment Impact**

**4,000+**  
NM Resident Crew/Talent/Extras  
**922,000+ Hours Worked**



## SUMMARY: NEW MEXICO SPENDING BY PRODUCTION\*

	Midnight Texas Season 1		The Brave Season I		Briarpatch Pilot		Total of the 3 Productions	
	Spending	%	Spending	%	Spending	%	Spending	%
NM Resident Crew & Talent	\$13.9	34%	\$17.7	39%	\$2.2	38%	\$33.7	37%
New Mexico Goods & Services	\$12.4	30%	\$18.6	41%	\$2.4	41%	\$33.4	36%
Nonresident Talent	\$4.4	11%	\$7.1	16%	\$0.7	12%	\$12.2	13%
Nonresident Crew	\$10.6	26%	\$1.6	4%	\$0.6	10%	\$12.8	14%
<b>Total Production Spending in New Mexico</b>	<b>\$41.3</b>		<b>\$45.0</b>		<b>\$5.8</b>		<b>\$92.1</b>	

\*In millions \$

# TOTAL BREAKDOWN OF SPENDING

Breakdown of Spending (in millions)	Midnight Texas		The Brave		Briarpatch		Total for 3 Productions	
	Amount	%	Amount	%	Amount	%	Amount	%
Equipment Rentals	\$2.47	20%	\$3.99	21%	\$0.12	5%	\$6.58	20%
Lodging/Accommodations	\$0.60	5%	\$1.02	5%	\$0.20	8%	\$1.82	5%
Rolling Equipment	\$0.96	8%	\$1.46	8%	\$0.28	12%	\$2.70	8%
Food/Catering/Food Allowance	\$0.85	7%	\$1.31	7%	\$0.07	3%	\$2.23	7%
Construction	\$1.54	12%	\$1.88	10%	\$0.09	4%	\$3.51	11%
Location Department	\$0.71	6%	\$1.40	8%	\$0.43	18%	\$2.54	8%
Facility/Office Leases/Stages	\$1.46	12%	\$1.45	8%	\$0.04	2%	\$2.95	9%
Set Dressing	\$0.50	4%	\$0.96	5%	\$0.17	7%	\$1.63	5%
Special Effects/Props	\$0.53	4%	\$0.95	5%	\$0.03	1%	\$1.51	5%
Travel	\$0.30	2%	\$0.42	2%	\$0.06	3%	\$0.78	2%
Wardrobe	\$0.36	3%	\$0.66	4%	\$0.02	1%	\$1.04	3%
Fuel/Gasoline	\$0.12	1%	\$0.16	1%	\$0.03	1%	\$0.31	1%
Non-Film Vehicles	\$0.00	0%	\$0.19	1%	\$0.00	0%	\$0.19	1%
Office Supplies/Furniture	\$0.08	1%	\$0.12	1%	\$0.10	4%	\$0.30	1%
Facility/Location Fees	\$0.13	1%	\$0.00	0%	\$0.03	1%	\$0.16	0%
Other	\$1.79	14%	\$2.62	14%	\$0.72	30%	\$5.13	15%
<b>Total Spending on Goods &amp; Services</b>	<b>\$12.40</b>	<b>100%</b>	<b>\$18.59</b>	<b>100%</b>	<b>\$2.39</b>	<b>100%</b>	<b>\$33.38</b>	<b>100%</b>

## INDUSTRY SUPPORTS 8,000 JOBS

- Workforce Solutions Department quarterly employment reports show 3,225 direct jobs in industry
- Assume 10% additional direct jobs contracted by productions but showing up in other categories
- Conservative employment multiplier of 2.49 (less than the multipliers used in several other states)
- Total jobs supported by film productions is more than 8,000
- Weekly wages rank 29<sup>th</sup> out of 87 industries to generate \$53,716 average annual wages
  - Our film partners are providing even higher average wages

## IMPROVED DATA CAPTURE PROCESS IMPLEMENTED

- Productions required to report amounts spent by county
- Spreadsheet created to track all data until ReelScout upgrade is complete (information being entered daily)
  - In testing phase for ReelScout upgrade
- Productions now required to sign TIA (Tax Information Authorization) form
  - Will allow EDD/NM Film Office (NMFO) to access some information previously only accessible by TRD employees for tracking & analysis
- Meetings now scheduled with each production that is working with the NMFO

## NEW PERFORMANCE MEASURES FOR FILM

- Access to new data via the signed TIAs makes these measures possible:
  - Direct spending by film industry productions eligible for the additional 5 percent credit in rural areas, in millions
  - Total wages paid by film industry productions to New Mexico residents, in millions
  - Median wages paid by film industry productions to New Mexico residents
  - Total gross receipts taxes paid by film industry productions, in millions
- Timing issue:
  - We are starting to collect this data, but it will be some time before we have enough data to work with for analysis

## WEBSITE/TRANSPARENCY REQUIREMENTS BEING MET

- As part of the SB2 implementation, TRD's Audit and Compliance Division (ACD) implemented case functionality to track the film credit from eligibility to credit approval
- ACD will continue to support TRD's Revenue Processing Division (RPD) in the manual tracking of refunds while system changes are implemented to automate tracking
- ACD will continue to work with RPD to post monthly updates to the website
- NMFO website for approved credits by FY:
  - <https://nmfilm.com/new-film-prod-tax-credit/#1563558976114-72ecdd0f-6b2f>
- TRD website for monthly postings:
  - <http://www.tax.newmexico.gov/Tax-Professionals/film-production-tax-credit.aspx>



# HOW TO BECOME A FILM VENDOR

- Voluntary certification program for New Mexico film industry vendors
- Vendors showcase their ability to provide services to the Film Industry
- Production companies receive reassurance that expenditures made through businesses on the Qualified Film Vendors will be eligible to receive film tax credits.
- Hardware stores, accommodations, funeral home, physicians, gyms.....

[www.tax.newmexico.gov/](http://www.tax.newmexico.gov/)

Choose “Forms & Publications”

→ “Tax Credits”

→ “Film Production”

RPD-41382  
Rev. 05/19/2019

STATE OF NEW MEXICO - TAXATION AND REVENUE DEPARTMENT  
**QUALIFIED FILM VENDOR**

The purpose of this form is to assist film production companies in determining qualified New Mexico vendors by building a qualified film vendor list. Submit application to TRD-FilmCredit@state.nm.us. For assistance or to speak with the Department, call 605-795-1735.

**Vendor:** To be a vendor in New Mexico for tax purposes you must be have physical presence in New Mexico and either the owner or an employee must be a New Mexico resident. Please refer to the definition of New Mexico resident, vendor and physical presence below.

Name of Business:	
Vendor's FEIN or Social Security Number (SSN):	
Business Address:	
Type of Business:	Business Telephone Number:
Type of goods or services provided:	

**For purposes of the film-related tax credits under the Film Production Tax Credit Act:**

**"New Mexico resident"** means an individual who is domiciled in this state during any part of the taxable year or an individual who is physically present in this state for one hundred eighty-five days or more during the taxable year; but any individual, other than someone who was physically present in the state for one hundred eighty-five days or more during the taxable year and who, on or before the last day of the taxable year, changed the individual's place of abode to a place without this state with the bona fide intention of continuing actually to abode permanently without this state is not a resident for the purposes of the Film Production Tax Credit Act for periods after that change of abode;

**"Vendor"** means a person who sells or leases goods or services that are related to standard industry craft inventory, who has a physical presence in New Mexico and is subject to gross receipts tax pursuant to the Gross Receipts and Compensating Tax Act or income tax pursuant to the Income Tax Act or corporate income tax pursuant to the Corporate Income and Franchise Tax Act but excludes a personal services business and services provided by nonresidents hired or subcontracted if the tasks and responsibilities are associated with the standard industry job position of director, writer or producer;

**"Physical Presence"** means a physical address in New Mexico from which a vendor conducts business, stores inventory or otherwise creates, assembles or offers for sale the product purchased or leased by a film production company and the vendor or an employee of the vendor is a resident.

By signing this application, I authorize the Taxation and Revenue Department to publish my business name and the contact information for my business listed above on the Taxation and Revenue Department website on the New Mexico Qualified Film Vendor List.

Any person who willfully attempts to evade or defeat any tax or the payment thereof is, in addition to other penalties provided by law, guilty of a felony and, upon conviction thereof, shall be fined not less than one thousand dollars (\$1,000) nor more than ten thousand dollars (\$10,000), or imprisoned not less than one year nor more than five years, or both such fine and imprisonment, together with the costs of prosecution. N.M.S.A. 1979, Section 7-1-12.

I declare that I have completed this document to the best of my knowledge and verify that it is true, correct and complete.

Signature \_\_\_\_\_ Date \_\_\_\_\_