

FILM POLICY

Policy Considerations for the Alberta Chambers of Commerce

Issue

Southern Alberta is a burgeoning destination for filming, however, despite recent changes, the tax credit system to encourage production is not optimally structured.

Background

Beginning in 2017, the Alberta government had a granting program in place to incentivise film production across the province. Early in 2020, that program was replaced with a \$97 million tax credit program known as the Film and Television Tax Credit (FTTC), targeted at medium to large size productions. This allows for a 22% or 30% tax credit up to \$10 million per production. The complete amount designated by the government of Alberta is to be distributed to different projects over the course of three years.

In general, the case for encouraging film production in our region is a straightforward one. As seen in jurisdictions like Ontario and British Columbia, government investment in the film and television industry consistently results in returns on that investment. In fact, a 2018 study of the film industry in Ontario found that municipal and provincial governments received a return of \$1.20 for every \$1 spent on a tax credit. That same study found that there is a consistent positive correlation between the development or enhancement of a tax credit and the volume of production in that jurisdiction.

We can see evidence of the economic benefits of film production in our own backyard. The television show Heartland is the longest running TV drama in Canadian history, having just been renewed for a 14th season. The measured impact of that show alone is over \$350 million. Other productions, Tin Star and Let Him Go, have spent more than \$45.5 million in direct spend and labour in the 6 Albertan municipalities they've filmed. Furthermore, when Ghostbusters was filming, it was the cause of in 14,627 hotel room bookings, resulting in \$4.35 million in accommodation revenue.

Whether looking at our Southern Alberta municipalities, or at our other provincial counterparts, there's no question about positive economic outcomes of film and television production on a region. Currently, industry production volume is highest in Ontario and BC, with Alberta coming in 4th after Quebec, slightly ahead of Manitoba. Comparatively, Alberta had \$256 million invested in TV and film production in the 2018/2019 year – far outpaced by BC at \$3.4 billion and Ontario at \$3.2 billion. Uncoincidentally, these provinces both have much more robust incentivization programs and see much higher economic returns as a result.

Analysis

The eligibility requirements of the tax credit are clearly intended to support local businesses. In order to be eligible to receive the 30% tax credit, a production must:

- Be at least 50% owned by Alberta shareholders
- Have at least 1 Alberta producer
- Spend at least 60% of the total production costs in Alberta or at least 70% of the total production salary or wages on Alberta-based individuals
- All productions applying for the tax credit (at the rate of 22% or 30% must have total production costs of \$499,999 or more)

Additionally, costs eligible for the tax credit mandate that items must be purchased directly from an Alberta business, with salary and wage costs being eligible if they are spent on Alberta based individuals. Alberta already has an exceptionally desirable landscape for film and television production, coupled with a diverse and capable base of labour and other resources. These added incentives will provide a further push for productions to take place in Alberta with the eligibility requirements ensuring that local business reap the rewards of local production.

The challenge that the three-year program delivery and program spending cap presents is a limitation on when and how many productions can take place. Streaming companies had been looking to increase the amount of original film and television content they were releasing before the stay at home order, and that increase has since skyrocketed with the rise in consumption resulting. Limiting the amount of available tax credits will not encourage productions to wait until the following year when they may be eligible – it will drive them to take their production elsewhere.

The economy of Alberta has been struggling for years, facing economic recession, blockages in getting our resources to tide water, and now a global pandemic. Delaying and limiting any potential injection of investment – especially one that diversifies revenue and employment sources – into our provincial economy would be a mistake.

Recommendation

The Okotoks & District Chamber of Commerce recommends the Alberta Government:

1. Immediately make available the complete \$97 million currently designated to be utilized over the next three years.
2. Increase the available tax credit to meet production requests so productions aren't turned away

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