



Make the most of your production dollars by spending them in North Carolina. Our new incentives are a great companion to our existing benefits: a wide-range of locations, experienced crew base, world-class infrastructure....

The Bottom Line:

Production companies that spend at least \$250,000 in North Carolina with respect to a motion picture or television production are eligible to receive tax credits equal to 15% of in-state spending for goods, services, and labor.

- Eligible film productions include theatrical, television, and direct-to-video/DVD features, episodic television series, television mini-series, animation productions, and commercials – except for news, sporting event coverage, and political advertising. For purposes of this tax credit, an episodic TV series is considered **one** production.
- The maximum tax credit on a feature film production is \$7.5 million.
- Spending for goods purchased or leased from a North Carolina business is eligible for the tax credit. This includes fuel, food, airline tickets, and other goods if purchased in North Carolina. On goods with a purchased price of \$25,000 or more, the amount includes as a qualifying expense is the purchased price less the fair market value of the goods at the time the production is completed.
- Spending for services is eligible for the tax credit regardless of whether paid to residents or non-residents, as long as the services are performed in North Carolina.
- Compensation and wages paid to employees for services performed in North Carolina on which withholding payments are remitted by the production company are eligible for the tax credit regardless of whether paid to residents or non-residents. Amounts paid to an individual who receives compensation in excess of \$1,000,000 are excluded and are not eligible. Payments for per diem, living allowances, and fringe benefits are eligible to the extent they are included in the recipient's taxable wages subject to withholding.
- Production companies may claim credit on an application for credit for the taxable year in which the production activities are completed. The application **must** state the name and description of the production and a detailed accounting of the qualifying expenses. The application shall be filed at the same time that the production company files its NC income tax return. The application for credit and the tax return will be processed separately, so any tax due on the return must be paid separately to avoid penalties and interest.
- Qualifying expenses claimed as a tax credit under the legislation cannot also be claimed as a deduction under the state's tax code, and taxable income must be adjusted to conform.
- The film incentives law (S622, Budget Bill) was enacted August 13, 2005. The law is effective for taxable years beginning on or after January 1, 2005 and applies to qualifying expenses incurred on or after July 1, 2005. It will be effective through December 31, 2009. A copy of the legislative language may be downloaded from the North Carolina Film Office Web site:
http://www.ncfilm.com/film_incentives_benefits.asp
- The existing 1% Sales and Use Tax at point-of-purchase for all film-related purchases and rentals remains in effect, adding to the savings of filming in North Carolina.

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