

## Section 181 US Tax Code: 100% Tax Deduction For Motion Picture Production

**Problem:** Runaway Film Production – when a film intended for release in the US is filmed in another country

**Example:** Filmmakers frustrated with the high cost of labor and taxes in the Hollywood started to go to Canada and other countries where it was cheaper to make films

**Solution:** Section 181, which uses incentives to bring filmmaking back to the US

### **Section 181...**

- Was enacted as a part of the American Jobs Creation Act of 2004
- Has been renewed until 2014 under the American Taxpayer Relief Act of 2012
- Offers tax incentives for investors in independent film & TV productions in the US
- Is a good alternative investment for individuals or businesses
- Has an absolute return of 50%-100% on capital before revenues
- Can generate substantial federal and state tax incentives, credits, and cash rebates
- Has long-term multiple exit strategies and liquidity options

### **To Qualify For Section 181:**

- Must be a feature film, a short film, a television show or a music video
- At least 75% of it must be shot in the United States
- Budget cannot be over 20 million dollars

### **With An Investment In A Qualifying Film:**

- Tax rebates and incentives minimize investor's risk
- 100% of the investment is deductible in the same year
- The investment can be deducted from active income or passive income
- Tax rebates and incentives are available before the film is released or makes money
- Additional rebates and transferrable tax credits are available on the state level
- Section 181 and state tax rebates together can reduce an investor's risk by 50%-100%
- With presales, an investor could recoup 100% of his investment before the film's release
- Investor will also receive revenues from the film's distribution sales and licenses

### **Example:**

An investor in the 35% tax bracket decides to invest 1,000,000 in a film

This earns him a \$350,000 tax break from the federal government

The film spends the investment shooting in a state with a 35% tax rebate

The film receives a \$350,000 rebate from the state, which goes to the investor

The investor is now getting \$700,000 in federal and state tax deductions combined

The investor's actual risk is less than 30 cents on the dollar

