TESTIMONY OF
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Before the Joint Standing Committee on Taxation
Hearing Date: *May 13, 2025*

LD 1957 – "*An Act to Promote Film Production in Maine*"

Senator Grohoski, Representative Cloutier, and members of the Taxation Committee – good afternoon, my name is Michael Allen, Associate Commissioner for Tax Policy in the Department of Administrative and Financial Services. I am testifying at the request of the Administration Neither For Nor Against LD 1957, "*An Act to Promote Film Production in Maine.*"

This testimony is limited to the bill as it affects taxation and Maine Revenue Services. For tax years beginning on or after January 1, 2025, the bill proposes to repeal the certified visual media production tax credit under 36 M.R.S. § 5219-Y and expand the certified visual media production reimbursement program under 36 M.R.S., chapter 919-A.

The Maine Film Office recently evaluated existing visual media production incentives in the State pursuant to Resolves 2023, c. 149, and released a report on December 30, 2024. The report is available at: https://legislature.maine.gov/doc/11434.

The Administration has been supportive of film incentives; however, Option 2 in the Film Office's Report may be a preferable approach to the one taken by this bill. In addition, if the Committee does choose to move forward with this bill, the technical issues outlined at the end of this testimony should be addressed.

This bill makes the following changes to the visual media production reimbursement program:

1) Requires a visual media production company to expend at least $75,000 in visual media production expenses to qualify for the program.

2) Expands visual media production expense to include:

    - individuals employed in the production whose wages do not exceed $75,000 (up from $50,000) per individual;
    - payments made to a loan-out company and other contractual payments for services to the extent those payments do not exceed $75,000 (up from $50,000); and
    - airfare booked through a travel agent in the State; catering; local payroll company fees; and fees collected by a temporary employee leasing company.

3) Extends the time by which the certified visual media production report must be filed from 4 weeks to 8 weeks after the completion of the postproduction period.

4) Increases certified production wages eligible for the visual media production reimbursement to include the first $75,000 (up from $50,000) of wages, including payments made to a loan-out company or a personal services corporation.

5) Increases the visual media production reimbursement to 25% (up from 12%) of certified media production wages paid to an individual that is a resident; 20% (up from 10%) of certified media production wages paid to an

individual who is not a resident; and 25% of nonwage visual media production expenses (new).

The total reimbursement is increased by 3% if at least 60% of the principal photography is filmed in Aroostook County, Franklin County, Kennebec County, Oxford County, Penobscot County, Somerset County, or Washington County.

6) Establishes the following reimbursement caps with respect to each visual media production:

   - $500,000 in tax years 2025 and 2026;
   - $750,000 in tax year 2027; and
   - $1,000,000 for tax years beginning on or after January 1, 2028.

7) Establishes the following annual reimbursement caps with respect to each visual media production company:

   - $1,000,000 in the first tax year;
   - $1,500,000 for the next 3 taxable years; and
   - $2,000,000 thereafter.

8) Limits the annual reimbursement to $25,000 for any local in-state visual media production company that produces 5 or more certified visual media productions a year, each of which is no more than 10 minutes in length.

9) Imposes withholding and auditing requirements.

The Administration also notes the following technical concerns:

- The phrase “certified production wages, as defined in Title 36, section 6901, subsection 2” added to the last sentence of paragraph F in

Section 5 of the bill conflicts with the second sentence of that paragraph that include wages and salaries as a "visual media production expense." and should be removed.

- There is no enforcement provision related to the agreement to withhold as required in Section 10 of the bill. It is suggested that any withholding provision be included in 36 M.R.S., chapter 827 (Withholding of Tax) as a legal requirement.
- Section 15 of the bill repeals the confidentiality exception related to the administration of the visual media production income tax credit. This exception should be retained until the statute of limitations has expired for tax years beginning prior to 2025.
- The limitations in proposed 36 M.R.S. § 6902(4) should be amended so as to apply on a calendar year basis.
- The limitation in proposed 36 M.R.S. § 6902(4)(C) should be amended to clarify how the limits are to be applied to reimbursements claimed in nonconsecutive tax years.
- The application date in Section 22 of the bill as it relates to amendments to 36 M.R.S. § 6902 is unclear. The bill should be amended to define the calendar years in which the updated benefits would apply. For example, to productions completed on or after a specified date.
- It is recommended that the bill be amended to clarify eligibility for the visual media benefits for productions in progress that have already been certified by DECD.
- The Administration notes the benefits under this program are paid from General Fund undedicated revenue within the withholding tax category (through the visual media production reimbursement

account) instead of through an appropriation. Determining the legal significance of this method of funding under the proposed expanded program would require additional research.

The preliminary estimated fiscal impact is an annual revenue loss of approximately $1.3 million beginning in Fiscal Year 2027.

The preliminary estimated administrative costs are under review. One time computer programming and related systems testing costs are required to eliminate the certified visual media production tax credit and add four additional lines to the certified visual media production wage reimbursement form.

The Administration looks forward to working with the Committee on the bill; representatives from MRS will be here for the Work Session to provide additional information and respond in detail to the Committee's questions.