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Senator Cynthia Stone Creem
Chair, Joint Committee on Revenue
Massachusetts Senate
Room 416B
State House
Boston, MA 02133

Representative John J. Binienda
Chair, Joint Committee on Revenue
Massachusetts House of Representatives
Room 34
State House
Boston, MA 02113

RE: House Bill No. 4444

Dear Chairwoman Creem and Chairman Binienda:

This letter is written in support of House Bill No. 4444, an act to grant income tax credits to provide incentives in film related businesses in Massachusetts including the development of a studio complex.

Over a 28-year financial career, I have served as a trusted business advisor specializing in taxation. I spent 25 years with Ernst & Young, the last 13 years as a senior partner where I led the firm's New England financial services tax practice and was a member of the firm's Banking and Capital Markets Steering Committee.

Since 2004, I have invested my time, energy and expertise helping to support the film industry, leveraging my tax and finance skills and working with the state and the film community to help make Massachusetts a more competitive state to do business in.

Before offering my testimony, I'd like to congratulate the Legislature and the Governor's administration for passing the original film industry tax incentive packages in November, 2005 and July 2007 that have dramatically expanded filming in the Commonwealth in 2006 and 2007 with 2008 looking to be our best year to date.

This existing legislation is a great first step. It has been successful at boosting area film making and creating new jobs for our economy that generate tax revenue from visiting production crews, actors and producers who must pay a non resident income tax on their salary earned while working in Massachusetts. However many of these jobs are temporary and go away once the filming is completed. It is necessary to create tax incentives that facilitate permanent investment by private investors in the region. I am particularly interested in seeing this legislation pass because it allows my firm to invest in the commercial production industry and attract more talent, directors and crew resulting in more work from out of state advertising agencies that currently do most of their shooting in NYC or LA. In addition, I have invested significant capital in creating a film tax credit fund that monetizes tax credits that cannot be utilized by production companies. The legislation will provide the necessary tax incentives to spur the development of film related businesses and a studio complex in the Commonwealth. This will allow production companies to save significant dollars such as travel costs and create

operational efficiencies by providing the facilities, infrastructure and personnel they require to complete production here.

This legislation would create thousands of high-paying jobs on films and other projects shot at these facilities. In addition, both pre- and post-production work, which is currently done outside of the state, could be completed in the Commonwealth. Pre-production costs can range from 10-to-15 percent of the film's budget while post production accounts for between 20 and 30 percent of the budget of a major motion picture.

This bill also will encourage more out-of-state directors, writers, producers and executives in the industry to permanently move to the Commonwealth, making Massachusetts a Hub for the film and entertainment industry similar to what exists in LA today.

We have the potential to make the existing film and entertainment industry a multi-billion dollar industry for our state with the development of a major, state-of-the-art studio. In addition to job creation, it will allow us to further utilize our colleges and universities that currently have outstanding film programs through both internships and direct hires from these programs.

The proposed 20 percent tax credit is competitive with rates offered by other states but is in no way excessive. Currently seven states either have existing laws for infrastructure tax credits or are in the process of enacting these laws. These credits range from 15 to 40 percent.

Some may question, given the recent success we have had in attracting films, whether a permanent production studio is necessary for the long-term success of the industry in Massachusetts. If we're serious about creating new jobs that are permanent and make Massachusetts a major film and entertainment production Hub, we need a studio for:

- **Breadth of production:** A permanent production facility is necessary in order to expand to producing television series and commercials.
- **Advanced production:** High-end motion pictures require a state-of-the-art studio with advanced technologies on location in order to facilitate production.
- **Depth of resources:** In order to continuously attract top productions, there is a need to develop a permanent trained workforce that can service these projects.

In conclusion, I support House Bill No. 4444, a measured yet meaningful incentive to bring permanent production facilities to Massachusetts. The bill will have a major positive economic impact and promises to fuel the growth of all facets of film production – from major motion picture films to commercials, videos, TV series and digital production.

Testimony of William A. Earon re: House Bill No. 4444
March 12, 2008

Page 3

The original legislation helped put us on the map as a state that provides significant tax incentives for production. This legislation would create permanent jobs and significantly increase our existing film and entertainment industry.

I appreciate the opportunity to provide my comments on this very important legislation.

Very truly yours,



William A. Earon
Managing Director



The Commonwealth of Massachusetts

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March 12, 2008

Hon. John Binienda, Chairman
Committee on Revenue
State House, Room 34
Boston, Ma. 02133

Chairman Binienda, Chairwoman Creem and Committee members,

I am writing to urge the committee to report favorably House Bill 4444, An Act Relative to Film Industry Tax Credits. This legislation would provide a 20% infrastructure tax credit to encourage the creation of a film industry within the Commonwealth. Passage of this legislation would be a tremendous step forward in making Massachusetts the "Hollywood East" in the world of film and television entertainment.

It is no secret that the entertainment industry is a very lucrative attraction and this is made quite obvious by the passage of tax credits of 15 to 40% in several other states in recent years, with legislation pending in several others. Massachusetts has been very successful in recent years through the passage of previous tax incentives in securing the filming of numerous motion pictures, but we must remain aggressive in this increasingly competitive industry. This legislation achieves that goal.

I would also like to state that the construction of a film studio and related post production businesses would vault the Commonwealth to the forefront in desirability of locations for the movie and television industries for years to come.

Sincerely,

Thomas M. Petrolati
Speaker Pro Tempore

GIVE THE STATE A CHANCE

(4 to 6 Minutes)

3 to 4 page range, Max.

Film Tax Incentive:

A.) Background

B.) Problem that exists

Losing business to States with Tax Incentives

C.) Solution

D.) Benefits of the Solution

Local

State Wide

Larger Level (National Scope)

NOTES:

*ECONOMIC DEVELOPMENT

Economic Opportunity

Smart Government

Leveling the Playing Field

Tourism

Providing ourselves the ability to compete.

Making a City and Region aesthetically pleasing is the hard part

The easy part is formulating a plan to make it financially palatable for everyone.

Not just actors and the such....it is vendors, production crews,

??? Years of weathered landscape, culture, history cannot be governed into law by this body, we already have those resources...what this body can do today is give us a fighting chance to maximize those resources to its fullest potential. 4 seasons. Harbors, Beaches, Hills, Mountainsides. (Mother Nature has provided us with that.) We must now do what we can do to maximize the opportunities and reap the benefits of a multi-billion dollar industry.

STAY AWAY:

Glam, Page 8 shit, Cool Idea, Bringing stars to the commonwealth, red carpet..

STAY WITH:

Maximize opportunity,

Thank You Mr. President and through you to the members.

Since being sworn in on January 5th of this year, I have had the privilege to act on legislation that positively affects the lives of people not only in the Bristol & Norfolk district, but people in every community throughout the Commonwealth.

I am humbled by the opportunity that the voters of the 10 communities that I represent have granted me. I have stated time and time again that I will lead when necessary and represent when called upon.

It is my goal to become an advocate in the Senate for a more inclusive, and more efficient Government. I also believe strongly in **smart Government**. I am pleased, Mr. President, that under your leadership, the Commonwealth is realizing these objectives.

Mr. President, Within minutes of taking my oath of office this year, I listened intently to the words that you delivered to this body. In that speech in which you also called for a Smart Government approach: you spoke about the need for this body to be ever mindful of the working men and women throughout the Commonwealth.

You implored this membership to:

Quote

Continue to look for every possible way to keep good jobs in Massachusetts and encourage the private sector to create new ones...

I believe this bill is a step in that direction.

The Film and Television production industry is a multi-billion dollar entity that is currently not a part of the Massachusetts economy.

We have been losing significant revenues to states like Pennsylvania, New York, Louisiana and Rhode Island (Which abuts my district).

As of right now, over 30 states have enacted legislation to offer incentives to encourage local film and t.v. production.

I believe we must act, and act swiftly to level the playing field and "Give Massachusetts a Chance"

If this legislation is enacted, it is widely believed that Massachusetts will quickly become one of the top destinations for the film industry.

I know my colleagues in the legislature see first hand the natural beauty of our region. As this diverse body made our way to the State House this morning. We travelled through rolling hills and sharp peaks, some were cooled by a Sea breeze on a coastal road, others navigated through historic districts, town centers, and urban areas.

All of this natural beauty makes Massachusetts a destination that sells itself. I submit to my colleagues that Mother Nature has done the tough part. It is up to us to now do the rest of the work.

This bill would in fact "level the playing field"

This legislation would grant incentives through payroll tax credits, state sales and use tax exemptions and production tax credits.

The State would not lose revenue due to the simple fact that, right now, production companies are not coming to the state.

Since 1998 only two movies have been principally filmed in the Commonwealth. We find ourselves not even on the "movie making map."

Producers of the film "The Departed" have recently wrapped up local production in Massachusetts in which they spent an average of \$375,000 per day. Though they have wrapped up the Massachusetts shooting, the film is not yet complete, the entire production is now relocating to the state of New York where they will double the amount of spending. The difference: The generous rebate program that New York offers the industry.

Another fact that we must not overlook is the benefit of increased Tourism revenue based on Massachusetts based productions.

Corporations pay millions for product placement in films. They understand the value of mass media and its effect on marketing. This body can achieve that same advertising effect for Massachusetts, not by shelling out millions of dollars, but simply by voting yes on this bill.

I have recently been informed that an HBO production depicting the life of Massachusetts native John Adams will be filmed in Virginia. Imagine the reaction of President Adams if he were around to hear that they will film a miniseries of his life in the Southern state of Virginia.

Most importantly, Mr. President, I believe this is to be a "jobs bill"

The production companies that come here to shoot, utilize local labor and skilled tradespeople. Drivers, electricians, laborers, vendors, riggers, lighting and camera operators, carpenters, and painters are just a few examples of people that would be put to work by Hollywood production companies.

As we look toward our future, I believe we must be open minded to new opportunities of economic development. Although we are not on the cutting edge of this industry, we now have a chance to compete.

I feel strongly that this is not only a gesture to the film industry, but more importantly a gesture to the residents of Massachusetts that we are not obstructionists in this building, we do listen, we will act, and we do strive to make this a better state.

That, Mr. President, is what I believe to be Smart Government.

Thank You and I hope this is adopted!

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Thank You very much and I hope this is adopted!