



Global Soft Money Guide - US Incentives - Quite a few dollars more

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The US is the new Bulgaria. Or at least that is what US film commissioners and consultants like to say when they pitch their territory to cost-conscious producers.

The line appears to be working on US producers, who are choosing to shoot in the US after years of favouring alternative production centres such as Canada, the UK, Germany and, among other Eastern European hotspots, Bulgaria. Now US commissioners are aiming at producers from the rest of the world, who in the past have often viewed the US as a difficult and expensive location.

Incentive programmes alone have gone some of the way towards making the US as attractive as Bulgaria and its rivals. The 40 or so US states that now offer incentives to film and TV producers include Louisiana and New Mexico, whose well-tested programmes are among the most used in the country; Michigan, which recently introduced an enticing 40% tax rebate; New York, which just hiked its tax credit to 30%; Connecticut (offering a 30% tax credit); Massachusetts (25%); Rhode Island (25%); and South Carolina (20% on wages and 30% on goods and services).

There is also a national tax incentive, Section 181, that is technically open to non-US producers but has so far proved tricky to use even for domestic film-makers.

While all the US incentives are tax-related, the process of accessing them should be no more difficult for international producers than for their domestic counterparts, say financial experts. And though many of the incentives have local spend or local hiring requirements (as well as varying caps on salaries and per-production awards), none involve the kind of 'cultural test' encountered with some European incentives.

As good as Canada

On top of the incentives, international producers shooting in the US can also benefit from the weakness of the US dollar. Exchange rates have made the UK pound stronger against the dollar than it has been for decades and have recently increased the US buying power of the euro by around 20%.

The combined effect of the incentives and exchange rates, suggests Michael Roban, CEO of Los Angeles-based film finance company Cold Fusion Media Group, is that as a production centre the US is "starting to look a whole lot like Canada did 10 years ago".

Producers around the world are certainly showing an interest in the new conditions. Since Michigan's new incentive was introduced in March, its film office director Janet Lockwood says it has attracted a couple of (as yet un-named) projects from Canada and has "had multiple approaches from England and Germany".

And during the Cannes festival, shooting in the US is likely to be a hot topic as US consultants, tax credit brokers and film commissions cast around for international business at the world's biggest international industry gathering.

Just how soon that business becomes really significant, however, remains to be seen. At present, non-US producers appear to see incentives and exchange rate benefits as a bonus rather than as a prime motivation for shooting in the US. Producer Marcos Kantis, for one, says incentives were not a factor in the production plan for *Shortcut To Hollywood*, a German road movie from Schiwago Film that shot in various locations across the US last spring. The shift in the dollar-euro exchange rate was an unexpected benefit, Kantis adds. "Suddenly we could spend more money than we ever planned," he says. "It gave us the opportunity to use helicopter shots and things like that which really upgrade your production value."

Prashant Shah, whose New Jersey-based Bollywood Hollywood Production offers producer services for the US shoots of Indian movies such as Karan Johar's *Dostana*, suggests Bollywood is making increasing use of US locations for cultural as much as economic reasons. A large proportion of the Indian workforce now works for US companies, Shah points out, giving the population a special interest in US-set stories.

Weighing up the pros and cons




UK producer Chris Coen, CEO of the UK-based Halcyon Pictures, says he originally suggested shooting the US version of *Funny Games* in Canada. The availability of US incentives made it financially feasible for German writer-director Michael Haneke to shoot where the remake story was set, in New York State (with studio work in New York City). But filming in the US also caused some headaches, Coen adds.

"The crew was fantastic," he says, "and the infrastructure in New York, especially New York City, is great. My big axe to grind was the unions - they cost us so much money. We always planned to have a very small crew, 50 or 60 people who knew exactly what they were doing. And we ended up with 120, and quite honestly 20 of those people didn't need to be there."

Union practices are not the only thing non-US producers weigh against the incentive and exchange rate benefits of shooting in the US. There is also, of course, the cost of bringing in talent and crew and the higher pay rates commanded by some US below-the-line workers.

There is the fact that, unlike many upfront European incentives, tax-related US incentives only come through after a project has completed its local shoot and, usually, filed a local

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tax return. A few US brokers and financing companies claim to be able to provide upfront financing in return for tax credits, but the practice has not yet become widespread. And, at press time, the threat of a summer US actors strike remains, which could close down even projects using talent belonging to non-US unions.

Debbie Elbin, a New York-based production consultant who earlier this year launched her company PS:USA to help international producers access US incentives, says that because of the strike threat she is telling prospective clients "to do as much as they need to do to get started but don't come and shoot just yet".

In principal, she says, international film-makers see the opportunity that is opening up in the US, but before they fully grasp it companies such as PS:USA will have to help producers, unions and state film commissions work together.

If just a few international productions can come to the US and get the most out of incentives and the exchange rate then others will follow, **Elbin** believes. "One or two have to do it and then the floodgates will open," she says. "I'm convinced of that."

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