MAINE FILM OFFICE
VISUAL MEDIA PRODUCTION INCENTIVES
FINAL REPORT

December 30, 2024

A report to the Joint Standing Committee on Taxation

Taxation Committee of the 132nd Legislature

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Executive Summary

Legislative Resolve S.P. 444, L.D. 1075, "An Act to Promote Economic Growth Through Increased Film Incentives," which passed in the 131st Legislature, requires the Maine Film Office to review existing film production incentives in this State, evaluate film production incentives in other states and report to the joint standing committee of the Legislature having jurisdiction over taxation matters by December 30, 2024.

The Resolve also requires the Maine Film Office to respond to the Office of Program Evaluation and Government Accountability's (OPEGA) 2023 report regarding the evaluation of the Visual Media Incentive Program in Maine.

The Maine Film Office has offered a Visual Media Production Incentive in Maine since 2006. The program is jointly administered by the Maine Film Office (MFO), located in the Maine Office of Tourism (MOT) within the Maine Department of Economic and Community Development (DECD), and Maine Revenue Service (MRS).

The current incentive provides a 10-12% wage rebate and 5% non-wage tax credit for visual media productions spending at least $75,000 in Maine. The reimbursement rates have remained the same since the inception of the program in 2006. Since that time, many other states have introduced incentive programs that offer rebates or tax credits in the 20-30% range.

This report outlines the findings of the MFO following a review of several state incentive programs, discussions with other state agencies, stakeholders and industry experts, as well as a recommendation for a more competitive incentive program. Additionally, this report includes a response to the 2023 evaluation of visual media incentives conducted by the OPEGA.

Film Production Incentive Review

To garner a thorough understanding of incentive programs throughout the U.S. and Canada, the MFO solicited input from other state agencies, stakeholders, industry experts, and film offices in other states. This was accomplished through:

- Meeting with other state agencies about the incentive program
- Administering an incentive survey within the Maine film industry,
- Contracting with Olsberg SPI to review the state's production industry,
- Meeting with industry experts with incentive expertise,
- Initiating video conference calls with film office directors in 13 states/provinces to better understand their incentive programs, and
- Reviewing information on 37 states with film/production incentives

Maine State Agencies

Maine Revenue Service
The visual media incentive program is jointly administered by the MFO and MRS. Discussions centered around two key areas: Incentive type and reimbursement and withholding amounts. The most common incentive types are Transferable Tax Credits, Refundable Tax Credits, Rebates and Grants.

Thirteen states offer transferable tax credits. A transferable film tax credit allows the production company to transfer or sell its tax liability to a third-party that has tax liability in the state. This usually occurs when an out-of-state production company does not have tax liability in the state. Typically, these tax credits are sold to companies at a discounted rate, (around 85-90 cents on the dollar). MRS does not support transferable tax credits because the complex nature of these credits makes them difficult to administer, and they enable companies unrelated to the production industry to benefit from the film tax credit.

Larger productions often work with third party pass-through entities known as loan out companies. They are often created to hire out the services of one individual, such as a popular actor, director or producer, as a means of reducing tax liability. MRS recommends that the MFO should require production companies to withhold a percentage of payments made to a loan out company, or personal service corporations at the highest tax rate imposed by Title 36, chapter 827.

Maine Attorney General's Office
Discussions with the Attorney General's office revolved around confidentiality of information. Currently, information submitted to the MFO is subject to Freedom of Access Act (FOAA) requests unless it is confidential taxpayer information. However, production companies often submit a script to the MFO and ask us to sign a non-disclosure agreement to ensure that the storyline is not publicly disclosed prior to shooting the production.

Scripts provide context for the story thereby enabling the MFO to better assist the production company with location scouting and crew services. Therefore, the MFO intends to include language in the proposed legislation, keeping the script confidential until completion of the production.

Maine Industry Stakeholders' Survey

In 2023, the Maine Film Office conducted a survey of film industry stakeholders in Maine asking for input on the Visual Media Production Incentive program. Below is a summary of key points.

- Approximately 80% of respondents indicated that the state should incentivize filming in less populated regions of the state.
- Approximately 90% of respondents indicated that the state should prioritize attracting productions that hire local crew.
- Approximately 55% of respondents indicated that the state should consider an incentive uplift for productions based on a Maine story, historical figure or current resident.
- Approximately 76% of respondents indicated that the state should provide an uplift and/or additional incentive for productions with a lead cast member, writer, director, or producer who is a resident of Maine.
- Approximately 81% of respondents indicated that there should be a minimum percentage of total principal photography days filmed in Maine to qualify for the incentive.
- Most respondents indicated that an appropriate minimum spending requirement to qualify for the incentive would be between $50,000 and $100,000.
- Approximately 60% of respondents felt that 25% was a competitive reimbursement figure for the incentive. Another 21% felt that 20% was a competitive reimbursement.

Input From Industry Experts

Olsberg SPI

Olsberg SPI is an international creative industries consultancy that specializes in the global screen sector. In addition to the **Production, Infrastructure and Capacity Analysis** (PICA) they conducted for the MFO, their services include Strategic Planning, Economic Impact Studies, Design and Development of Production Incentives, Feasibility Studies and other services for the film industry. Key takeaways from the Olsberg study include:

- Maine is an outlier in terms of having two incentive types (Wage Rebate and a Tax Credit for non-wage production expenses) and should simplify the program to one incentive type.
- A single rate of around 25% should be offered.
- The incentive would ideally incentivize out-of-state workers and equipment used in Maine.

- An incentive could be linked with strategic uplifts to encourage in-state hires. Examples could include:
    - A geographical uplift for projects made outside the tourism hotspots
    - A calendar uplift for projects being made outside peak season.
    - Uplift for projects set in Maine or based on Maine-sourced materials.
- An incentive should be made very clear for applicants.
- A compulsory audit provision should be introduced.

Joe Bessacini - Vice President Film & Television Production Incentives - Cast & Crew LLC

Cast & Crew is the premier provider of payroll and related services to the entertainment industry. They offer payroll, financial and worker's comp services and produce a comprehensive guide to film incentive programs worldwide.

- Recommend a higher incentive for in-state hires than out-of-state hires.
- Rebates are better for producers because they always receive 100% of the incentive. Transferable credits are sold at a discounted rate.
- Transferable credits require a significant amount of administrative oversight. This would be an added burden for the program administrator.
- The worst incentive program is non-transferable/non-refundable tax credit.

Joe Chianese - SVP & Practice Leader, Production Incentives - Entertainment Partners LLC

Entertainment Partners is the industry leader in production finance and production management providing payroll, budgeting and finance services for the entertainment industry with extensive experience in film incentives.

- Currently, Maine requires that production companies demonstrate the project is fully funded prior to certifying a production. Mr. Chianese believes requiring 60% funding would be more appropriate for independent films because sometimes they take longer to secure full funding.
- Maine should consider a compensation cap per project for actors.
- Maine should consider a minimum guarantee program cap of not less than $500,000.
- For loan out companies, Maine should require a withholding at the maximum marginal tax rate.

State/Provincial Film Office Outreach

MFO reached out to 13 film offices in other states and provinces with similar incentive programs. Incentives vary widely throughout North America, so we looked at a cross-section of programs with different incentive types, program caps and spending requirements.

U.S. Film Offices
Connecticut
Indiana
Mississippi
North Carolina
Oklahoma
Oregon
South Carolina
Tennessee
Utah

Canadian Film Offices
Northwest Territories
Nova Scotia
Prince Edward Island

Review of Film Incentives in the U.S.

While many film incentive programs reimburse applicants in the 20-30% range, elements of the incentives, such as minimum spending requirements, program caps, qualified labor, uplifts and submission requirements, vary widely. Below, we outline some of the common elements.

- Of the 37 states with incentive models, 15 offer resident uplifts.
- Of the 37 states with incentive models, 15 offer geographic uplifts.
- Of the 37 states with incentive models, 2 offer uplifts for projects based in the state.
- Nearly every state with an incentive, places some limit on the amount of wages and salaries a production can claim against the incentive. The most common apply the incentives to the first $500,000 or $1,000,000 per employee. Maine's current limit is $50,000 per employee.
- Only 16 out of 37 states have a per project cap. The project cap is the maximum amount an incentive program will reimburse a single production. These caps begin at $100,000 for television commercials with varying rates of up to $20 million for film and television projects.
- Maine is one of 7 states without an annual funding cap. The annual funding cap is the annual budget for the incentive program. These caps range from $750,000 in Colorado to $700 Million in New York, with an average of approximately $72.6 million throughout the U.S.

Summary of U.S. State Film Incentive Programs

The tables below summarize the number of incentive programs relative to the percentage they reimburse with the incentive. Approximately 70% of state programs offer incentives in the 20-30% range for wages, while 80% or incentive programs fall within the 20-30% range for non-wage expenses.

Similarly, approximately 74% of incentive programs offering rebates and grants fall within the 20-30% reimbursement range.

Table 1: Number of U.S. States with Film Incentive **Tax Credit** Programs*		
Incentive Percentage	Labor/Wages	Nonpayroll
<20%	7	7
20-24%	9	9
25-29%	11	11
30%	5	8
35%	3	0
40%	1	0
*28 states offer tax credit incentives. However, some states offer multiple incentive options based upon additional criteria. Most of these programs are transferable and refundable tax credits.		

Table 2: Number of U.S. States with Film Incentive **Rebate/Grant** Programs*		
Incentive Percentage	Labor/Wage	Nonpayroll
<20%	4	4
20-24%	6	6
25-29%	5	6
30%	3	2
35%	1	1
*14 states offer Rebate/Grant incentives on labor. However, some states offer multiple incentive options based upon additional criteria.		

(Data Compiled from: 2024 Cast & Crew – The Incentives Program booklet)

Direct Feedback from Film Producers and Directors

A competitive incentive program is essential in today's film marketplace if the state wishes to attract film and television productions. The producers of *Lost on a Mountain in Maine* said they would have shot more of the movie in Maine if the state had a more competitive incentive. An Emmy-winning writer and producer who worked on television shows such as *The Soprano's* and *Northern Exposure* has a project that he is considering for Maine but is questioning the financial viability of shooting here if the incentive remains at the current level. And the MFO recently had extensive conversations with the A+E Network about a 10-episode television series with a script based on Portland, Maine but opted to shoot elsewhere because of an uncompetitive incentive program.

Maine Film Office Incentive Options

In summary, there were many learnings gleaned from this research process. Based upon the information gathering and data analysis, the Maine Film Office submits the following options for an amended visual media incentive program (Note: These options should not be considered legislative language):

Option 1

This option was shaped by reviewing film incentive programs in the U.S. and Canada and through conversations with stakeholders in the state of Maine as well as external consultants with extensive experience developing and managing incentive programs, and Directors and Producers who have significant influence over where a production is shot.

- $75,000 minimum expenditure in Maine
- The production must demonstrate that they have secured at least 75% of funding upon registering the production with the Maine Film Office in order to be certified
- 25% Rebate for non-wage expenses
- Uplifts
    - A 3% additional credit if at least 60% of principal photography occurred in Aroostook County, Franklin County, Kennebec County, Oxford County, Penobscot County, Piscataquis County, Somerset County or Washington County
    - A 2% additional credit if the screenplay or story is set in Maine; or
    - A 2% additional credit if the lead cast member, writer or director is a resident of Maine*
    - A visual media production company may not receive additional credit in excess of 5% in the aggregate, and the cumulative credit or expenses incurred allowed under this section may not exceed 30%
- 25% Rebate for wages/labor to Maine **resident** above the line employees. There is no above the line incentive for non-Maine residents
- 25% Rebate for wages/labor to Maine **resident** below the line employees
- 20% Rebate for wages/labor to **non-resident** below the line employees.
- Rebate on wages/labor is only on the first $75,000 per individual for both above the line and below the line employees, and it includes wages paid through a loan out corporation
- Payroll withholding at the highest rate imposed by Title 36, chapter 827 (Currently 7.15%) on all payments made to a loan out corporation
- Total Program Cap (Annual Budget) of $1,000,000 in the first taxable year, $1,500,000 for the next 3 taxable years and $2,000,000 - $3,000,000 thereafter
- Productions may not receive cumulative credits under this section and section 6902 for visual media production expenses incurred and certified production wages/labor

paid with respect to a visual media production in excess of $500,000 in first taxable year, $750,000 for next 3 taxable years and $1 million thereafter
- For productions with budgets of $500,000 or greater, the production company must provide a 3rd party CPA audit summarizing expenses as set forth by the Maine Film Office
- With respect to a local in state visual media production company that produces 5 (five) or more certified visual media productions a year, each of which total no more than 10 (ten) minutes in length, including but not limited to, commercials, industrial, documentary shorts, animated shorts, etc., that company may not receive the sum total of cumulative credits under this section in excess of $25,000 for that calendar year
- Visual Media Production projects paid for by State of Maine Government Agencies do not qualify for the visual media incentive.

* You are a statutory resident if: 1. you spent more than 183 days in Maine during the tax year (with any portion of a day counted as a full day), and 2. you maintained a permanent place of abode in Maine. A permanent place of abode is a house, apartment, dwelling place, or other residence that an individual maintains as a household for the entire tax year, whether or not that individual owns it.

Option 2

Eligible Applicants

Any public or private, resident or nonresident, production company that will produce a feature film, television series or miniseries on location in the State of Maine. This does not include short films, commercials or documentary films.

Eligible Projects

Feature films, television series, and miniseries are eligible to apply for the Maine Film Grant provided that a minimum of 75% of their principal photography days are in Maine.
The production must feature a Maine story, which could be one or more of the following:

- Based on events that took place in Maine;
- A fictional story that is set in Maine;
- A production that features characters who live or lived in Maine; or
- A production that depicts identifiable Maine locations in the storyline.

Eligibility Requirements

- Productions are required to spend a minimum of $1,000,000 on qualified expenditures in Maine.
- A minimum of 75% of principal photography must be filmed in Maine.
- Eligible spend includes, but does not exceed, the first $250,000 of payroll for each qualified position per production, resident and non-resident, above-the-line and below-the-line.

Award Amount

- The Maine Film Office will grant 20% of the amount spent on qualified expenditures in Maine with a maximum award of $3,000,000 (pending available funds) per film or television project (This is equivalent to 20% of a $15,000,000 production).

Important Deadlines

- For consideration of an award, applications must be submitted more than 30 days prior to the start of filming in Maine. Applications will not be accepted more than 180 days prior to the start of filming in Maine.
- Applications are accepted on an open cycle until funds are exhausted. Contact the Maine Film Office directly to determine the status of funding.

Evaluation Criteria

- Total dollars spent in Maine
- Percentage of total budget spent in Maine
- Depth of the storyline that takes place in Maine
- Number of Maine resident crew employed
- Number of Maine resident cast employed
- Number of principal photography days in Maine
- Pre-production taking place in Maine
- Post-production taking place in Maine
- Professional experience of key production personnel
- Distribution Plan
- Funding secured for the project

Other Requirements

- On-screen film credit
- Behind the scenes photos/video for use by Maine Film Office

Maine Film Office response to the 2023 evaluation of visual media incentives conducted by the Office of Program Evaluation and Government Accountability

In 2022, OPEGA was directed by the 130th Legislature's Government Oversight Committee (GOC) to conduct a review of Maine's Visual Media Incentive Program. The report was released in 2023 and included recommendations for improved program administration.

In 2024, the 131st Legislature issued a **Resolve, to Review and Evaluate Film Production Incentives**. The Resolve requires the MFO to review existing film production incentives in the state, evaluate film incentive programs in other states, issue a recommendation for a new or amended incentive for Maine and respond to OPEGA's report regarding administration of Maine's Visual Media Incentive Program.

The MFO's therefore issues the following response to the Issues and Recommendations put forth in the OPEGA report. The response is formatted such that it aligns with the headers in the *Issues and Recommendations* section, on pages 22-26, of the OPEGA report.

Maine's Visual Media Incentives Have Had Limited Effect and Are Not Structured to Effectively Target Specific Goals.

Maine's VM Incentives Are Infrequently Used, Limiting Potential for Impact

The MFO agrees with OPEGA's assessment that the use of Maine's visual media incentives (VMI) are likely impacted by both the existence of more competitive incentives in other states, and the non-refundability and non-transferability of tax credits under Maine's current incentives program.

Following a review of film incentive programs in other states, MFO concurs with OPEGA that Maine's incentive is well below the average available incentive offered by other state film offices. Currently, Maine's VMI offers a 10-12% reimbursement for labor and a 5% tax credit for nonpayroll expenses. Tables 1 & 2 on pages 5 & 6 of this report demonstrate that most film incentive programs offer reimbursements between 20-30% for tax credits and 20-25% for rebate programs.

The VMI's Purposes Have Not Been Specified in Statute or Shared Among Stakeholders, Hindering Efforts to Improve Program Effectiveness

We concur that the specific purpose of the VMI has not effectively communicated a specified purpose to achieve specific goals. To address this, the MFO recommends working with the Maine State Film Commission to set goals and develop a strategic plan to achieve them.

Current Design is Not Targeted to Specific Goals

While all productions that meet the eligibility criteria are welcome to apply for the incentive, based on feedback from the Maine Film Commission and other industry stakeholders, the MFO believes the short-term goal should focus on targeting independent productions with budgets up to $5,000,000, including projects with scripts that are set in the state, and incentivizing the hiring of local crew.

It was evident from the PICA conducted by Olsberg SPI for the MFO that Maine has many small visual media production companies in the state that could potentially benefit from attracting independent productions. Independent production companies have a higher likelihood of hiring Maine crew because it helps keep their costs down, provides employment opportunities and enables local crew members to gain additional experience for furthering their careers.

The VM Incentive proposal developed pursuant to the Resolve recommends a reimbursement rate for in-state crew at a higher rate than out-of-state crew thereby incentivizing the hiring of local crew and contributing to the short-term goals. The proposal also recommends reducing the funding requirement from 100% to 75%, thereby giving independent production companies extra time to raise funds. However, the production company would not be able to submit their report to claim the credit until they can demonstrate the project was fully funded and they meet all other eligibility requirements.

The proposed VM Incentive also includes uplifts for productions that have a screenplay or story based in Maine or a resident Lead Cast Member, Writer or Director, reinforcing the goal of hiring Maine crew.

The MFO will continue to require on-screen credits when applicable. Some projects, such as television commercials, are exempt because they do not have credit rolls like movies and television shows.

Existing Data is of Limited Value in Measuring VM Incentive Impacts

The MFO has implemented a more effective system for tracking production spending with the introduction of a new online registration process utilizing the Salesforce platform. Production companies must provide detailed spending data if they wish to qualify for the VM Incentive program. The system tracks spending in several categories:

- Total Wages/Labor Spent in Maine
  - Wages/Labor for Maine residents
  - Wages/Labor for non-residents
- Total non-wages/non-labor expenses

- Lodging
- Restaurants
- Transportation
- Gasoline
- Retail Expenses
- Food (other than restaurant)
- Recreation
- Equipment Rentals
- Expendables
- Other Expenses

The nature of the visual media production industry is that most employees are hired as freelance contractors. Employment impact figures will be measured based upon the visual media production company's final report indicating the number of Maine residents hired and total wages paid out. Wage information is submitted directly to MRS, and due to taxpayer confidentiality, MFO cannot independently verify the actual amounts submitted to MRS.

As a means of tracking qualified production expenses more effectively, the MFO is recommending in the proposed incentive program that a production company spending $500,000 or more in Maine, provide a 3rd party CPA audit of total production expenses incurred in the state. We believe this will ensure a more consistent and accurate reporting of expenses.

Given Present Design, VM Incentives Lack Organizational Alignment with MOT

VMI's are designed to spur growth in the visual media production industry in Maine. Tourism is a tertiary benefit to the state when people decide to visit after having seen a movie or television show based in Maine.

The VM Incentives report issued by OPEGA in 2023 indicated that data had not been collected about the degree to which productions using Maine's VM Incentives impacted tourism in the state. Beginning in January 2023, the Maine Office of Tourism included questions in its annual visitor research study asking if a television show or film inspired the visitor to take a trip to Maine; and if they visited the location of a television show, film, or attraction related to a television show or film while in Maine. Data from 2023 indicated that 4% of visitors said that a television show or film inspired their trip to Maine and 35% of these people said that visiting the location of a television show or film was one of the activities they engaged in. Utilizing visitor data reported by the Office of Tourism, it is estimated that more than 200,000 visitors indicated they visited a location or attraction of a film or television show during their trip to Maine.

MFO Has Not Adequately Administered Maine's VM Incentives

MFO Has Not Ensured Compliance with Statutory Requirements

The 2024/2025 Regulatory Agenda for the Department of Economic and Community Development included addressing rulemaking for the Visual Media Production Certification process "when conditions are right". The Maine Film Office intends to initiate rulemaking for the Visual Media Production Certification process in 2025 following outcome of the proposed visual media incentive legislation.

MFO Was Not Able to Readily Provide Basic Program Information to Support Oversight.

In follow-up to OPEGA's VMI Report from 2023, the MFO has updated the visual media incentive registration/application process. Working with the Office of Information Technology (OIT), the MFO developed and implemented an online visual media incentive registration and application form. The online application process includes features that allow for better record keeping and collection of information in compliance with statutory requirements. The MFO has become more diligent in collecting data to comply with statute.

- Production companies are now required to upload a *Certificate of Insurance* to the online application for review before continuing with the application. The application process also requires the company to acknowledge that the visual media production company is not owned by, affiliated with, or controlled by, in whole, or in part, a person that is in default on a loan made by the State or a loan guaranteed by the State.
- MFO is verifying that the minimum spend threshold is being met with each application.
- MFO is requiring production companies to provide evidence that the visual media production is fully funded in order to be certified. This may include a letter of credit from a financier, loan agreement, bank statements showing a balance large enough to cover the cost of the production (for self-financed projects), copy of a contract from a company that is paying for the project, etc.
- Demonstration of economic benefit includes an initial estimate of anticipated production expenditures in the state and number of Maine residents a production company intends to hire. The final report includes a breakdown of expenses incurred in the state by applicants for the visual media production incentive. It includes Maine residents employed on the production, and expenditures for lodging, restaurants, transportation, gasoline, retail sales, food (other than restaurants), recreation, equipment rental and other expenses.

MFO Has Lacked Clarity About the Confidentiality of Data it Holds

The MFO met with the Attorney General's Office earlier this year and it was explained that the information submitted through the Visual Media Production application process must adhere to the laws of the State of Maine regarding confidentiality. For information to be considered confidential, the information must be protected by statute or fall under the privilege for trade secrets.

Maine Statute does not currently cover information submitted to the MFO, with the exception of confidential taxpayer information protected under Maine State Tax Law. Other information submitted to the MFO is subject to Freedom of Access Act (FOAA) requests.

The MFO receives a report of the total amount of wages for which the visual media production company is applying but does not have access to detailed wage information. Detailed wage information is submitted directly to MRS which ensures that taxpayer confidentiality is not compromised. This information includes:

- Salary and wage information submitted to MRS to calculate the incentive reimbursement.
- Specific number of companies applying for reimbursement.
- Individual grants and reimbursements paid to visual media production companies.
- Personally identifiable information such as Social Security Number.
- Disposition of the reimbursement information such as, whether a specific reimbursement claim was approved or denied. This information may only be provided to the incentive applicant.

Current Annual Reporting Does Not Provide Adequate Information for Program Performance to Be Accurately Understood

Each year, the MFO is required to submit a report to the joint standing committee of the Legislature having jurisdiction over taxation matters regarding the certification and reporting process and the visual media production tax credit and reimbursement activities pursuant to Title 36, section 5219Y and Title 36, chapter 919A.

The MFO clearly presented the information required by statute in the 2023 report including:

- A description of any rule-making activity related to the implementation of the credit and reimbursement activities
- Outreach efforts to visual media production companies
- The number of applications for the visual media production credit and tax reimbursement
- The number of credits and reimbursements granted
- The revenue loss associated with the credit and reimbursement and;
- The amount of visual media production expenses generated in the State as a result of the credit and reimbursement.

It is important to point out that MFO activity is not solely focused on the visual media incentive program. We assist all productions, including those that do not apply for the incentive. Therefore, additional information related to non-incentive activities was added to the end of the report to provide a more comprehensive review of work administered by the MFO. We will continue to clearly delineate between incentive and non-incentive activity in future reporting.

As mentioned previously, the MFO does not have access to detailed wage and tax information Therefore, MRS provides most of the information required for the annual report under Title 5 §13090-L, paragraph 7. This includes the total number of claims for which they received applications, a total dollar figure for what was paid out (Revenue Loss) and the number of claims denied.

Non-wage expenses are reviewed by the MFO and qualifying expenses are submitted to MRS for processing along with the visual media production certificate and any other information they need to process the credit.

MFO Has Not Ensured that Eligibility Criteria are Clear, Transparent, and Consistently Applied; Responsibility for Two Key Program Controls is Not Clear

Rulemaking for the visual media incentives program will ensure that eligibility criteria are clear, transparent, and consistently applied. Rulemaking will address issues brought forth by OPEGA including: On-screen credits, clarifying production types, defining production timing requirements, and clarifying responsibilities between MFO and MRS.

The OPEGA report indicates that additional clarity is needed to determine which aspects of eligibility fall within the responsibility of the MFO versus responsibilities that fall within MRS. In short, the responsibilities for each office include:

Maine Film Office Responsibilities
The MFO has the responsibility for ensuring the visual media production company has demonstrated to the satisfaction of the Commissioner of DECD that it meets or will meet the requirements of 5 MRSA 13090-L(3) in order to obtain a visual media production certificate. Obtaining a certificate from the MFO is the first step in qualifying for either the visual media production wage reimbursement or the visual media production tax credit. Non-wage production expenses are reviewed by MFO. Qualifying expenses are sent to MRS for processing of the tax credit.

For the wage portion of the incentive, the MFO verifies that the aggregate wages are included in the production report and submits this to MRS. MRS reviews the detailed wage information submitted on Form 841ME and processes the rebate.

Maine Revenue Service Responsibilities
MRS, pursuant to Title 36, has the responsibility for administering both the wage reimbursement and tax credit. The state tax assessor has the authority to enforce the tax laws enacted under Title 36.

Travel Activities of MFO Do Not Correspond to Incentive Use

The OPEGA report indicated that MFO travel activities did not correspond to incentive use. While it is important for the MFO to travel to meet with production companies and promote the incentive, it is also critical for the MFO to participate in professional development and film industry networking events. Understanding industry trends and having a forum to discuss issues with industry peers is crucial to the success of the MFO. We will continue to track all travel and note the primary purpose of each trip.

Maine's VM Incentives Warrant Additional Internal Oversight

Within the last year, the MFO has made substantial progress on addressing the findings from the OPEGA Visual Media Incentives Report.

- The PICA was completed by Olsberg SPI, a 3rd-party consultant providing an analysis of the state's production capabilities and opportunities, including recommendations for updating the incentive program.
- The Maine Film Commission was reinstated and has held meetings throughout the year to advise the MFO on film industry issues in the state.
- The MFO hosted public input sessions with stakeholders from Maine's film industry to gather input on the incentive program. This was followed by an online survey to gather additional information.
- The MFO developed and launched an online visual media production registration process, providing better record keeping and collection of information about productions, replacing the old paper system.
- The MFO has become more diligent in collecting production data required for the Visual Media Production Certificate.
- The Director has met with industry stakeholders, industry experts (including representatives from two of the country's leading companies with expertise in incentive programs), film offices in other states and other state agencies, to evaluate incentive options.
- Questions have been added to the Maine Office of Tourism's annual visitor survey to begin gathering data to determine if a television show or film inspired the visitor to take a trip to Maine; and if they visited the location of television show, film or attraction related to a television show or film while in Maine.

We hope that this report demonstrates the MFO's commitment to addressing the issues presented in the OPEGA report. The MFO welcomes additional feedback and will continue finding ways to support and grow the state's film industry.