

**Kansas Department of Commerce
Testimony on HB 2182, Film Tax Credit
Rachel Willis, Director of Legislative Affairs
at the Kansas Department of Commerce
House Taxation
February 13, 2023, 3:30 p.m.
Room 346 S**

The Kansas Department of Commerce supports HB 2182, the Kansas Film and Digital Media Production Development Act, and requests the House Commerce Committee pass the bill favorably.

The Kansas Creative Arts Industries Commission (KCAIC), a division of Commerce, is dedicated to promoting, supporting and expanding Kansas' creative industries through enhanced community and economic development initiatives. The film and media production industry is rapidly expanding and there is huge opportunity for Kansas to capitalize on this growing industry if we can offer the right tools.

The Kansas Film and Digital Media Production Development Act will generate investment in Kansas by:

- incentivizing film, video and digital media productions
- facilitating the development and growth of a film and media production industry
- facilitating and incentivizing associated businesses

With the goal of becoming a national and regional leader in film and media production, this investment package gives Kansas a seat at the table for an industry at the forefront of innovation and job growth. The bill is designed to offer a 360° approach to invigorate film and media production in the state. This includes funding for education and workforce development, access points for local businesses and competitive opportunities for the multimillion-dollar projects currently being filmed elsewhere. This strategic and thorough approach will have immediate economic impacts as well as deepen the opportunities for students and young professionals to invest their time and talents in Kansas.

Highlights of this economic development tool include:

- A 30% base credit on qualified expenses for qualified productions including personnel, set construction, props and scenery, wardrobe, scripts, musical scores, design work, post-production services like editing and sound mixing, food and lodging, rentals, and transportation costs.

- To increase the competitiveness of the program, qualified projects may be eligible to earn additional incremental funding, such as for high impact projects, companies returning to Kansas, and having more than half the project personnel composed of Kansans – not to exceed a cap of 40% total.
- High-impact projects invest in sets and equipment which then become resources for the Kansas arts industry at large and contribute to shared assets across the state.
- The legislation provides grants or loans for direct business investment and workforce training.
- Local companies and projects who may not qualify for direct funding would benefit from the professional development and infrastructure investments under the act and can also benefit from an income tax credit and sales tax exemption.
- Grants available for educational programs, which will further support the development and expansion of the industry across the state – particularly in smaller schools and community colleges.
- The legislation provides grants for Kansas businesses to create original film or digital media works to encourage innovation in this area.

This tool is designed to maximize competitiveness compared to other states. The support for workforce development and educational opportunities makes this tool unique because it invests in the entire film ecosystem and creates opportunities to grow the Kansas talent base. Of the neighboring states in our region, the Kansas program is on par with Oklahoma for a required minimum investment of \$50,000. This minimum investment level makes us more competitive than other states that have a higher minimum investment. The \$50,000 investment level keeps the Kansas program accessible for a wide variety of projects. The Kansas package however requires companies to invest more in Kansas with a 25% qualified spend. All other neighboring states require only 20%. This will entice investment while holding partners accountable for a meaningful impact.

Our office hears from industry professionals almost weekly who want to film in and create projects that highlight Kansas. For example, there is a filmmaker from Los Angeles who has written a script based on the salt mines in Hutchinson, produced a community reading last spring and made numerous scouting trips to Kansas. The filmmaker is waiting for this proposal to pass so he can move forward with his production. Currently, budget constraints force projects like this to turn to other states who can provide the resources and tools needed for production. Another example is the HBO series *Somebody, Somewhere*. This series is set in Manhattan but had to film in Illinois because Kansas did not have a film and digital media production program. This resulted in Kansas losing out on millions of dollars of investment from just this single project. The breadth of projects that could benefit from this program includes content for TV, streaming, theaters, independent projects, digital media for video games or app development, virtual and augmented reality projects, and more.

When these projects are made in Kansas, we benefit by not only showcasing the unique physical beauty of our state but also showcasing the immense artistic and technical talent available within Kansas. This proposal makes us competitive and will result in increased economic impact and additional opportunities for current and future Kansans working in the media industry. Thank you for your time and consideration of this important proposal.