



COMMONWEALTH of VIRGINIA

Department of Taxation

October 29, 2015

The Honorable Walter A. Stosch
Co-Chairman, Senate Finance Committee
4551 Cox Road, Suite 110
Glen Allen, Virginia 23060

The Honorable Charles J. Colgan
Co-Chairman, Senate Finance Committee
10660 Aviation Lane
Manassas, Virginia 20110

The Honorable S. Chris Jones
Chairman, House Appropriations Committee
P.O. Box 5059
Suffolk, Virginia 23435

The Honorable R. Lee Ware
Chairman, House Finance Committee
P.O. Box 689
Powhatan, Virginia 23139

Dear Chairmen:

Virginia Code § 58.1-439.12:03 requires the Department of Taxation (“the Department”), in consultation with the Virginia Film Office, to publish an annual report by November 1 of each year regarding Motion Picture Production Tax Credits that were claimed during the preceding calendar year. Such report must include information regarding the location of sites used in a production for which a credit was claimed; qualifying expenses for which a credit was claimed, classified by whether the expenses were for goods, services, or compensation paid by the production company; the number of people employed in the Commonwealth with respect to credits claimed; and the total cost to the General Fund.

Application of Confidentiality Requirements to this Report

In order to protect the confidentiality of taxpayer information, the Department generally does not publish statistics if fewer than four taxpayers claimed a particular preference during a specific time period. For this reason, the Department was unable to provide the required information in its annual report on Motion Picture Production Tax Credits claimed during Calendar Year 2012. During the 2014 General Assembly Session, House Bill 460 (Chapter 730, 2014 *Acts of Assembly*) amended *Va. Code* § 58.1-439.12:03 to require the Department to

publish the specified information, regardless of whether the information is classified to prevent the identification of particular taxpayers, reports, returns, or items for purposes of this report. For this reason, the Department, beginning with the 2014 report, is now able to provide the specified information in this report, regardless of the number of taxpayers that claimed the Motion Picture Production Tax Credit.

Information Regarding Credits Claimed During Calendar Year 2014

During Calendar Year 2014, taxpayers claimed a total of \$3,893,628 in Motion Picture Production Tax Credits. The Motion Picture Production Tax Credit can be claimed for qualifying expenses, which include goods and services leased or purchased and compensation and wages. Based upon data from the Virginia Film Office, the motion picture production companies that claimed credits during Calendar Year 2014 incurred a total of \$16,707,604 in qualifying expenses. These qualifying expenses included \$12,123,759 worth of compensation paid by motion picture production companies, \$1,050,561 in goods purchased or leased by motion picture production companies, and \$3,533,283 in services obtained by motion picture production companies. The below chart shows a breakdown of tax credits claimed during Calendar Year 2014 by the type of expenses and amount of such expenses.

Expenses Related to Credits Claimed During Calendar Year 2014				
Total Credits Claimed	Total Qualifying Expenses	Total Compensation	Total Goods	Total Services
\$3,893,628	\$16,707,604	\$12,123,759	\$1,050,561	\$3,533,283

Motion picture production companies reported to the Virginia Film Office that they employed 2,280 Virginia residents with respect to Motion Picture Production Tax Credits claimed during Calendar Year 2014. Companies that claimed the Motion Picture Production Tax Credit during Calendar Year 2014 filmed in the cities of Hampton, Lexington, Newport News, Norfolk, Richmond, Petersburg, Portsmouth and Virginia Beach, the counties of Charles City, Chesterfield, Goochland, Hanover, and Powhatan.

Please contact me if you have any questions.

Sincerely,



Craig M. Burns
Tax Commissioner

CMB/cwm

c: The Honorable Richard D. Brown, Secretary of Finance
Mr. Andy Edmunds, Virginia Film Office