STATE OF RHODE ISLAND

Governor Daniel J. McKee

Economic Development Tax Incentives Evaluation Act:

Evaluation of
"Motion Picture Production Tax Credits"
(R.I. Gen. Laws § 44-31.2-5)
Tax Years 2016 through 2018

Office of Revenue Analysis

ORA Completion Date: December 29, 2021
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Foreword

The evaluation of the "Motion Picture Production Tax Credits" program, *Tax Years 2016 through 2018* was prepared at the request of Paul L. Dion, Ph.D., Chief of the Rhode Island Department of Revenue, Office of Revenue Analysis in accordance with Rhode Island General Laws § 44-48.2-4. Madiha Zaffou, Ph.D., Chief Economic and Policy Analyst in the Office of Revenue Analysis was project leader for the production and writing of this report, under the guidance of Mr. Dion. Ms. Zaffou was assisted by Emily Fazio, Senior Economic and Policy Analyst in the Office of Revenue Analysis.

Much of the information needed to complete the analysis contained in this report was provided by the Rhode Island Department of Revenue, Division of Taxation, under the direction of Neena Sinha Savage, Esq., State Tax Administrator. The compilation of the data that was provided to the Office of Revenue Analysis was due to the tremendous efforts of Tracy Wunder, Data Analyst III in the Division of Taxation. Tracy was assisted in this task by Donna Dube, Chief Revenue Agent, Forms, Credits, and Incentives.

The Office of Revenue Analysis is appreciative of the efforts made by the Division of Taxation to provide us with the best information available at the time this report was written. Additional information regarding the statutory and programmatic goals of the Motion Picture Productions Tax Credit was provided by Steven Feinberg, Executive Director of the Rhode Island Film & TV Office. The Office of Revenue Analysis did not independently verify or otherwise assess the data that was provided by either the Division of Taxation or the Rhode Island Film and TV Office.

Executive Summary

This report is the second evaluation of the "Motion Picture Production Tax Credits (MPPTC)" program conducted by the Department of Revenue, Office of Revenue Analysis (ORA) in accordance with Rhode Island General Laws (R.I. Gen. Laws) Chapter 44-48.2.[1] The report provides an estimate of the economic and fiscal impacts of this tax incentive for tax years 2016 through 2018. ORA relied primarily on data provided by the Department of Revenue, Division of Taxation (Taxation) to conduct the analysis. The following is a summary of this evaluation:

<u>The Tax Incentive Provision:</u>

- The MPPTC is a tax credit in an amount of 30% of the state certified production costs incurred directly attributable to motion picture production activity within the state.
- The amount of credit allowed for any single production is generally capped at $7,000,000 and can be carried forward for not more than three succeeding tax years.[2]
- For tax years beginning after December 31, 2007, the aggregate cap on the amount of motion picture production and musical and theatrical production credits that can be issued annually is $15,000,000.[3]
- No MPPTC shall be issued on or after July 1, 2027.
- No employment or wage criteria need to be met by the motion picture production company to qualify for the credit.

<u>The Main Goals and Objectives of the Tax Incentive:</u>

The MPPTC's objectives are to:

- Attract private investment and develop tax infrastructure to encourage private investment using tax credits.
- Encourage increased employment opportunities within this sector and encourage new education curricula in order to provide a labor force trained in all aspects of film production.

[1] The first evaluation of the "Motion Picture Production Tax Credits" program was published on March 16th, 2018 and covered tax years 2013 through 2015.
[2] R.I. Gen. Laws § 44-31.2-5(c) allows the state tax administrator to waive the $7,000,000 motion picture production tax credit cap for any feature-length film or television series provided that the waiver of the $7,000,000 per production limit does not cause the amount of motion picture production tax credits issued to exceed the annual cap on total motion picture and musical and theatrical production tax credits.
[3] Effective for tax years beginning after December 31, 2019, the annual cap on the total amount of motion picture and musical and theatrical production tax credits that can be issued was increased to $20,000,000. For tax year 2021 only, the annual limit on the amount of motion picture and musical and theatrical production tax credits that can be issued is $30,000,000.

The Report's Key Findings:

- According to Taxation, there were 11 motion picture productions produced by ten companies with a total of $16,222,719 of certified production costs and a total of $4,055,679 in motion picture production tax credits for tax years 2016 through 2018.
- Eighty-one percent of the spending by motion picture production companies in tax years 2016 through 2018 was on compensation and 19% was spent on in-state vendors.
- Significant non-compliance with data reporting requirements for MPPTC recipient firms was found, with 80% of production companies receiving a MPPTC failing to submit RI Form 8201A, *Motion Picture Production Company Tax Credits – Annual Employee Report*.
- For tax years 2016 through 2018, the average annual credit was $1,352,131 which is below the annual aggregate cap of $15.0 million in place during this period.
- The Rhode Island Film and TV Office reports an annual cost of $15,000 to administer the MPPTC. In FY 2016 – FY 2018, the Rhode Island Film and TV Office had an average annual budget in excess of $300,000.
- ORA conducted a "break-even" analysis to estimate the minimum percentage of the net economic activity created by the recipients of the motion picture production tax credit that would have to be new to the Rhode Island economy, and thus, would not exist without the tax credit, in order for the tax credit to "pay" for itself.
    - ORA estimated these minimum percentages as follows:
        i. With respect to Rhode Island state government net general revenues, the MPPTC program fails to generate general revenues greater than the amount of the credit issued by the state even if 100% of the economic activity associated with the production companies that received the tax credit would not occur in the absence of the tax credit.
        ii. With respect to economy-wide Rhode Island total employment, the MPPTC program fails to generate more employment than would be generated if the State allocated the amount of credit issued to its general revenue expenditures even if 100% of the economic activity associated with the production companies that received the tax credit would not occur in the absence of the credit.
        iii. With respect to Rhode Island Gross Domestic Product (GDP), the MPPTC program generates at least as much state GDP as would be generated if the State allocated the amount of credit issued to its general revenue expenditures if at least 41.2% of the economic activity associated with the production companies that received the tax credit would not occur in the absence of the credit.
- The fact that the MPPTC does not breakeven with respect to economy-wide Rhode Island employment and state government net general revenues and, as a result, does not "pay for

itself" on these two metrics is consistent with the analysis conducted by other states.[4] According to a recent report published by the National Conference of State Legislatures (NCSL), 13 states ended their film tax credits while three states expanded their film tax incentive programs between 2009 and 2018.[5]

[4] Studies conducted by California, Connecticut, Massachusetts, and Washington have found that tax revenues generated by economic activity related to film tax credits do not offset the taxes foregone due to the tax credit.

[5] This report can be accessed here https://www.ncsl.org/research/fiscal-policy/state-film-production-incentives-and-programs.aspx

Part I: Introduction

Pursuant to Rhode Island General Laws § 44-48.2-4, titled *Rhode Island Economic Development Tax Incentives Evaluation Act of 2013,* the Chief of the Office of Revenue Analysis (ORA) is required to produce, in consultation with the Director of the Economic Development Corporation, the Director of the Office of Management and Budget, and the Director of the Department of Labor and Training, a report that contains analyses of economic development tax incentives as listed in R.I. Gen. Laws § 44-48.2-3(1).[6] According to R.I. Gen. Laws § 44-48.2-4(a)(1), the report "shall be completed at least once between July 1, 2014, and June 30, 2017, and no less than once every three (3) years thereafter".

The additional analysis as required by R.I. Gen. Laws § 44-48.2-4(a) shall include, but not be limited to the following items as indicated in R.I. Gen. Laws § 44-48.2-5(a):

1) A baseline assessment of the tax incentive, including, if applicable, the number of aggregate jobs associated with the taxpayers receiving such tax incentive and the aggregate annual revenue that such taxpayers generate for the state through the direct taxes applied to them and through taxes applied to their employees;
2) The statutory and programmatic goals and intent of the tax incentive, if said goals and intentions are included in the incentive's enabling statute or legislation;
3) The number of taxpayers granted the tax incentive during the previous twelve-month (12) period;
4) The value of the tax incentive granted, and ultimately claimed, listed by the North American Industrial Classification System (NAICS) Code associated with the taxpayers receiving such benefit, if such NAICS Code is available;
5) An assessment and five-year (5) projection of the potential impact on the state's revenue stream from carry forwards allowed under such tax incentive;
6) An estimate of the economic impact of the tax incentive including, but not limited to:
    i. A cost-benefit comparison of the revenue forgone by allowing the tax incentive compared to tax revenue generated by the taxpayer receiving the credit, including direct taxes applied to them and taxes applied to their employees;
    ii. An estimate of the number of jobs that were the direct result of the incentive; and
    iii. A statement by the Chief Executive Officer of the Commerce Corporation, as to whether, in his or her judgment, the statutory and programmatic goals of the tax benefit are being met, with obstacles to such goals identified, if possible;
7) The estimated cost to the state to administer the tax incentive if such information is available;
8) An estimate of the extent to which benefits of the tax incentive remained in state or flowed outside the state, if such information is available;
9) In the case of economic development tax incentives where measuring the economic impact is significantly limited due to data constraints, whether any changes in statute would facilitate data collection in a way that would allow for better analysis;

[6] The Rhode Island Economic Development Corporation has since been renamed the Rhode Island Commerce Corporation with the duties and obligations of the Rhode Island Economic Development Corporation transferred to it.

10) Whether the effectiveness of the tax incentive could be determined more definitively if the General Assembly were to clarify or modify the tax incentive's goals and intended purpose;
11) A recommendation as to whether the tax incentive should be continued, modified, or terminated; the basis for such recommendation; and the expected impact of such recommendation on the state's economy;
12) The methodology and assumptions used in carrying out the assessments, projections and analyses required pursuant to subdivisions (1) through (8) of this section.

The current report is one part of a series of reports for each of the tax credits to be analyzed according to R.I. Gen. Laws § 44-48.2-3(1). This report concerns R.I. Gen. Laws § 44-31.2-5 entitled "Motion Picture Production Tax Credits" (MPPTC) and covers tax years 2016 through 2018.[7] The analysis is performed at the micro level using employment and wage information provided by Division of Taxation and the Rhode Island Film & TV Office (RIFTVO).

The report is divided into five sections. Section I provides a detailed description of the tax incentive and its statutory programmatic goals and intent. Section II describes the motion picture activity in Rhode Island compared to neighboring states and the rest of the nation. Section III provides a description of the data provided and used in the analysis by ORA. Section IV assesses the economic impact generated under the MPPTC using a breakeven cost-benefit analysis. Section V discusses relevant policy findings and recommendations that could help in the decision process as to whether the tax credit should be continued, modified, or terminated.

1. Description of the Tax Credit

Rhode Island General Laws § 44-31.2-5 provides a motion picture production company a tax credit against the business corporation tax (R.I Gen. Laws Chapter 44-11), the taxation of banks (R.I. Gen. Laws Chapter 44-14), the taxation of insurance companies (R.I. Gen. Laws Chapter 44-17), or the personal income tax (R.I. Gen. Laws Chapter 44-30) in an amount equal to 30% of the state certified production costs incurred that are directly attributable to motion picture production activity within the state, provided that the primary locations are within the state of Rhode Island and the total production budget is at least $100,000. The amount of credit allowed for any single production is capped at $7,000,000 and unused amounts of the tax credit can be carried forward for not more than three succeeding tax years. [8]

Motion picture productions must be certified as eligible for a tax credit by the Rhode Island Film & TV Office (RIFTVO). It should be noted that the annual cap on the amount of Motion Picture Production Tax Credits to be issued in a year is combined with the Musical and Theatrical Production Tax Credit program as established by R.I. Gen. Laws Chapter 44-31.3.[9] The maximum amount of tax credits that could be issued in each year for the 2016 – 2018

[7] This is the second evaluation of the Motion Picture Production Tax credit. The first evaluation covered tax years 2013 through 2015 and was released on March 16, 2018.
[8] R.I. Gen. Laws § 44-31.2-5(c) allows the state tax administrator to waive the $7,000,000 motion picture production tax credit cap for any feature-length film or television series provided that the waiver of the $7,000,000 per production limit does not cause the amount of motion picture production tax credits issued to exceed the annual cap on total motion picture and musical and theatrical production tax credits.
[9] Although the features of the Musical and Theatrical Production Tax Credit are similar to the Motion Picture Production Tax Credit, an analysis of this program is beyond the scope of the statutory mandate of this report.

period was $15,000,000 for both motion picture and musical and theatrical productions.[10] No motion picture production tax credits shall be issued on or after July 1, 2027.[11]

No employment or wage criteria need to be met by the motion picture production company to qualify for the MPPTC. RIFTVO is required, however, to produce an impact analysis which, among other things, requires RIFTVO to identify "the approximate number of full-time, part-time, temporary, seasonal, and/or permanent jobs projected to be created, construction and non-construction", "the approximate wage rates for each category of the identified jobs" and "the types of fringe benefits to be provided with the identified jobs, including health care insurance and any retirement benefits."[12]

2. Statutory and Programmatic Goals and Intent of the Tax Incentive

According to R.I. Gen. Laws § 44-31.2-1(c), the purpose of the Motion Picture Production Tax Credit is "to provide a financial incentive to the film industry in order that the state might compete with other states for filming locations." Pursuant to this purpose the statutory and programmatic goals and intent of the MPPTC are "to encourage development in Rhode Island of a strong capital base for motion picture film, videotape, and television program productions, in order to achieve a more independent, self-supporting industry.…

(1) Immediate objectives are to:
- (i) Attract private investment for the production of motion pictures, videotape productions, and television programs, which contain substantial Rhode Island content as defined herein.
- (ii) Develop a tax infrastructure, which encourages private investment. This infrastructure will provide for state participation in the form of tax credits to encourage investment in state- certified productions.
- (iii) Develop a tax infrastructure utilizing tax credits, which encourage investments in multiple state-certified production projects.

(2) Long-term objectives are to:
- (i) Encourage increased employment opportunities within this sector and increased competition with other states in fully developing economic development options within the film and video industry.
- (ii) Encourage new education curricula in order to provide a labor force trained in all aspects of film production." [13]

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[10] Effective for tax years beginning after December 31, 2019, the annual cap on the total amount of motion picture and musical and theatrical production tax credits that can be issued was increased to $20,000,000. For tax year 2022 only, the annual limit on the amount of motion picture and musical and theatrical production tax credits that can be issued is $30,000,000.
[11] The sunset date for the issuance of Musical and Theatrical Production Tax Credits is July 1, 2024.
[12] Examples of the impact analyses produced by the Rhode Island Film & TV Office can be found at: http://www.tax.ri.gov/taxcreditreports/motionpicture.php.
[13] See R.I. Gen. Laws § 44-31.2-1(d).

Part II: Benchmarking Motion Picture Activity in Rhode Island, Selected Comparison States, and Nationwide

An understanding of current and historical motion picture production activity in Rhode Island, in comparison states, and the nation provides context to the economic environment in which the MPPTC program operates. First, the benchmarking analysis contained in this part presents information on the availability of tax benefits in Rhode Island and comparison states targeting the motion picture industry. Next, the benchmarking analysis presents data highlighting current levels and long-term trends in motion picture production activity and employment and evaluates Rhode Island's relative performance on key economic indices.

ORA focused its investigation of motion picture activity, employment, and availability of tax incentives targeting motion picture production on four comparison states the two neighboring states of Massachusetts and Connecticut, and two states that are national leaders in motion picture production, New York and California. Additionally, this report includes selected comparisons to U.S. data to allow the reader to consider the state-level data in the context of national levels, trends, and cycles.

For the purposes of this benchmarking analysis, ORA examined economic activity and employment data related to North American Industry Classification System (NAICS) Code 5121, "Motion Picture and Video Industries" whenever available. ORA deemed this four-digit NAICS classification to be generally descriptive of MPPTC recipient projects. National employment and compensation data in this section generally reference the United States Department of Labor, Bureau of Labor Statistics (BLS).[14] In the case of Rhode Island, however, ORA obtained employment and compensation data from the Rhode Island Department of Labor and Training (DLT). With respect to measuring economic output, ORA was limited by the specificity of the United States Department of Commerce, Bureau of Economic Analysis (BEA) data source from which the most specific gross domestic product data was at the NAICS Code 512, "Motion Picture and Sound Recording Industries," which necessarily includes a small portion of sound recording industries output.[15]

ORA found that all four selected comparison states offered some form of a motion picture production tax credit. The general features of each state's credits are depicted in the following table.

[14] According to the U.S. Census Bureau, NAICS code 5121 consists of "establishments primarily engaged in the production and/or distribution of motion pictures, videos, television programs, or commercials; in the exhibition of motion pictures; or in the provision of postproduction and related services."

[15] According to the U.S. Census Bureau, NAICS code 512 consists of "establishments involved in the production and distribution of motion pictures and sound recordings.…Production is typically a complex process that involves several distinct types of establishments that are engaged in activities, such as contracting with performers, creating the film or sound content, and providing technical postproduction services. Film distribution is often to exhibitors, such as theaters and broadcasters…"

State Incentives for Motion Picture Production in Rhode Island and Selected Comparison States					
	Rhode Island	**Connecticut**	**Massachusetts**	**New York**	**California**
Credit Name	Motion Picture Production Tax Credits	Film Production Tax Credit	Film Incentive Tax Credit	Empire State Film Production Tax Credit Program	California Film and Television Tax Credit Program
Statutory Reference	R.I. Gen. Laws Chapter 44-31.2	Conn. Gen. Stat. §12-217jj	Mass. Gen. Laws ch. 62, § 6(l) and Mass. Gen Laws ch 63A, § 38X	NY Tax L § 24	CA RTC §23698
Credit Features	Credit amount equal to 30% of state certified production costs incurred directly attributable to activity within the state.	Credit amount ranges from 10% to 30% of the production's total expenses depending on the amount of qualified motion picture production expenses.	Credit amount equal to 25% of qualified motion picture production expenses, 25% of total qualifying payroll, and a sales tax exemption	Credit equal to 25% of qualified production expenses. Additional 10% on qualified labor expenses in certain counties is provided to productions with budgets over $500,000.	Credit amount ranges between 20% and 25% of total qualified expenditures depending on certain criteria.
Cap	$15 million / after 12/31/2019, $20 million / for 2022 only, $30 million	None	None	$420 million	$330 million
Carryforward	3 years	5 years	5 years	None	9 years
Source:	http://webserver.rilin.state.ri.us/Statutes/TITLE44/44-31.2/INDEX.HTM	https://www.cga.ct.gov/current/pub/chap_208.htm#sec_12-217jj	http://www.mafilm.org/	https://www.nysenate.gov/legislation/laws/TAX/24	https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?sectionNum=23698.&lawCode=RTC
Note: Credit characteristics reflects current policy as identified by ORA in August 2021. This table presents a single comparison credit program for each comparison state determined by ORA to be most like the Rhode Island Motion Picture Production Tax Credits program.					

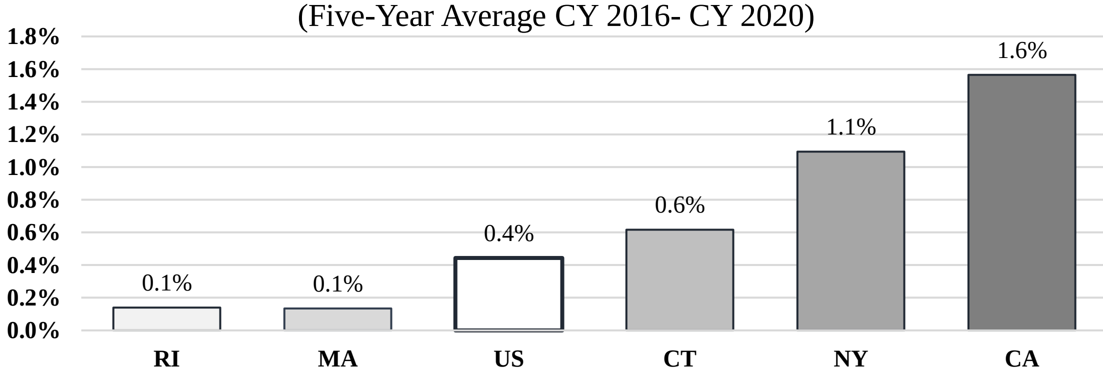
Beyond these comparison states, ORA found that state tax incentives targeted at motion picture production are a common practice throughout the United States. For example, a 2016 report conducted by the California Legislative Analyst's Office contained a national inventory of states offering targeted motion picture production tax incentives revealing that 36 out of 50 states offered "financial incentives" for motion picture production.[16]

While motion picture production tax credits are commonplace nationwide, their popularity may be on the decline. A review by CPA firm, KPM Film shows 33 out of 50 states offer film tax credits or incentive programs in 2021.[17] A 2018 report by the National Conference of State Legislatures reports that in addition to some states dropping their motion picture incentive programs, other states, such as Colorado, Maryland and Texas, have made budget-conscious modifications to their motion picture incentive programs such as tightening the requirements for qualifying expenses and reducing the annual appropriation available for film incentive programs.[18]

The Rhode Island motion picture industry is relatively small when measured in terms of contribution to Rhode Island gross domestic product (GDP) and total employment. Furthermore, the relatively few Rhode Island motion picture employment opportunities are lower-paying than those in comparison states and nationwide. The following chart depicts the relative contribution of motion picture industry production to GDP. The levels are calculated as three-year averages to smooth any year-to-year volatility or measurement error.

Motion Picture and Sound Recording Industries Contribution to GDP*

(Five-Year Average CY 2016- CY 2020)



Source: ORA Calculations based on data from United States Department of Commerce, Bureau of Economic Analysis, last updated March 26, 2021

* Motion picture contribution to GDP calculated as motion picture and sound recording industries (NAICS #512) gross domestic product divided by all industries gross domestic product, both figures measured in current dollars.

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[16] California Legislative Analyst's Office, "California's First Film Tax Credit Program," published September 29, 2016. Available: http://www.lao.ca.gov/Publications/Report/3502

[17] KPM, "Incentives by State," Available: https://kpmfilm.com/film-tax-credits-by-state-map/

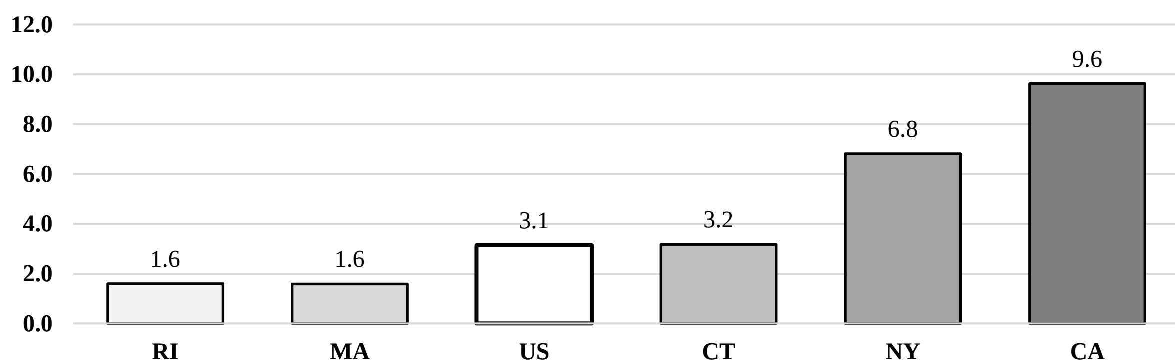
[18] National Conference of State Legislatures, "State Film Production Incentives and Programs," Published February 5, 2018, Available: http://www.ncsl.org/research/fiscal-policy/state-film-production-incentives-and-programs.aspx

Motion picture and sound recording industries contribute minimally to Rhode Island GDP when compared to national averages. Over the period of CY 2016 to CY 2020, Rhode Island motion picture and sound recording industries contributed an average of $83.2 million in total GDP annually, or approximately 0.1% of Rhode Island's total average annual GDP of $59.5 billion. This contribution is below the national average of 0.4%. As shown in the figure above, Rhode Island trails leading states such as New York and California, where the motion picture and sound recording industries' contributions to state GDP are 1.1% and 1.6%, respectively. However, the relative size of motion pictures and sound recording industries in Rhode Island is closer to parity with neighboring states such as Massachusetts, where the motion picture contributions to state GDP is also 0.1%. Connecticut stands above Rhode Island and slightly above the national average with a motion picture and sound recording industries contribution to Connecticut GDP of 0.6%.

Employment and compensation data as depicted in the following two charts reveal that Rhode Island has relatively few jobs in the motion picture and video industries, and those jobs are relatively low paying.[19] The following bar graph shows Rhode Island motion picture industry employment as a portion of the total workforce. Specifically, the chart depicts motion picture industry jobs per thousand private sector jobs for each state and the U.S. as a whole.

Motion Picture Jobs Per Thousand*

Five-Year Average CY 2016- CY 2020



Source: ORA Calculations based on United States Bureau of Labor Statistics, Quarterly Census of Wages and Employment establishment survey data, accessed August 2021

* Motion picture jobs per thousand calculated as total employment, motion picture and video industries (NAICS 5121), private, divided by total employment, all industries, private x 1,000

Over the period of CY 2016 through CY 2020, Rhode Island had an average annual total job count in motion picture and video industries of 662 jobs. This count is relatively small when considering the size of Rhode Island's labor force. Motion picture and video industries comprise 1.6 jobs per thousand private sector jobs in Rhode Island, which is approximately half of the comparable

[19] Given that employment and wage data were available for NAICS Code 5121, "Motion Picture and Video Industries", ORA used the more specific NAICS Code when comparing employment and wage data across states.

national figure of 3.1 jobs per thousand. Within the three-state region, Massachusetts has a similarly low concentration of motion picture and video industries jobs, while Connecticut more closely resembles the national average; however, the leading states of New York and California have a concentration of motion picture and video industries employment that is two to three times higher than the national average.

The following chart depicts average annual compensation in the motion picture and video industries relative to all industries, private compensation for Rhode Island, comparison states, and nationwide.

Motion Picture and Video Industries Employee Pay

(Five-Year Average, Calendar Years 2016 – 2020 Annual Pay)

State	Motion Picture and Video Industries, Private [a]	All Industries, Private [b]	Ratio of Motion Picture to All Industries [c]
Massachusetts	$43,097	$73,809	58.4%
Rhode Island	**$36,402**	**$52,776**	**69.0%**
United States	*$73,999*	*$57,898*	*127.8%*
New York	$99,395	$75,051	132.4%
Connecticut	$104,887	$69,807	150.3%
California	$113,580	$69,422	163.6%

Source: ORA calculations based on United States Department of Labor, Bureau of Labor Statistics, Quarterly Census of Wages and Employment establishment survey data

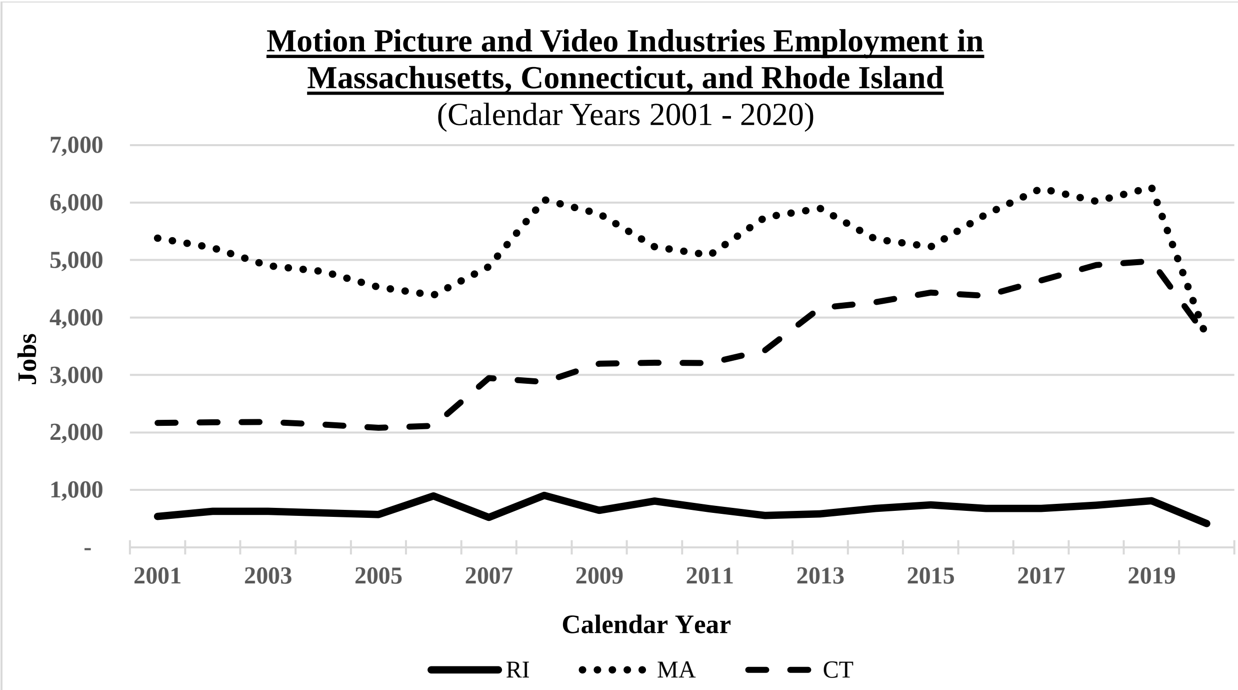
[a] Average CY 2016 - CY 2020 of motion picture and video industries (NAICS 5121), private, average annual pay

[b] Average CY 2016 - CY 2020 of all industries, private, average annual pay

[c] Ratio of motion picture average annual wage to all industries average annual wage

Rhode Island motion picture and video industries jobs are relatively low paying. The average annual pay of $36,402 for CY 2016 through CY 2020 is 69% of the $52,776 average annual pay for all private sector jobs in Rhode Island. While the average Rhode Island motion picture and video industry job pays below the average of all private industries jobs, the opposite is true nationwide. The average United States motion picture and video industries job paid an annual wage of $73,999 during the same period, which is 127.8% of the average annual wage of a United States all private industries job of $57,898. Rhode Island's two neighbors are split with respect to motion picture and video industries pay: Massachusetts motion picture jobs pay less than the private sector average, while Connecticut motion picture jobs pay more. In the states of New York and California, the average motion picture and video job pays more than the average private sector jobs by a ratio that outpaces the national average.

Even with the availability of the MPPTC since 2005, the Rhode Island motion picture and video industries has not experienced significant employment growth in recent years. The following chart depicts employment trends in the motion picture and video industries in Massachusetts, Connecticut, and Rhode Island for the period of CY 2001 through CY 2020.



Source: RI Department of Labor and Training, United States Department of Labor, Bureau of Labor Statistics, Quarterly Census of Wages and Employment establishment survey data (NAICS 5121).

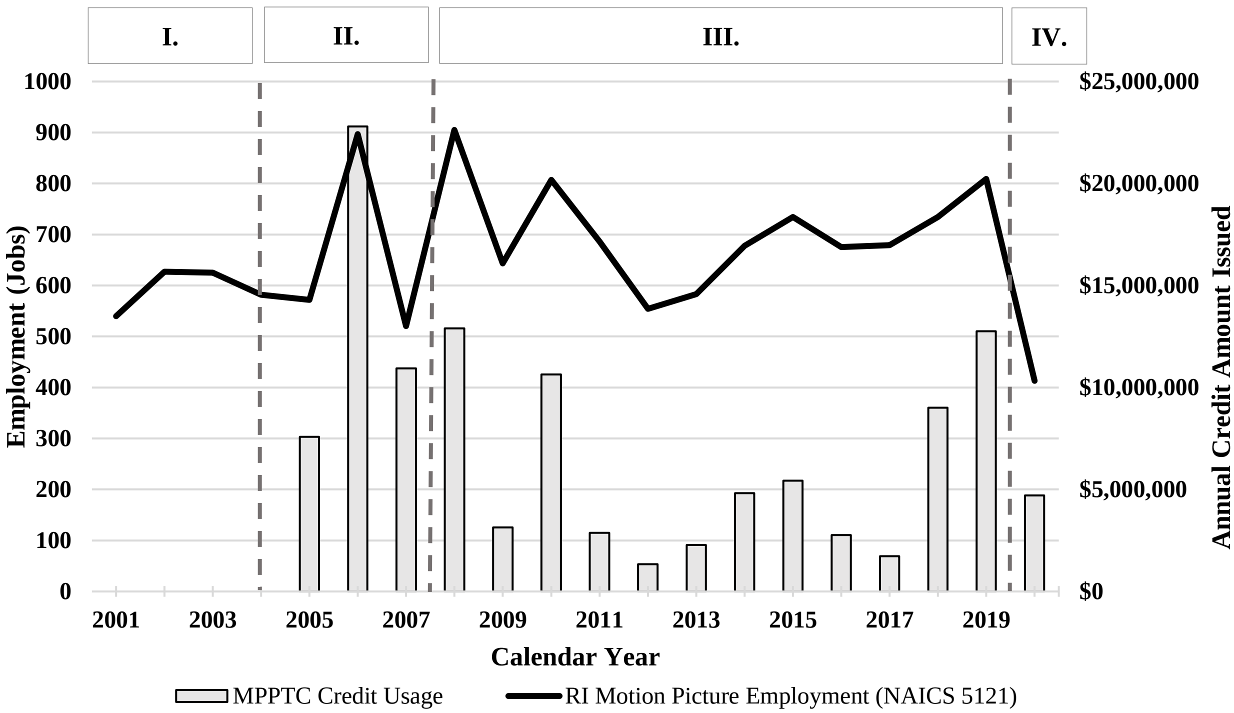
The above chart shows a relatively flat trend in Rhode Island and Massachusetts motion picture industry employment with Connecticut experiencing a period of stability followed by expansion. All states experienced a sharp decline in motion picture industry employment in 2020 due to the COVID-19 pandemic. Both Massachusetts and Rhode Island have experienced significant volatility as evidenced by patterns of multiple peaks and troughs; although the trough that occurred before the 2020 decline in Massachusetts's motion picture industry employment was very shallow compared to previous troughs. Connecticut experienced consistent employment growth with only moderate, occasional interruptions since 2009.

The following chart depicts long-term trends in Rhode Island motion picture and video industries employment along with annual amounts of Motion Picture Production Tax Credits issuance. The line depicts motion picture industry job count, while the bars refer to annual MPPTC credit usage amounts. CY 2001 through CY 2020 is grouped into four periods as designated by Roman numerals. The first period prior to 2005 represents a baseline level of employment prior to the establishment of the MPPTC. It should be noted that during this period, the "Film Production Tax Credit" offered tax credits to subsidize motion picture production under since-repealed R.I. Gen. Laws § 44-31.1. However, after consultation with the Division of Taxation, ORA was unable to identify any usage of this credit and therefore assumes that usage of this credit, if at all, occurred at *de minimis* levels. The second period covering CY 2005 through CY 2007 represents when the MPPTC was first established. During this period there was no annual cap on total credits issued, so a potentially unlimited number of productions could have been awarded credits. In the third period covering 2008 to December 31, 2019, the MPPTC operated with a $15 million annual credit amount cap. The fourth period covers the time after December 31, 2019 when the annual total credit amount cap was raised to $20 million except for CY 2021 when the cap was increased to

$30 million. This chart is intended to highlight long-term trends and correlation between employment and credit amount, while highlighting the dates of key policy changes to the MPPTC program.

Rhode Island Motion Picture and Video Industries Employment and Motion Picture Production Tax Credits Issued

(Calendar Years 2001 - 2020)



Notes:

I. *Prior to 2005*: MPPTC not yet established. The since-repealed "Film Production Tax Credit" was available at this time; however, after consultation with the Division of Taxation, ORA has been unable to confirm any usage of this credit.

II. *2005 - 2007*: MPPTC established without any cap on the total annual credit amount.

III. *2008 - 2019*: MPPTC established with a $15,000,000 cap on the total annual credit amount.

IV. *Since 2020*: MPPTC established with a $20,000,000 cap on the total annual credit amount.

Source: RI Department of Labor and Training, Quarterly Census of Wages and Employment establishment survey data and RIFTVO testimony at the May 2021Revenue Estimating Conference.

The chart shows that there has been modest growth in Rhode Island motion picture industry employment following the implementation of the MPPTC in 2005. Prior to 2005, average annual Rhode Island motion picture industry employment stood at 594 jobs. Since 2005, annual motion picture industry employment averaged 681 jobs, an increase of 87 jobs since the implementation of the MPPTC. When interpreting this increase, it is important to note that a simple before and after comparison cannot determine whether this increase can be attributed to the availability of the MPPTC. Fluctuations in employment may be the result of other confounding factors such as growth in the Rhode Island population and labor force or trends that may have occurred even without the availability of the MPPTC. Further, the chart shows that Rhode Island motion picture industry employment is characterized by significant volatility. During the period of CY 2001 through CY 2020, Rhode Island motion picture industry employment count has ranged between 520 and 905 with year-to-year fluctuations in employment ranging between -396 and +385. However, the industry experienced relatively consistent growth averaging 5.8% from 2013 through 2019. Motion picture industry employment declined sharply in 2020 due to the COVID-19 pandemic.

The bars in the chart illustrate the annual amount of MPPTC usage since the program was implemented in 2005. The average cost since 2005 was $7,399,792, ranging from a minimum of $1,342,645 in 2012 to a maximum of $22,797,376 in 2006.

A simple visual analysis of the relationship between motion picture and video industries employment and the usage of MPPTC shows that MPPTC credit usage and employment show a positive correlation – that is, an increase in one indicator is generally associated with an increase in the other indicator. For example, when MPPTC usage increases it can be expected that motion picture employment will also increase. However, it is not possible to determine the direction of this relationship: it is possible that credit usage drives employment; employment drives credit usage; or some third exogenous factor, such as trends in the national motion picture industry, drive both.

Recent credit usage amounts as revealed in the above chart show that the imposition of the $15,000,000 cap in 2008 has not had any limiting impact on credit usage. While the average annual credit usage did exceed $15,000,000 in a single year prior to the implementation of the annual cap, credit usage has not approached the cap in any year since 2008. Average annual credit usage since 2008 has been $5,807,169 with a maximum usage of $12,893,662 in 2008. While the annual cap provides a safeguard against unexpected revenue losses in an *exceptional* year of credit usage, the cap does not appear to limit the availability of the credit in a *typical* year.

Part III: Report Data Description

The analysis of MPPTC in this report required an analysis of micro-level taxpayer data. ORA has encountered significant challenges related to data access in the past. To gain sufficient access to data while respecting confidentiality concerns, ORA signed Memoranda of Understanding (MOU) with the Rhode Island Department of Revenue, Division of Taxation (Taxation), the Rhode Island Department of Labor and Training, and the Rhode Island Commerce Corporation. These MOUs sought to preserve the confidentiality of individually identifiable taxpayers consistent with the statutory mandates regarding secrecy and confidentiality of taxpayer information. In this context, ORA relied on data provided by credit recipients to the Division of Taxation for tax years 2016, 2017, and 2018, to the extent such information were provided, as required by R.I. Gen. Laws § 44-48.2-5(b). The data provided by Taxation to ORA consisted of the following:

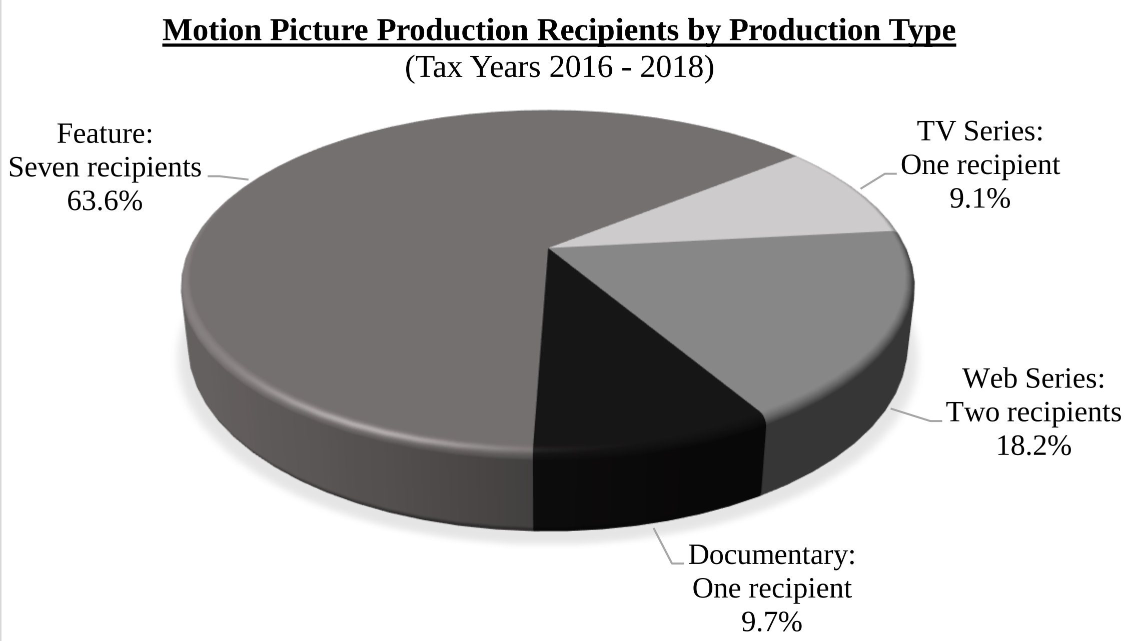
- Tax credit amounts used by credit recipients for tax years 2016 through 2018;
- Self-reported firm data as submitted by credit recipients on RI Form 8201A, *Motion Picture Production Company Tax Credits – Annual Employee Report* provided by Taxation's Forms, Credits, and Incentives section;

- Motion picture companies certified production expenses provided by Taxation's Field Audit section;
- Withholding tax payment records on file provided by Taxation in each tax year subject to the current analysis;
- Initial Application for Tax Credit, Final Application for Tax Credit, and Information Request forms administered by the Rhode Island Film and TV Office (RIFTVO);
- Corporate tax payments on file provided by Taxation's Forms, Credits, and Incentives section;
- Cost of administration of the tax incentive provided by Taxation and RIFTVO.

ORA made no attempt to verify the accuracy of the data provided and made minimal corrections to the data to be able to execute specific calculations for the report. The data included in this report are unaudited and reported as compiled.

1. Number of Taxpayers Granted Tax Credit

According to Taxation, motion picture production tax credits were issued to 10 companies that completed 11 motion picture productions during the period of January 2016 through December 2018.[20] The breakdown of these productions by production type is depicted in the following chart.



Source: Division of Taxation

Note: Chart does not include musical and theatrical productions tax credit recipients.

The sum of the certified production costs associated with MPPTC-recipient productions for this period was $16,222,719. The corresponding motion picture production tax credits totaled $4,055,679 for tax years 2016 through 2018. The following table provides a description of the

[20] In tax years 2016 through 2018 there were 11 completed motion picture productions. However, one MPPTC company had two productions which resulted in ten motion picture production companies subject to this report analysis.

number of recipients of the Motion Picture Production Tax Credits, the corresponding tax credit amounts received, and the corresponding certified production costs in each tax year:

Motion Picture Production Tax Credit Recipient Information by Fiscal Year
(Tax Years 2016 – 2018)

Tax Year	Number of Productions	Total Credit Received	Total Certified Expenses*
2016	5	$2,461,393	$9,845,572
2017	3	$820,850	$3,283,402
2018	3	$773,436	$3,093,745
Total	**11**	**$4,055,679**	**$16,222,719**
Average	*4*	*$1,351,893*	*$5,407,573*

Source: Division of Taxation.

* State certified production expenses mean any pre-production, production, and post-production costs that a motion picture production company incurs and pays to the extent it occurs within the state of Rhode Island. More detailed description can be found in R.I. Gen. Laws § 44-31.2-2(12)

2. Value of Tax Credit Granted by NAICS Code

The amount of motion picture production tax credits issued in tax years 2016 through 2018 leveraged total certified motion picture production expenditures of $16,222,719. Each MPPTC recipient is required to submit documentation of certified expenditures as part of the MPPTC application. ORA reviewed the data contained in the MPPTC application and classified certified production spending by NAICS Code based on the industries directly impacted by film industry spending. This resulted in the distribution of these expenditures among fourteen major industries as shown in the following table:

Certified Motion Picture Production Tax Credit Expenses by NAICS Industry
(Tax Years 2016 – 2018)

Industry Description	Three-Year Total †	Three-Year Average †
Accommodation (721)	$587,313	$195,771
Administrative and support services (561)	1,463	488
Amusement, gambling, and recreation (713)	404,434	134,811
Compensation (N/A) *	13,077,135	4,359,045
Food services and drinking places (722)	386,500	128,833
Professional, scientific, and technical services (54)	107,653	35,884
Real estate (531)	2,447	816
Rental and leasing services; Lessors of nonfinancial intangible assets (532,533)	799,856	266,619
Repair and maintenance (811)	295,761	98,587
Telecommunications (517)	16,114	5,371
Transit and ground passenger transportation (485)	10,891	3,630
Wholesale trade (42)	533,151	177,717
All Industries	**$16,222,719**	**$5,407,573**

Source: Division of Taxation

* For purposes of entering compensation into the REMI Tax-PI model, all compensation is assumed to be associated with the "Motion pictures and sound recording industry (NAICS Code 512)." The amount spent on compensation is reported in the schedule of certified production expenses provided by each recipient firm, but detailed employee-level information is not available from this source.

† ORA adjusted the industry specific amounts submitted by the production company via the accountant certified documentation using a ratio of the final credit amount approved by Taxation to the credit amount submitted by the production company.

A significant conclusion from the spending profile of MPPTC recipient projects issued in tax years 2016 through 2018 is the high proportion of labor costs and low proportion of capital investment. According to the standard industry assumptions included in the REMI Tax-PI[21] model based on US Bureau of Economic Analysis (BEA) input-output data, $1.00 of motion picture and sound recording industry output consists of $0.32 of intermediate inputs, $0.24 of labor, and $0.44 of capital investment in an average year 2016 through 2018. In comparison, $1.00 of certified spending on MPPTC recipient projects consists of $0.14 of intermediate inputs, $0.05 of capital investment, $0.81 of labor, and an insignificant amount of spending on fuel.

The small amount of capital investment can be explained by the fact that many of the MPPTC recipient firms are short-term entities incorporated by out-of-state production firms for the length of the production and lacking a substantial physical presence in the state. These firms do not make typical capital investments such as owning or renting real estate for offices and production space. Furthermore, to the extent that firms with a significant, long-term physical presence in Rhode Island do take advantage of the MPPTC, these firms' capital investments would not be associated with a single motion picture production and therefore would not be eligible to be considered

[21] Detailed documentation on the REMI Tax-PI v2.3.1 model is available at: http://www.remi.com/resources/documentation.

certified production expenses for the purposes of the MPPTC. In this way, the MPPTC is not well-designed to promote capital investment.

3. Cost of Administration

The administration of motion picture production tax credits involves both the RIFTVO and Taxation. Using data provided by the two agencies, ORA found that the total cost to administer the tax credit was $94,574 in tax years 2016 - 2018. The total direct cost incurred by RIFTVO in tax years 2016-2018 to administer the Motion Picture Production Tax Credit was $45,000 while the indirect costs incurred by Taxation to administer the tax credit were $49,574 for the same period. ORA notes that RIFTVO cost of administration of this program has not changed for the past several years and that the costs to RIFTVO to administer the MPPTC program makeup 5% or less of its overall budget each year. This begs the question as to what the other 95% of RIFTVO's budget is used for if not to administer the MPPTC program? The table below displays the cost of administration of the MPPTC program in each tax year:

Motion Picture Production Tax Credit:
Cost of Administration by Office and Tax Year
(Tax Years 2016 – 2018)

Cost-Incurring Entity	Cost of Administration TY16	TY17	TY18	Total	Average
Division of Taxation	$13,765	$26,764	$9,045	$49,574	$16,525
RIFTVO	$15,000	$15,000	$15,000	$45,000	$15,000
Total Cost	**$28,765**	**$41,764**	**$24,045**	**$94,574**	**$31,525**

Source: Data from the Division of Taxation and RIFTVO, respectively.

4. Number of Aggregate Jobs and Direct Taxes Paid by MPPTC Recipients' Employees

A list of employees of firms who were awarded a MPPTC and who collected wages during the period of analysis was established using the self-reported data provided by firms on RI Form 8201A, *Motion Picture Production Company Tax Credits – Annual Employee Report*. It should be noted that due to noncompliance the following table and statistics include data from only two of the 10 production companies that received motion picture production tax credits during the period of analysis[22].

Employee Count and Wages Paid at MPPTC Recipient Firms
(Tax Years 2016 – 2018)

	TY16	TY17	TY18	Total
Employees Count	0	12	0	12
Wages Paid	$0	$677,560	$0	$677,560

Source: Division of Taxation, RI Form 8201A.

[22] The Rhode Island Film and Television Office reached out to the MPPTC recipients after their productions were completed and requested the 8201A form. However, this effort did not result in any new data.

Taxation provided ORA with data on personal income tax (PIT) paid by the reported employees of the MPPTC recipient firms for tax years 2016 through 2018. The following table describes the breakdown of this information by taxpayer's residency status.

Motion Picture Production Tax Credit:
Personal Income Taxes Paid by Employees of Recipient Firms †
(Tax Years 2016 – 2018)

	TY 2016 ⁑	TY 2017	TY 2018
RI Residents			
Count of Taxpayers	0	5	0
Taxes Paid *	$0	$5,578	$0
Avg Taxes Paid	$0	$1,116	$0
RI Non-Residents			
Count of Taxpayers	0	7	0
Taxes Paid	$0	$11,266	$0
Avg Taxes Paid	$0	$1,609	$0
Total			
Count of Taxpayers	0	12	0
Taxes Paid	$0	$16,844	$0
Avg Taxes Paid	$0	$1,404	$0

Source: Division of Taxation
Note:
† Only two of 10 recipient firms of the Motion Picture Productions Tax Credit reported employee level data on RI Form 8201A as required by R.I. Gen. Laws § 44-31.2-6.1(h).
⁑ No recipients in 2016
* Taxes paid are estimated by Taxation using Fed AGI minus "Property Tax Credit" minus "RI Earned Income Credit" minus "Lead Paint Credit" if applicable. It should be noted that when Fed AGI is higher than wages derived from the tax incentive, the taxes paid are apportioned using the ratio of those wages to the total reported Fed AGI.

5. Direct Taxes Paid by MPPTC Recipients

To maintain taxpayer confidentiality, ORA is unable to report on taxes paid by MPPTC recipient firms by tax year because of the small number of MPPTC recipients in any given tax year. In total for the three tax years of 2016, 2017, and 2018, the firms who received MPPTC credits paid $4,380 in Rhode Island business corporation taxes. Nine of the 11 tax credit recipients paid the minimum tax in the year that the production completed.

6. Measuring the Extent to which MPPTC Benefits Remained in the State

It is a requirement of the MPPTC that all certified production expenses must consist of purchases from in-state vendors and compensation paid to individuals for services provided in the state. The breakdown of purchases from in-state vendors vs. compensation to individuals is as follows:

<u>Motion Picture Production Tax Credit:</u>
<u>Breakdown of Expenses Paid to In-State Vendors vs. Compensation</u>
(Tax Years 2016 – 2018)

Category of Certified Production Expense	TY 16	TY 17	TY 18	Total	Average Amount	Average Percent
In-State Vendors	$2,063,135	$536,115	$552,154	$3,151,404	$1,050,468	19.43%
Compensation	$7,782,437	$2,747,287	$2,541,591	$13,071,315	$4,357,105	80.57%
Total Cost	**$9,845,572**	**$3,283,402**	**$3,093,745**	**$16,222,719**	**$5,407,573**	**100.00%**

Source: Data from the Division of Taxation and RIFTVO.

The amount of certified production costs paid to in-state vendors can be assumed to have been paid entirely to Rhode Island firms, but the portion spent on compensation was paid to a mixture of Rhode Island residents and out-of-state residents. Labor compensation by MPPTC recipient projects would be most impactful to the Rhode Island economy if it were paid to Rhode Island residents, whose households would then recirculate the income throughout the economy. However, there is no requirement in the MPPTC statute or accompanying regulations that certified production expenses on labor be confined to Rhode Island resident employees. While Taxation does require MPPTC recipients to file Form RI-8201A, which requires firms to provide a list of employees, compensation, and state of residency among other requirements, after completion of the project, there is significant non-compliance with this requirement.

ORA was able to conduct analysis related to employees by state of residency on the two motion picture productions that submitted employee-level data to Taxation through RI Form 8201A. This data source provides employee-level information including hourly wage, weekly hours, state of residency, and total wages paid by the MPPTC recipient firm. ORA divided the employees into two groups by place of residency: Rhode Island residents and residents of other states. ORA calculated average hourly wage, a count of employees, and estimated total wages. Detailed analysis is provided in the following table.

<u>Analysis of Motion Picture Production Tax Credit Recipient Employment</u>

(Two compliant recipient firms out of 10 total, Tax Years 2016 - 2018)

Employee Place of Residence	Average Hourly Wage	Number of Employees	Estimated Total Wages Paid *	Average Total Wages per Employee
RI	$30.71	7	$158,692	$22,670
Other	$41.85	5	$204,072	$40,814
Average / Total	**$36.28**	**12**	**$362,764**	**$31,742**

Note: This table presents employment information from only those two MPPTC recipient firms that submitted RI Form 8201A *Motion Picture Production Company Tax Credits – Annual Employee Report*. An additional eight MPPTC recipients did not comply with data reporting requirements as mandated by R.I. Gen. Laws § 44-31.2-6.1(h) While these data may or may not be representative of all 10 recipient firms, it is presented "as is" for it is the only available data.

* RI Form 8201A requires tax credit recipients to provide total production payroll in addition to employee-level data on hours worked per week and estimated hourly wage. The sum of the product of hours worked per week and average hourly wage was not equal to total payroll. Therefore, the estimate of total wages paid to each group is a weighted distribution of total payroll, weighting wages paid to each group by the product of each group's average hourly wage and total hours worked per week.

The data presented in the preceding table indicates that the two MPPTC recipient firms that submitted RI Form 8201A to Taxation reported a total of 12 employees at an average wage of $36.28 per hour, representing total payroll expenditures of $362,764. However, a closer analysis of the data reveals a clear distinction between the characteristics of Rhode Island resident and non-resident employees. Rhode Island resident employees held seven jobs with an average hourly wage of $30.71 while out-of-state residents held five jobs with an average hourly wage of $41.85. Even though a plurality of the jobs is held by Rhode Island residents, the five jobs held by non-residents have an average hourly wage over 30% higher than the wage paid to Rhode Island residents. Furthermore, 56.3% of total payroll expenditures, or $204,072 were paid to MPPTC recipient firm employees that reside outside of the Rhode Island.

Additionally, ORA examined the geographic distribution of the production activity generated by the 11 motion picture productions that took place within the state. The table below lists the three-year total amounts of MPPTC certified production expenses by geographical area for tax years 2016 through 2018:

MPPTC Certified Production Spending by Geographical Area
(Calendar Years 2016 – 2018)

Geographical Area	Three-Year Total Amount
Block Island	$348,877
Cranston	$1,103,948
Providence	$1,384,356
Multiple Locations	$13,385,536
Three Year Total	**$16,222,717**

Source: RIFTVO May 2021 REC testimony.

* Multiple locations include some combination of the following towns: Bristol, Cranston, East Greenwich, Jamestown, Little Compton, Middletown, Newport, Providence, Wakefield, and Warwick.

7. Additional Data to Support Evaluation of Statutory and Programmatic Goals and Intent of the MPPTC

- *Featuring Rhode Island*

According to RIFTVO, 10 of the 11 productions analyzed were filmed in Rhode Island and seven of them had a storyline that explicitly referenced Rhode Island.

- *Educational Curricula and Labor Force Training Programs*

ORA requested data from RIFTVO regarding the offering of educational curricula and labor force training programs by MPPTC recipients. Specifically, ORA requested page four of the "Final Application" for Motion Picture Production Tax Credits which contains the questions:

- "INTERNSHIPS: Briefly describe or attach additional information on your participation in internship programs offered by Rhode Island colleges, universities, labor organizations and non-profit organizations associated with the motion picture industry:"
    - "Number of Interns:"

- "TRAINING PROGRAMS: Briefly describe or attach additional information on your participation in training programs offered by Rhode Island colleges, universities, labor organizations and non-profit organizations associated with the motion picture industry:"
    - "Number of Training Program Participants:"

RIFTVO provided copies of the completed applications. In the application, the productions reported the number of interns and people participating in training programs as well as a description of any internship or training programs they offered. Of the 11 productions that received motion picture production tax credits, seven of them hired interns, for a total of 45 interns across all productions. The MPPTC recipient productions hired both high school and college student interns who worked as background actors, helped in various production departments, or assisted in parts of the production such as research and writing, editing, or assisting on shoots. The goal of several of the internship programs described by the productions were to help interns build a foundation for future film work. The training programs described by the production often overlapped with the internship programs. Three of the 11 productions indicated that they had people participating in a training program, totaling 15 trainees across all productions.

The RIFTVO Director also provided other examples of educational opportunities associated with recent MPPTC recipients. The RIFTVO Director noted that “In addition to ‘hands-on’ production internships, various directors, producers, production crew members and the RIFTVO Executive Director have lectured at Roger Williams University, Johnson and Wales University, Rhode Island School of Design, Brown University, Rhode Island College, University of Rhode Island, New England Institute of Technology and at several film festivals throughout the state during the different productions, as well as engaged in one-on-one interviews for the Rhode Island Public Television series DOUBLE FEATURE. These educational interviews are recorded, distributed to a wide local audience on free television with multiple airing times and dates, made public, and available online for free to all schools, aspiring filmmakers, educators, and students for future use. None of these special events or educational interactions would have occurred if not for the MPPTC program.” These educational offerings, as described by the Director of RIFTVO, are listed in the following table:

Production	**Description of Educational Opportunity**
"Anders Manor"	In addition to a lecture for students at New England Institute of Technology, the director, producers, and talent provided a free public screening at the Greenwich Odeum for students and supports of the film and conducted a Q&A with the audience moderated by the RITFVO Executive Director.
"Revelers (Midnighters)"	The director, producer, crew members, and talent provided a free public screening at the Greenwich Odeum for students and conducted a Q&A with the audience with the RIFTVO Executive Director as moderator
"The Discovery"	The director, producer, crew members, and talent provided a free public screening at the Jane Pickens Theater for students. The RIFTVO Executive Director moderated a Q&A with the students and audience members.
"Polka King"	The director and producer participated in two free lectures and Q&A with students at the Providence Biltmore which was moderated by the Executive Director of RIFTVO.
"Vault"	The director participated in a free lecture and Q&A for students at the Hotel Providence and the producer, director, and talent provided a free public screening at the Showcase Cinema Warwick for students and public, with the RIFTVO Executive Director Moderating a Q&A with students and audience members.
Source: Rhode Island Film and Television Office	

Part IV: Evaluation of the Economic Impact of the Tax Credit

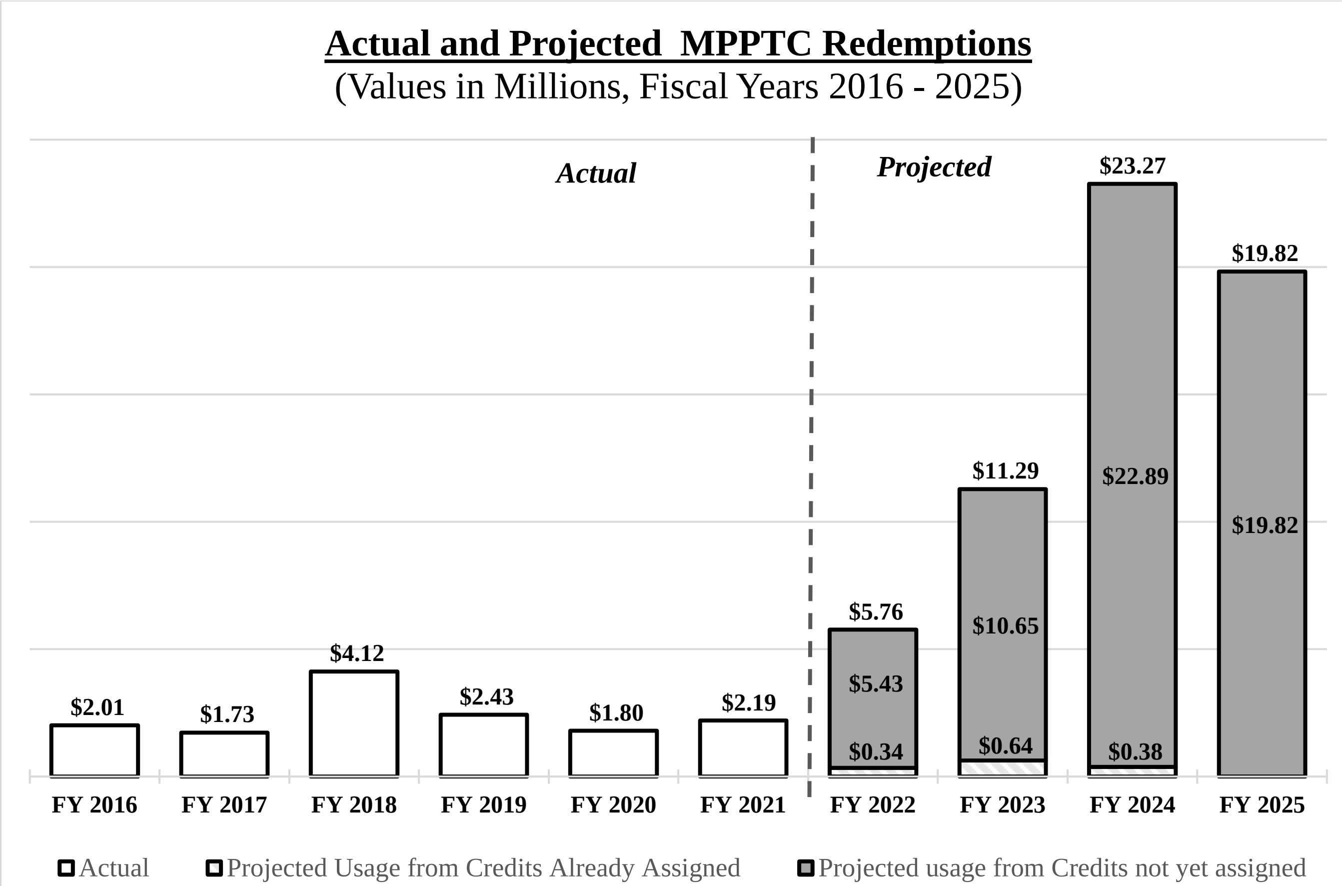
This section of the report addresses two major objectives defined in R.I. Gen. Laws § 44-48.2-5: first, to provide a projection of the potential impact of the Motion Picture Production Tax Credit on state revenues from projected future use and carryforward amounts of unused credits; and, second, to produce a breakeven cost-benefit analysis that can determine the net impact on state revenues resulting from the tax incentive.

1. Assessment and Five-Year Projection of Revenue

Current law includes a sunset of the MPPTC program, stating that no new credits shall be issued on or after July 1, 2027. However, it is anticipated that redemption activity will continue beyond this date as redemption of tax credits may not occur immediately following issuance. Redemption of credits under current law is limited to a tax credit certificate holder's tax liability. Unused credits are transferrable and eligible to be carried forward to be used against future tax liabilities. Carrying forward of tax credits is limited to an additional three years following initial credit redemption.

In constructing a projected schedule of credit redemptions, ORA analyzed historic data on credit redemption by year of initial credit certification and assignment of an identification number by RIFTVO. ORA assumes that the redemption of MPPTC under current law will follow historical redemption patterns. ORA assumed the total amount of credit that would be issued in each future calendar year is equal to $20 million, the maximum amount of credit allowed to be issued annually under current law, except for 2022 where the credit is capped at $30 million.

The following chart describes historical credit redemption amounts, shown in white, from FY 2016 through FY 2020, with a five-year projection of credit redemptions shown in shades of gray. The dark gray shaded regions in the chart below represent credits that had already been assigned at the close of CY 2020 as they are projected to be redeemed over the next several fiscal years. The light gray shaded region refers to future credits assumed to be assigned in the amount of the total cap as described before.



Source: ORA calculations based on credit assignment data from RIFTVO testimony at FY 2022 Enacted Budget and credit redemption data from Taxation.

2. "Breakeven" Cost-Benefit Analysis

- *Introduction to "Breakeven" Cost-Benefit Analysis Methodology*

Pursuant to R.I. Gen. Laws §§ 44-48.2-5(a)(6)(i)-(ii), ORA conducted a "breakeven" cost-benefit analysis to measure the net impact on state revenues resulting from the MPPTC under a variety of assumptions regarding what would have happened in the Rhode Island economy if the credit had not been available. To provide additional insight, ORA also produced breakeven analyses with respect to economy-wide Rhode Island employment and Rhode Island gross domestic product (RI GDP).

To execute these cost-benefit analyses, ORA utilized Regional Economic Models, Incorporated's (REMI) 70-sector model of the Rhode Island economy via the REMI Tax-PI software platform to produce estimates of the total economic effects of the tax credits issued in tax years 2016 through 2018.[23] The dynamic capabilities of the REMI Tax-PI model allows one to estimate the impacts of exogenous shocks to the state's economy, including changes to public policy, shifts in consumer behavior and demand, and developments in industry. The REMI Tax-PI platform operationalizes

[23] Detailed documentation on the REMI Tax-PI v2.3.1 model employed in this analysis is available at: http://www.remi.com/resources/documentation

these insights by augmenting REMI's base economic and demographic model, PI+, with a module that allows the user to enter a state's customized budget, to run fiscal and economic forecasts. Specifically, for each budget item, one can choose an "Indicator", which is the economic or demographic driver of that budget item (e.g., personal income for personal income tax revenue, or age 5-18 population for K-12 education spending), and a "Policy Variable", which is the economic or demographic change associated with a change to the structure of that budget item (e.g., a change in consumer prices for a change in the sales tax).

The analysis is based on self-reported firm-level data on employment and wages, as well as data from Taxation, RIFTVO, and publicly available historical data on the regional and national economies. Direct benefits are entered into the REMI Tax-PI model as policy variables simulating changes in industry sales, exogenous final demand, employment, and compensation or wages. ORA assigned these benefits to a profile of sectors among the 70 sectors available in the REMI Tax-PI model in proportion with the amount of the three-year average motion picture production expenses in each industry.

The "breakeven" approach developed for this report allows a reader to assume that the MPPTC leveraged various levels of economic activity required of recipient firms to receive a tax credit. This assumption means that some varying portion of the economic activity required of recipient firms to receive a tax credit would not have occurred in the absence of the MPPTC program. Under this assumption, firms made some portion of their long-term production decisions based on the availability of a tax incentive over time, and removal of that tax benefit in a particular year would undo all such decisions.

- *Modeling Costs*

ORA assumed that the MPPTC is funded by an equivalent reduction in state government spending – that is, when the state government forgoes revenue by allowing the tax credit, there are fewer funds available for other spending priorities.[24] ORA modeled these adjustments based on a comprehensive historical analysis of Rhode Island general fund expenditures for fiscal year 2018, which represent the most recent expenditure data at the time of the analysis. ORA compiled all state general fund expenditures and assumed that the level of these expenditures could be adjusted to maintain a balanced general fund budget. The breakdown of general fund expenditures by category is shown in the following table:

[24] It should be noted that methodology employed in this report to model the cost of the MPPTC does not include the cost to administer the tax incentive. Under this approach, it is unnecessary to consider administrative costs because it is assumed that the same level of state government expenditures would occur regardless of whether the tax incentive program was in place.

Rhode Island General Fund Expenditures by NAICS
(Fiscal Year 2018)

Industry Description	NAICS Code	Percent of Total
Ambulatory Healthcare Services	621	32.1%
Educational Services	61	30.5%
State Wages, Salary, and other Compensation	n/a (entered as "state/local govt. compensation" and "employment")	25.6%
Social Assistance	624	2.9%
Local Government Spending	n/a (entered as "local government spending")	2.9%
Professional, Scientific, and Technical Services	54	1.4%
Administrative and Support Services	561	1.5%
Wholesale Trade	42	0.6%
Remaining/Other	19 additional industries, and non-residential capital investment	2.6%
	Total:	**100.0%**

Source: ORA analysis of Rhode Island FY 2018 general fund expenditure data.

In addition, ORA decomposed the FY 2018 general fund expenditures data to look at spending by each state government agency, then ORA combined these agencies into different groups based on their functions and duties. The following table describes this breakdown:

<u>Rhode Island General Fund Expenditures by Agency Groups</u>
(Fiscal Year 2018)

Agency Groups *	**Percent of Total**
Elementary and Secondary Education	38.80%
Health Care Services (Medicaid)	37.78%
Behavioral Health and State Hospitals	5.15%
Children, Youth and Families	4.94%
Health and Human Services (Non-Medicaid)	2.78%
Higher Education	2.72%
General Government	2.31%
Corrections	1.81%
Economic Development	1.52%
Courts	0.69%
Public Safety	0.50%
Elected Officials	0.46%
Environment	0.45%
Other	0.10%
Grand Total	**100.00%**

Source: ORA analysis of Rhode Island general fund expenditure data.
Note:
* Breakdown of these groups can be found in Appendix A.

- *Modeling Benefits*

The cost-benefit methodology employed by this report assumes that the availability of the MPPTC resulted in an increase in motion picture industry output. In this way, the primary benefits associated with the MPPTC program are the direct wages paid to MPPTC-recipient firms' employees and spending by MPPTC-recipient firms on goods and services from local vendors. The REMI Tax-PI model also allows for estimation of the indirect and induced impacts resulting from the increase in motion picture industry output increasing household income and increasing output in firms involved in the motion picture industry supply chain. ORA reviewed the certified production expenses and employee information available from Taxation, categorized expenses into a coherent set of policy variables suitable for use with the REMI Tax-PI model, and made adjustments intended to capture the extent to which benefits remained in state consistent with R.I. Gen. Laws §44-48.2-5(a)(8).

One such data adjustment intended to account for spending that flowed outside the state was an adjustment for wages paid to highly paid out-of-state employees. To account for spending that flowed outside the state, an adjustment was made for wages paid to highly paid out-of-state employees. ORA excluded all "above-the-line" compensation from the cost-benefit analysis and included only "below-the-line compensation." As discussed in the "Economic Development Tax Incentives Evaluation Act: Motion Picture Production Tax Credits" report previously published by ORA, 65 percent of total compensation was paid to "above-the-line personnel."[25] Therefore, only 35 percent of the total compensation was included in the current analysis. The practice of

[25] This report can be accessed at
http://www.dor.ri.gov/documents/Reports/MotionPictureTaxCredits.pdf

dividing motion picture wages into "above" and "below the line" categories for purposes of conducting a cost-benefit analysis, as well as the approximate proportion of "above" and "below the line" compensation, is consistent with a recent report published by the Massachusetts Department of Revenue on that state's film tax incentive.[26]

- *The "Breakeven" Approach*

A fundamental challenge in evaluating economic development tax incentives is determining the extent to which a tax incentive stimulated or attracted new economic activity rather than subsidized economic activity that would have been largely present even in the absence of the tax incentive. On one hand, the availability of a tax incentive might have a decisive influence on a firm's production decision. In this case it might be appropriate for an evaluator to attribute all the firm's economic activity to the incentive. On the other hand, an incentive program may simply reward or subsidize behavior that likely would have occurred anyway. In this case the tax credit might have an impact on a firm's marginal productivity, but it would be inappropriate to attribute the full economic activity of the firm solely to the availability of the tax incentive. Real world conditions often make it difficult or impossible for an evaluator to assess where on this continuum the impact of any given tax incentive falls.

In the case of the MPPTC program, the determination of the extent to which production activity would have taken place in the absence of the credit is further complicated by a lack of statutory clarity. For example, a common feature of an economic development tax incentive is a "but for" provision, whereby recipients attest that they would not have engaged in the underlying activity if the credit were not available, possibly with some amount of due diligence taking place to confirm this attestation during the application process. While it should be made clear that a "but for" provision does not represent sufficient evidence in and of itself that the incentive-related activity is net new to the state, its presence at least signals the intent of lawmakers that the credit ought to be awarded to projects that might not otherwise have been undertaken. However, the MPPTC is available to *all* motion picture productions meeting statutory requirements *regardless* of whether the production company had considered competitive out-of-state alternative locations or would have been unable to engage in production without the credit. Given the competitive nature of the motion picture industry and the wide availability of film tax credits across states, it is possible that some portion of MPPTC recipient productions would not have located in Rhode Island but for the availability of the credit. However, it would overstate the economic benefits of the MPPTC program to assume that all productions would not have occurred but for the availability of the incentive.

In this context, ORA conducted a breakeven analysis. This analysis allows for the evaluation of a tax incentive program's performance under a wide range of assumptions regarding the level of economic activity that would have taken place if the tax incentive had not been available. Furthermore, the breakeven analysis specifies the proportion of economic activity associated with the tax incentive program recipient that one must assume to have been attributable to the tax

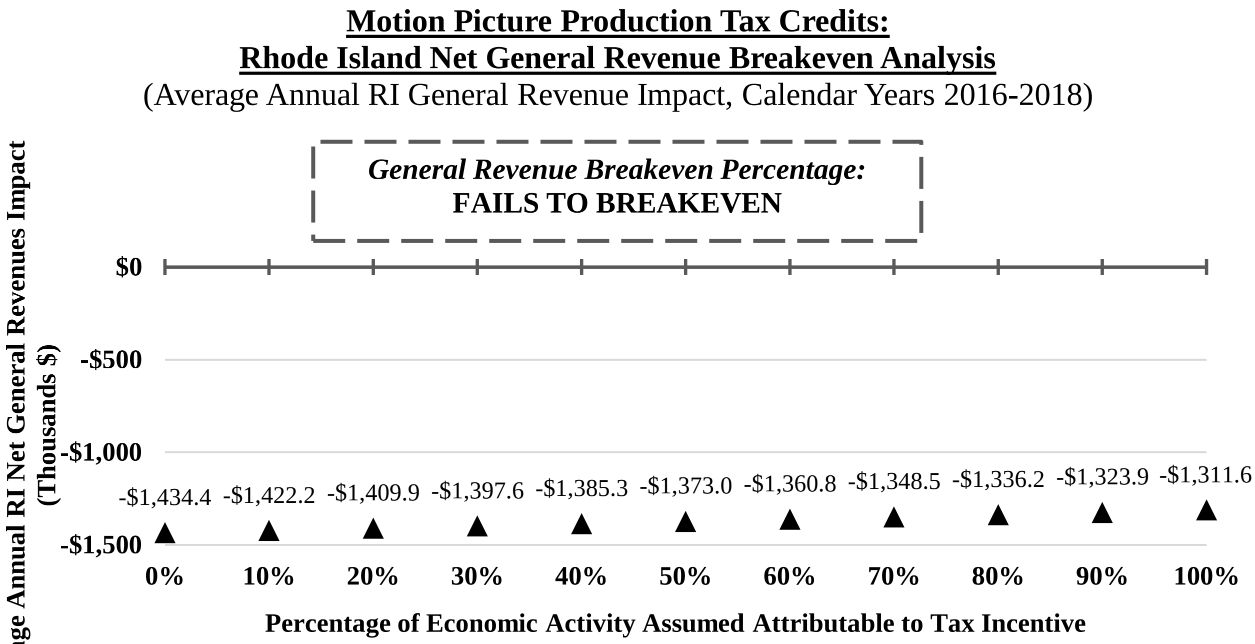
[26] Massachusetts most recent report on Film Industry Tax Incentives can be found in: https://www.mass.gov/doc/dor-report-on-the-impact-of-massachusetts-film-industry-tax-incentives-through-calendar-year-6/download

incentive program for the total benefits to equal its total costs, where benefits and costs are measured as the impact on state general revenues (i.e., the condition that must be satisfied for the incentive program to "pay for itself").

The breakeven percentage should be interpreted as follows: if the reader believes the assumption to be plausible, that at least the amount of economic activity implied by the breakeven percentage can be attributed to the availability of the tax incentive, then one can infer that the tax incentive has a net positive impact on state general revenues. In the opposite case, if the reader believes that the amount of economic activity attributable to the tax incentive was less than the level implied by the breakeven percentage, then one can infer that the tax incentive had a net negative impact on state general revenues. Holding other factors equal, a lower breakeven percentage is more desirable than a higher breakeven percentage if the goal of a tax incentive program is to cost the state as little revenue as possible.

A tax incentive program fails to breakeven, under any counterfactual assumption, when the breakeven percentage is greater than 100 percent. This implies that even if 100 percent of the economic activity associated with the tax incentive recipient was assumed to have taken place strictly because of the tax incentive's availability, a net negative impact on state general revenues would have resulted. Because breakeven percentages above 100 percent do not have a meaningful interpretation, under this outcome ORA simply publishes that the tax incentive program fails to breakeven.

The following chart provides results of the breakeven analysis with respect to Rhode Island net general revenues. Notice in the chart that as the percentage of economic activity attributed to the MPPTC increases, the net impact on State general revenues increases, but never becomes positive. That is, even if all the economic activity associated with motion picture productions that occur in Rhode Island only occur in the state because of the MPPTC, the return to the State in general revenues is less than the general revenues forgone by issuing the tax credit. Therefore, it can be said that the Motion Picture Production Tax Credits program "fails to breakeven" or, in other words, does not "pay for itself" via the increased economic activity associated with the tax credit.



Notes: Label accompanying each ▲ marker refers to the net general revenue impact associated with the percentage of economic activity that is assumed to be attributable to the tax incentive. The net general revenue impact is equal to the difference between state general revenues resulting from the direct, indirect, and induced economic impacts of the MPPTC and the direct cost in foregone revenue to the State.

Source: ORA calculations utilizing REMI Tax-PI

The following table provides more detailed information regarding the State net general revenue impact under the "best case" assumption that 100% of the economic activity associated with MPPTC recipient productions was "caused" by the credit.

Rhode Island Motion Picture Production Tax Credit:
Detailed Net Revenue Impacts
(Average Annual RI General Revenue Impact, Calendar Years 2016-2018)

Item Description	Amount
General Revenue Generated by Credit by Component	
Personal Income Tax	$14,681
General Business Taxes	$14,923
Sales and Use Taxes	$13,758
Other Taxes	$612
Total Departmental Receipts	$(1,703)
Other Sources	$ (1,769)
Total General Revenue Generated by Credit	**$40,503**
Forgone Revenue Due to Credit	**$(1,351,893)**
Net Change in General Revenue, After Paying for Credit	**$(1,311,390)**
New Revenues Generated for Every Dollar of Credit	**$0.03**

Note: Revenue impacts under the "best case" scenario that assumes 100% of economic activity associated with MPPTC program is attributable to the availability of the MPPTC.

Source: ORA calculations based on historical Rhode Island revenue amounts and REMI Tax-PI simulations.

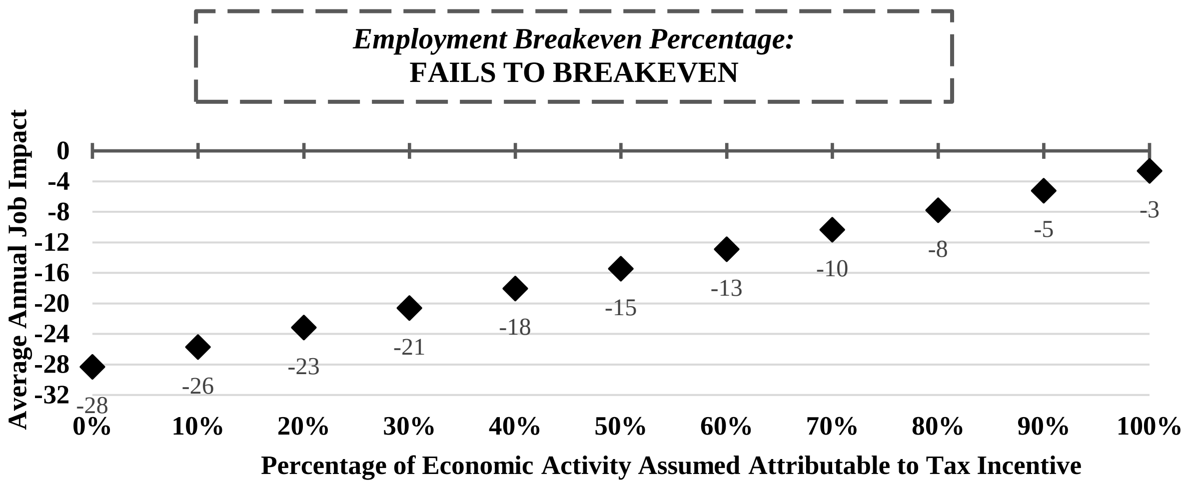
The table above provides the REMI Tax-PI simulation results after removing the $1,351,893 cost of the MPPTC program from the state government spending to account for the foregone revenue that the state undertakes due to the issuance of the MPPTC, and simultaneously adding the total production spending gained by the state economy due to the availability of the MPPTC program.

These results indicate that, if all the production spending associated with the MPPTC program was "caused" by the tax incentive, then the economic activity associated with the MPPTC program generated a total $40,503 of state general revenues. The generated revenue of $40,503 does not account for the $1,351,893 cost of the tax incentive itself. To take into consideration the cost of the tax incentive, ORA subtracted the $1,351,893 average cost of MPPTC over tax years 2016 through 2018 from the $40,503 generated revenue. This is equal to an average annual net loss of $1,311,390 in general revenue. Expressed another way, for every dollar spent on the MPPTC the state generates three cents of new revenue under the assumption that 100 percent of the productions spending would not exist in Rhode Island if not for the availability of the tax credit. This payback ratio shows that new revenues generated from MPPTC incentivized activity may help to mitigate costs of the MPPTC, but it is not enough for the tax credit to "pay for itself." Additional detailed revenue results from different percentage of assumed benefits attributable to the MPPTC program are provided in Appendix B.

The breakeven framework can also be extended to Rhode Island total employment and Rhode Island GDP. In these contexts, the breakeven percentage can be interpreted as the percentage of economic activity associated with MPPTC recipient firms assumed to be attributable to the availability of the tax credit necessary for the increase in total employment or GDP resulting from new economic activity to outweigh the employment or GDP losses resulting from the reduction in government spending necessary to fund the credit.

The following chart shows the results of a breakeven analysis with respect to Rhode Island employment.[27]

Motion Picture Production Tax Credits:
Employment Breakeven Analysis
(Average Annual RI Employment Impact, Calendar Years 2016-2018)



Notes: Label accompanying each ◆ marker refers to net job impact resulting from a cost-benefit analysis assuming the associated percentage of benefits that are attributable to the tax incentive. Employment is equal to the employment impact resulting from the direct, indirect, and induced effects of the MPPTC in addition to the direct employment loss incurred by the State.

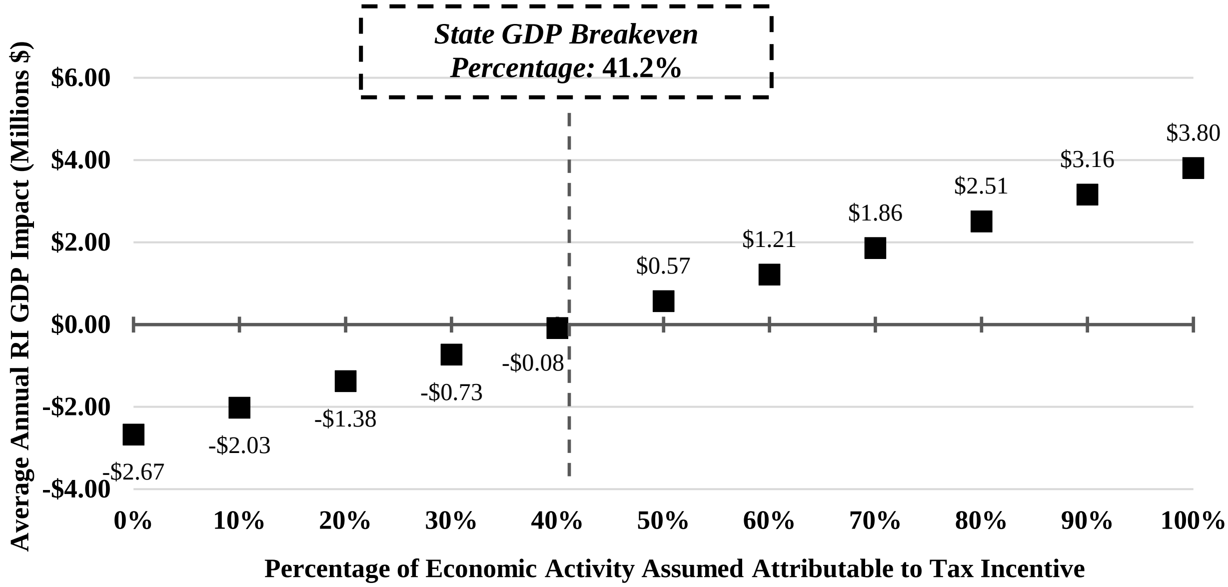
Source: ORA calculations utilizing REMI Tax-PI

The chart above shows the estimated new employment results for different scenarios on how much economic activity was caused by the MPPTC program. These results indicate that the Motion Picture Production Tax Credits "fail to breakeven" in terms of employment. In other words, even if, under the best-case scenario where 100% of the economic activity associated with the MPPTC program is attributable to the availability of the tax credit, the net impact on employment is negative. In addition, ORA decomposed the employment impact into government employment and private non-farm employment impacts. Appendix C shows the results of a breakeven analysis with respect to these types of employment.

[27] Employment represents the sum of private non-farm and government employment.

The following chart shows the results of a breakeven analysis with respect to Rhode Island gross domestic product (RI GDP).

Motion Picture Production Tax Credits:
Rhode Island Gross Domestic Product (RI GDP) Breakeven Analysis
(Average Annual RI GDP Impact, Calendar Years 2016-2018)



Notes: Label accompanying each ■ marker refers to net RI GDP impact resulting from a cost-benefit analysis assuming the associated percentage of benefits that are attributable to the tax incentive. RI GDP is equal to the GDP impact resulting from the direct, indirect, and induced effects of the MPPTC in addition to the direct GDP loss to the state from reduced State expenditures.

Source: ORA calculations utilizing REMI Tax-PI

The chart above shows the estimated Rhode Island GDP results for different scenarios regarding how much economic activity was caused by the MPPTC program. These results indicate that, under a best-case scenario, if 100% of economic activity associated with the MPPTC is attributable to the availability of the tax incentive, ORA estimated a net gain of $3.80 million of GDP in the state. Under the worst-case scenario, if the MPPTC economic activity would have taken place regardless of the availability of the tax credit, the estimated net loss is $2.67 million of GDP across the state economy. These GDP estimates reflect an assumption that Rhode Island forgoes state government spending to provide the tax incentive to eligible companies.

The break-even point, where GDP losses from forgone state government spending are offset by GDP gains due to the tax credit is when approximately 41.2% of economic activity generated by firms receiving the MPPTC is caused by the tax incentive. In other words, the Rhode Island GDP breakeven percentage of 41.2% implies that the MPPTC has a net positive impact on Rhode Island GDP if at least 41.2% of economic activity associated with the MPPTC recipient productions would not have occurred but for the availability of the tax credit.

The fact that the MPPTC breaks even with respect to GDP but not with respect to total Rhode Island employment and state general revenues means that it is possible for the MPPTC to increase total output in the state while still not generating sufficient employment and revenue to "pay for itself.". These findings are consistent with the analysis conducted by other public and private agencies. For example, a 2018 study titled "*Do Movie Production Incentives Generate Economic Development?*" published by economist J.C. Bradbury of Kennesaw State University, found that, nationwide, film incentive programs return an average of only 27 cents per dollar invested.[28]

Part V: Discussion and Recommendations

1. Statement by the CEO of the Commerce Corporation

The Secretary of Commerce, who serves as Chief Executive Officer of the Rhode Island Commerce Corporation pursuant to R.I. Gen. Laws § 42-64-1.1(b), provided the following statement pursuant to R.I. Gen. Laws § 44-48.2-5(a)(6)(iii):

Statement from the CEO of the Commerce Corporation:

We are grateful to the Office of Revenue Analysis for their careful examination of the Motion Picture Production Tax Credit (MPPTC) program. The Commerce Corporation remains committed to the long-term goals laid out in the MPPTC statute to increase economic development, employment, and educational opportunities in the film and television industry. We are pleased to see that the MPPTC has likely stimulated GDP growth in Rhode Island and are open to exploring how the MPPTC can be strengthened to further catalyze economic growth, job creation, and tax revenue generation.

The heightened demand for content creation almost two years into the COVID-19 pandemic means that the motion picture and television industry offers Rhode Island the opportunity to participate in the production of the increased numbers of movies, television shows, and streaming platforms under development nationwide. By keeping Rhode Island an attractive place to do business for these productions, we can draw them in, bringing along the employment, economic development and tourism/marketing opportunities that this tax credit was designed to cultivate. The changes in the statute since the previous report in 2018 — to increase the cap for 2020 and following and allow certain exemptions for productions with costs over $10 million — must be noted in evaluating how the program is evolving to bring in new opportunities.

An important aspect of the MPPTC that went undiscussed in this report is the tourism and marketing opportunities that the motion picture and television production industry brings to Rhode Island. As we have witnessed this past year with the filming of *Hocus Pocus 2* taking place across the state, people come from all around to see the stars, sets, and production equipment, creating economic activity and business opportunities for local shops and restaurants. Additionally, with the release of productions like *The Gilded Age* that prominently feature Rhode Island -- our attractions, and our natural beauty -- we would anticipate seeing further tourism activity. At the end of 2021, HBO (which produced *The Gilded Age*) had more than 70 million subscribers globally, underscoring the broad-based reach and significant impact that these productions can have on our state.

[28] This study is available at: https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3155407

Going forward, we would encourage ORA to more closely consider these and other positive impacts on our economy and labor market. We would also encourage ORA to consider including additional revenue streams such as state and local hotel taxes in its analysis of MPPTC's revenue impacts. In these comments, the Film and Television Office raises multiple points including whether in-state taxes for high wage earners are adequately considered in ORA's evaluation, which we feel merit further inquiry and discussion.

Commerce believes that the state should explore ways to more effectively and efficiently collect data and otherwise improve the evaluation of the MPPTC program, while avoiding unnecessary administrative burdens on the industry. In order to make the most accurate judgements possible about the outcomes of the MPPTC in the future, the Commerce Corporation generally concurs with ORA's recommendation that reforms should be explored to improve the quality of data collection.

The Commerce Corporation also agrees that certain reforms should be considered to the MPPTC, including:

- Consider remodeling the tax credit program to be more competitive in alignment with neighboring states;
- Consider favoring productions that prominently feature Rhode Island or will remain in the state for a multi-year period, creating increased benefits for the state's economy;
- Consider instituting a "but-for" provision or competitive gap analysis in the statute, to ensure that all economic activity created by the program would not have otherwise taken place (including via analysis of costs in Rhode Island vs. other locations under consideration);
- Consider instituting enhancements to the MPPTC that maximize the economic impacts of these tax credits. Illustratively, this could include reforms that further incentivize capital projects.

With the goal in mind of further fostering a thriving motion picture and television production industry in Rhode Island, the Commerce Corporation believes that continued investment in this sector is important. However, we agree that structural and statutory changes to the MPPTC should be considered in order to ensure that the program works as effectively and efficiently as possible and has the greatest positive impact on our state. Commerce looks forward to partnering with the General Assembly, the Rhode Island Film and Television Office, other state agencies, and industry to explore improvements to the MPPTC.

2. Discussion of Data Concerns

As was the case for the first evaluation of the MPPTC program,[29] the current evaluation has found significant non-compliance with data reporting requirements imposed on Motion Picture Production Tax Credit recipient firms. Furthermore, even in instances in which firms have made good faith efforts to comply with data reporting requirements, submitted data may nevertheless be

[29] See *Economic Development Tax Incentives Evaluation Act: Evaluation of "Motion Picture Production Tax Credits" (R.I. Gen. Laws § 44-31.2-5), Tax Years 2013 through 2015* published by the Department of Revenue, Office of Revenue Analysis on March 16, 2018.

inconsistent or unreliable due to inappropriately structured data reporting procedures. As shown in Appendix D, the three major tools used to gather data from MPPTC recipient firms are: the credit application filed with the Rhode Island Film and Television Office; the accountant-certified documentation of qualifying motion picture production expenses submitted to the Rhode Island Department of Revenue, Division of Taxation, Field Audit Section; and Rhode Island Form 8201A, Motion Picture Production Company Tax Credits – Annual Employee Report, filed with the Rhode Island Department of Revenue, Division of Taxation, Credits, and Incentives Section.

When attempting to assemble the necessary data to perform the required evaluation of the Motion Picture Production Tax Credit, ORA has found significant inconsistency and non-compliance. Specifically, there is very limited compliance with the submission of RI Form 8201A. RI Form 8201A requires data from MPPTC recipients such as entity name, address, Federal Identification Number, total number of employees, and total payroll for the prior fiscal year as well as employee-level data including employee type (full-time, part-time, or seasonal), employee name, Social Security number, hourly wage, hours worked per week within Rhode Island, employee's state of residency, and whether or not the employee received health and/or pension benefits. A copy of the form is depicted in Appendix E.

RI Form 8201A was submitted by two of the 11 projects that received MPPTC during the 2016 – 2018 period. The forms that were submitted were from two production companies, with one production company that received multiple motion picture production tax credits submitting a separate RI Form 8201A for each year in which it was issued a tax credit. Therefore, eight out of 10 MPPTC recipient firms failed to comply with the requirement to submit an annual report per R.I. Gen. Laws § 44-31.2-6.1(h).

A major cause of non-compliance with the required submission of RI Form 8201A relates to the timing of the data request as an "annual report" rather than a data submission due prior to the issuance of a tax credit certificate. Data from the Rhode Island Secretary of State Corporate Database suggest that most MPPTC recipient firms are single purpose corporate entities incorporated only for the purpose of a motion picture production.

While compliance with the filing RI Form 8201A is legally required per R.I. Gen. Laws § 44-31.2-6.1(h), there are no specified consequences for MPPTC recipient firm for non-compliance. Furthermore, the short-term nature of the existence of typical MPPTC recipient firms means that any sanctions for non-compliance, if they did exist, might be ineffective as they would take place after the production had been completed and in many cases after the production company had been dissolved or abandoned.

Even among firms complying with all data reporting requirements, including the submission of RI Form 8201A, there were significant quality issues associated with the data that was submitted. Employment counts and compensation information listed on reporting forms frequently do not match between various data collection sources. For example, an informal definition of "employee" might include all personnel engaged for hire in the motion picture production, which might include personnel such as vendors and contractors who are indirectly paid by the production company. Further, the definition of "employee" might be defined as only those individuals meeting the

Internal Revenue Service definition of employee for whom a Form W-2 and personal income tax withholdings are typically filed. For purposes of conducting a tax incentive evaluation, any one of these definitions might be sufficient, provided the information was reported clearly and consistently across data sources. However, characterizations such as “full time” “part time” and “seasonal” are subjective unless the meanings of the terms are properly defined.

Even when data was available, lack of clear guidance and definitions on RI Form 8201A makes the data insufficient for purposes of tax incentive evaluation. RI Form 8201A, for example, does not provide information regarding total length of employment or total wages paid per employee.

In addition, RI Form 8201A would be the primary data source to comply with the requirement under R.I. Gen. Laws § 44-31.2-6.1(d). In this section of the statute, an analysis of MPPTC recipients’ employees receiving RIte Care RIte Share benefits is required to be completed by the RIFTVO with the assistance of the MPPTC companies, the Department of Labor and Training, the Department of Human Services, and the Division of Taxation. Such analysis should be done annually and should be posted on Taxation’s website to be available to the public. ORA was unable to find that such an analysis has been done for any of the recipients of the MPPTC in 2016 through 2018.

It is unclear whether necessary changes and improvements to RI Form 8201A would require legislative action. R.I. Gen. Laws § 44-31.2-6.1(h) proscribes what the data request shall consist of and that the data request be an “annual report” but it does provide the Tax Administrator with flexibility in defining the form and manner of the data request, including requesting “such other information deemed necessary.” This statutory language appears to provide the Tax Administrator with the authority to restructure the data requested from MPPTC recipient firms to provide information that is more useful for purposes of tax incentive evaluation.

3. ORA Recommendations

Finding #1: The statutory goals of the MPPTC are poorly defined and performance measured against statutory objectives is relatively poor.

Related Recommendations:

- Revisit statutory goals to ensure they remain relevant and coherent.
- Impose job quality requirements.
- Provide explicit requirements for productions to prominently feature Rhode Island.
- Incorporate some type of “but for” due diligence.

Discussion Supporting Finding #1:

R.I. Gen. Laws § 44-48.2-5(a)(10) requires the Office of Revenue Analysis to offer recommendations “as to whether the effectiveness of the tax incentive could be determined more definitively if the general assembly were to clarify or modify the tax incentive’s goals and intended purpose.” Discussion related to the goals and purposes of the MPPTC are as follows:

“Strong Capital Base”: Production companies are generally incorporated for only a short time and do not make substantial capital investments in the state.

“An Independent Self-Supporting Industry”: The MPPTC program has been well-established for over fifteen years, but it has not established a lasting, stable motion picture industry. Rhode Island motion pictures and sound recording industries output and Rhode Island motion picture and video industries employment are quite volatile exhibiting no clear trend. Employment remains low and jobs are short-term and low paying. Firms claiming the credit are incorporated for only the duration of the production. The credit program is not self-supporting as measured by a negative return on investment in terms of State general revenue. It is not inconceivable that some of this underperformance is a function of how the MPPTC program is structured with per production limits on tax credits that can be awarded and an aggregate annual maximum on the amount of credits that can be issued.

“Substantial Rhode Island Content”: While some productions have featured Rhode Island, it is not a requirement of the MPPTC program that productions include substantial Rhode Island content. 10 out of 11 productions were filmed in Rhode Island and seven out of 11 had storylines that explicitly referenced Rhode Island.

“Encourages Private Investment”: The fact that the credit is awarded in an amount equal to 30% of total certified production expenses implies that there are $2.33 of private investment associated with each dollar of credit granted.[30] However, in the absence of any statutory provision requiring that productions prove that production would not have taken place without the availability of the credit, it is difficult or impossible to prove that private investment took place due to tax credit availability. It is possible that tax credits are granted to projects that would have taken place even without the incentive being awarded.

“Employment Opportunities”: While certified motion picture productions can employ a large number of people, the majority of compensation is paid to a small number of “above-the-line” employees, who are disproportionately not Rhode Island residents.[31] Local jobs are typically temporary and low paying. Motion picture and video industries employment comprises a small portion of the total Rhode Island workforce when compared to both neighboring and top-performing states. Rhode Island motion picture and video jobs are generally lower paying in both absolute and relative terms compared to neighboring and top performing states.

“Encourages New Education Curricula”: The anecdotal, qualitative data that was provided by RIFTVO regarding educational training programs was not sufficient for rigorous analysis. While it is clear that many of credit recipients offer educational and cultural enrichment opportunities, and that the RIFTVO takes its mission to promote film education seriously, it is not possible to track the effectiveness of film-related educational and labor force training

[30] For $1.00 spent on qualified motion picture production expenses, the motion picture production company receives $0.30 back in tax credits. This implies that motion picture production company’s net actual spending on qualified motion picture production expenses is $0.70. Therefore, $1.00 of MPPTC results in $2.33 of spending by motion picture productions companies (i.e., $1.00/$0.30 *$0.70)

[31] Above-the-line employees are the highly paid employees such as producers, directors, and featured actors,

programs in the absence of outcome data (e.g. Did labor force training programs improve job opportunities or wages for participants?).

Finally, while the program has been revised multiple times, increasing the annual credit cap, increasing the percentage of eligible expenses that generate the credit amount, and extending the sunset provision, it is necessary to also periodically revisit the statutory goals and objectives that the program is intending to achieve. Goals related to public relations and promotion, arts promotion, job development, and capital investment are vague, intermingled, and not prioritized. It is idealistic, but not practical, to assume that MPPTC program can achieve all these goals at once. Furthermore, it is difficult to assess the impact of the credit if it is not clear what metrics to utilize. For example, a cost-benefit analysis of an arts incentive could take a very different form than one targeting job development or tourism. The act of revisiting the statutory goals ensures that the goals and intents of the program are in accordance with the realities and needs of the Rhode Island economy.

Finding #2: Current data reporting requirements lead to inconsistent and unreliable data on program performance.

Related Recommendations:

- Improve timing of data submissions so that all necessary data is captured prior to credit issuance.
- Improve coordination between RIFTVO and Taxation to unify definitions of data captured and reduce redundancy.
- Create consistent definitions, terms, and forms suitable for incentive evaluation.
- Create and enforce penalties for non-compliance with data submission requirements.
- Documents submitted as hard copies should be retained by Taxation.

Discussion Supporting Finding #2:

R.I. Gen. Laws § 44-48.2-5(a)(9) requires the Office of Revenue analysis to offer recommendations "[i]n the case of economic development tax incentives where measuring the economic impact is significantly limited due to data constraints, whether any changes in statute would facilitate data collection in a way that would allow for better analysis." Discussion related to this topic is as follows:

Evaluation of any tax incentive program requires access to complete, reliable, and timely data. Data related to the motion picture production tax credit was found to be lacking for each of these criteria.

Eight out of 10, or 80%, of firms receiving the MPPTC failed to comply with all necessary data submission requirements. The data requested through RI Form 8201A is the primary data collection tool to capture data on MPPTC related employment. This form is submitted after MPPTC credits have been granted. While Taxation makes all appropriate efforts to elicit compliance, there is no penalty for non-compliance.

Even when MPPTC recipient firms make a good faith effort to comply with all data reporting requirements, the information reported is often inconsistent and unreliable. Data collection forms fail to contain adequate definitions of important fields such as full time, part time, temporary, or seasonal jobs. Redundant data may be captured by forms submitted to RIFTVO and Taxation. Employment data fails to capture data in terms sensitive to the nature of short-term motion picture production employment. For example, the annual report RI Form 8201A captures only hourly wage and does not capture total length of employment or total wages paid. Motion picture employment is often intense and limited to the short duration of a production, so employment indicators designed with a traditional 52-week, 40-hour workweek, and salaried jobs in mind are inappropriate.

Taxation is the most appropriate state agency to receive data related to the MPPTC. For data to be reliable and verifiable, it may need to contain personally identifiable information. Taxation is equipped to safeguard such data appropriately. Furthermore, the enabling statute of the MPPTC program provides the tax administrator with significant flexibility to define and structure data requests and modify existing forms' content as appropriate. By requesting data on Rhode Island tax forms, separate from any federal tax form, and requiring consent to limited sharing of data as condition of credit issuance, offices tasked with the evaluation of tax incentives can have sufficient access to timely data.

In addition, standard procedure is for files to be submitted in hard copy, reviewed by Taxation, and returned to production company after review. No permanent records are kept of certain documents submitted only in hard copy. ORA was able to use these records for categorizing qualified production expenses by industry but was unable to assemble detailed employment information.

Finding #3: MPPTC program fails to breakeven; the program has a negative return on investment.

Related Recommendations:

- Limit the amount of qualified production expenses for "above-the-line" staff by imposing per person or absolute limits on compensation.
- Provide exceptions or extra incentive to firms that maintain a long-term presence in the state that create full-time employment or production companies that return for multiple productions or repeat seasons.
- Restructure the MPPTC to accommodate firms that make capital investments in the state such as the establishment and continuing use of sound stages, studios, and/or production spaces.

Discussion Supporting Finding #3:

For tax years 2016 through 2018, the amount of credit a production could receive under the MPPTC program was equal to 25% of total certified production expenses. This means that every dollar of state investment is matched by three dollars of private investment. However, much of the production spending leaks outside of the Rhode Island economy in the form of compensation payments made to highly paid "above-the-line" talent such as producers, directors, and featured actors, with little or no induced economic impact effects generated by this spending. Changing the MPPTC criteria to favor firms that have a long-term presence and full-time employment while limiting credit usage to subsidize highly paid out-of-state talent could increase the return on investment of the MPPTC.

Increasing the required level of capital investment made by MPPTC recipient firms could also improve the return on investment of the credit as current data show that MPPTC recipient firms make little or no capital investment during their short periods of production. Capital investments such as those in durable plant, property, and equipment including studio space, soundstages, and film equipment by their nature are used in multiple productions. The MPPTC is currently focused on subsidizing individual production projects rather than firms with ongoing operations and investments in the state. While it may technically be possible for firms to use the current MPPTC to subsidize capital investments, data reveal that this is not common.

Finding #4: MPPTC usage was low relative to the annual aggregate cap of $15.0 million in tax years 2016 through 2018. This suggests that the funds allocated to this program are more than what is necessary for the motion picture industry in Rhode Island, making revenue impacts difficult to predict.

Related Recommendations:

- Examine the efficacy of the current annual credit cap to determine whether it is appropriately sized for the contemporary motion picture industry.

Discussion Supporting Finding #4:

The overall annual credit cap of $15,000,000 was not fully utilized in tax years 2016 through 2018.[32] In fact, the average annual amount of MPPTC granted was $1,352,131 during this period, or 9% of the annual cap. Many millions of dollars of credit went unused each year in 2016 through 2018.

For budgeting purposes, the revenue impact of the MPPTC is difficult to predict. On one hand, budget planners must be prepared for full utilization of the MPPTC up to the annual cap. On the other hand, such levels of utilization are rarely experienced. Historical usage of the credit has consistently been below the defined cap since the cap's adoption.

[32] According to R.I. Gen. Laws § 44-31.2-5(e) – (f), after December 31, 2019, no more than $20,000,000 in total motion picture production tax credits may be issued for any tax year. Exclusively for tax year 2022, the total amount of motion picture production tax credits that may be issued shall not exceed $30,000,000.

Finding #5: MPPTC does contain a sunset provision, representing a best practice of tax incentive design.

Related Recommendations:

- Consider a moratorium on extending the sunset date of the MPPTC until appropriate changes are made to the current structure of the MPPTC to make it cost effective to the state.

Discussion Supporting Finding #5:

The MPPTC program is currently set to sunset on July 1, 2027. This date is an extension that was passed in the 2019 session of the General Assembly. In the 2017 session of the General Assembly the sunset date was extended to July 1, 2024. In the 2016 session of the General Assembly the sunset date was extended to July 1, 2021 which was an extension from the originally established sunset date of July 1, 2019 that was passed in the 2012 session of the General Assembly. Policymakers should consider enacting changes to the MPPTC prior to any additional extensions of the sunset date.

4. ORA Conclusion and Overall Recommendation

R.I. Gen. Laws § 44-48.2-5(a)(11) requires the Office of Revenue Analysis to make a recommendation "as to whether the tax incentive should be continued, modified, or terminated." On March 2018, ORA completed a thorough evaluation of the MPPTC program and provided numerous recommendations to help solve the identified deficiencies. Unfortunately, the changes that were made to this program did not incorporate these recommendations. Tax incentive evaluations cannot be documents that simply sit on a shelf. The Office of Revenue Analysis recommends that the Motion Picture Production Tax Credit be reconsidered according to the recommendations described in the previous section.

Appendix

Appendix A: Agency Groups Breakdown

ORA Categorization	Agency Name
Behavioral Health and State Hospitals	• Department of Behavioral Healthcare, Developmental Disabilities, and Hospitals • Office of the Mental Health Advocate
Children, Youth, and Families	• Department of Children, Youth, and Families • Office of the Child Advocate
Corrections	• Department of Corrections
Courts	• Judicial Department - Constitution • Office of Public Defender
Economic Development	• Department of Business Regulation • Department of Labor and Training • Executive Office of Commerce
Elected Officals	• Department of Attorney General • General Assembly • Office of Lieutenant Governor • Office of the Governor • Seretary of State • Treasury Department
Environment	• Coastal Resources Management Council • Department of Environmental Management

ORA Categorization	Agency Name
General Government	•Department of Administration •Department of Revenue
Health and Human Services	•Department of Health •Department of Human Services
Health Services	•Executive Office of Health and Human Services
Higher Education	•Community College of Rhode Island •Office of the Postsecondary Commissioner •Rhode Island Atomic Energy Commission •Rhode Island College •University of Rhode Island
Other	•Board of Elections •Commission on the Deaf & Hard of Hearing •Govrnor's Commission on Disabilities •Historical Preservation and Heritage Commission •Rhode Island Commission for Human Rights •Rhode Island Council of the Arts •Rhode Island Ethics Commission
Public Education	•Elementary and Secondary Education
Public Safety	•Department of Public Safety •Military Staff •Rhode Island Emergency Management Agency •State Fire Marshal

Appendix B: Additional Breakeven Scenarios

The following table presents a sensitivity analysis of the Motion Picture Production Tax Credits. ORA ran different economic scenarios across which the input parameters are being varied accordingly to provide the reader with additional possible breakeven analysis outcomes.

"Motion Picture Production Tax Credits"

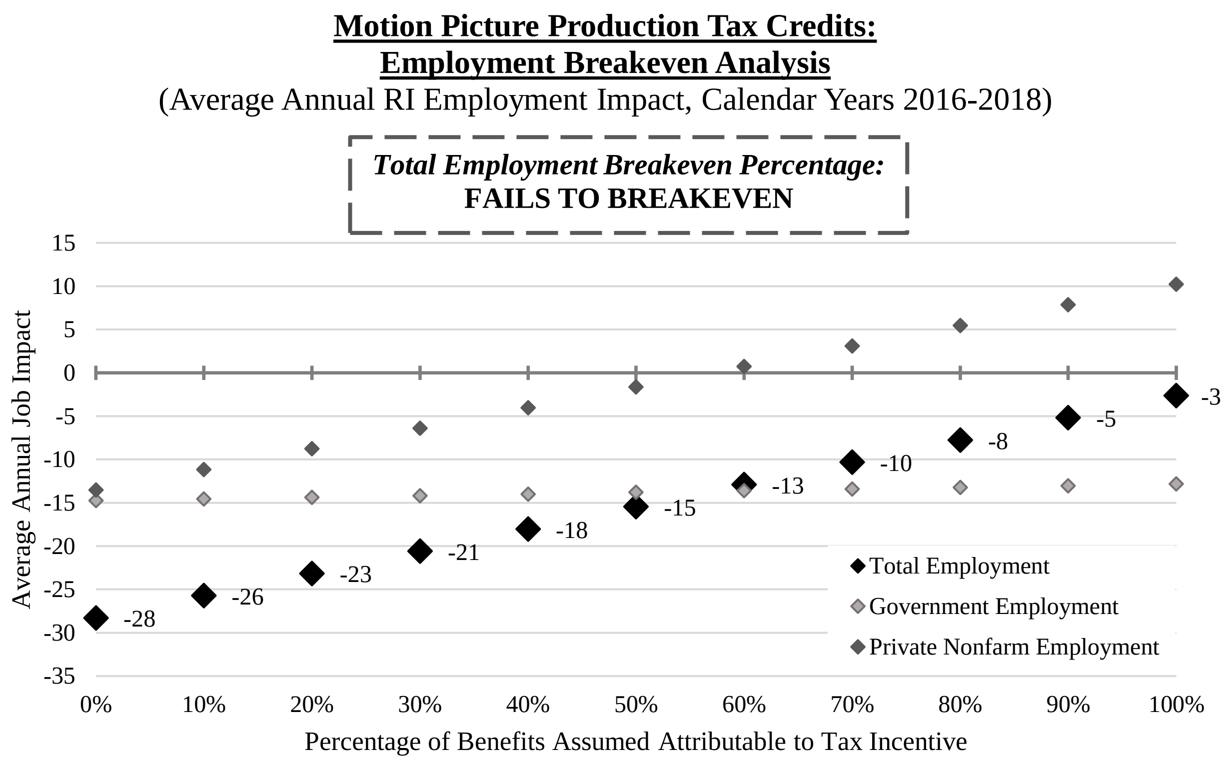
Detailed Economic & Revenue Impacts TY 2016 through 2018

	Policy Variable Percentage Assumed										
	100%	90%	80%	70%	60%	50%	40%	30%	20%	10%	0%
	Economic & Revenue Impacts Calculated										
Total Employment	(3)	(5)	(8)	(10)	(13)	(15)	(18)	(21)	(23)	(26)	(28)
Government Employment	(13)	(13)	(13)	(13)	(14)	(14)	(14)	(14)	(14)	(15)	(15)
Private Non-Farm Employment	10	8	5	3	1	(2)	(4)	(6)	(9)	(11)	(14)
Total GDP ($000)	$3,804	$3,156	$2,509	$1,861	$1,213	$566	($82)	($730)	($1,377)	($2,025)	($2,673)
Generated Revenues by Component ($000)											
Personal Income Tax	$14.7	$10.0	$5.3	$0.6	-$4.1	-$8.8	-$13.5	-$18.1	-$22.8	-$27.5	-$32.2
General Business Taxes	$14.9	$12.6	$10.2	$7.9	$5.6	$3.2	$0.9	-$1.5	-$3.8	-$6.2	-$8.5
Sales and Use Taxes	$13.8	$9.4	$5.1	$0.7	-$3.6	-$8.0	-$12.3	-$16.6	-$21.0	-$25.3	-$29.7
Other Taxes	$0.6	$0.4	$0.2	$0.0	-$0.2	-$0.4	-$0.6	-$0.8	-$1.0	-$1.2	-$1.5
Total Departmental Receipts	-$1.7	-$2.0	-$2.4	-$2.7	-$3.1	-$3.4	-$3.8	-$4.1	-$4.5	-$4.8	-$5.1
Other Sources	-$1.8	-$2.1	-$2.5	-$2.8	-$3.2	-$3.6	-$3.9	-$4.3	-$4.6	-$5.0	-$5.3
Cost of Incentive ($000)	($1,352)	($1,352)	($1,352)	($1,352)	($1,352)	($1,352)	($1,352)	($1,352)	($1,352)	($1,352)	($1,352)
Total Net Revenues ($000)*	($1,312)	($1,324)	($1,336)	($1,348)	($1,361)	($1,373)	($1,385)	($1,398)	($1,410)	($1,422)	($1,434)

Source: ORA calculations based on historical Rhode Island revenue amounts and REMI Tax-PI simulations.

Note: The total net revenues represent the difference between the sum of generated revenues and the cost of the tax incentive.

Appendix C: Breakdown of Employment Breakeven Scenarios



Notes: Label accompanying each ◆ marker refers to net job impact resulting from a cost-benefit analysis assuming the labeled percentage of MPPTC benefits. Employment is equal to the revenue impact resulting from the direct, indirect, and induced effects in addition to the direct cost of the tax incentive.

Source: ORA calculations utilizing REMI Tax-PI

Appendix D: Detailed Description of Data Collection Procedures and Forms

Data Reporting Tool: Motion Picture Production Company Tax Credit Application

<table>
<tr><td>Components:</td><td>Initial Tax Credit Application, Final Tax Credit Application, and Motion Picture Production Tax Credit Information Request Form</td></tr>
<tr><td>Recipient Agency:</td><td>Initial Tax Credit Application and Information Request form submitted to Rhode Island Department of Education, Rhode Island Film and Television Office (RIFTVO).
Final Tax Credit Application Submitted in duplicate to Rhode Island Department of Revenue, Division of Taxation, Forms, Credits, and Incentives Section and RIFTVO.</td></tr>
<tr><td>Data Contained:</td><td>The Initial Tax Credit Application requests comprehensive pre-production information including contact information, mailing address, and background information related to the production company, brief story synopsis, production information including budget and timeline, listing of above-the-line personnel, description of internship, training, and diversity initiatives, and a request for additional documentation.
The Final Tax Credit Application requests the same information requested in the Initial Tax Credit Application updated following the completion of the production.</td></tr>
<tr><td>Comments:</td><td>Due to the timing of the application process, there is 100 percent compliance with this reporting requirement.
Involvement of RIFTVO ensures that question phrasing on the application forms and information requested reflects film industry norms.
Job and employment information does not contain names and Social Security numbers or other personally identifiable information necessary for verifying employment and taxes paid (note that it may not be appropriate for RIFTVO to be in possession of confidential personally identifiable information).
Job and employment information is not sufficiently detailed for purposes of conducting economic analysis.</td></tr>
</table>

Data Reporting Tool: CPA Certification of Motion Picture Production Expenses

Components:	Accountant-Certified Documentation of Qualifying Motion Picture Production Expenses
Recipient Agency:	Rhode Island Department of Revenue, Division of Taxation, Field Audit Section
Data Contained:	Production "Bible" contains complete line-item listing of all production expenses with sufficient supporting documentation to verify whether each expense can be designated as a "qualified" production expense. Any information submitted electronically is retained by Taxation, while files submitted in paper are routinely returned to the tax credit recipient at the conclusion of the review period.
Comments:	• Due to the timing of the application process, there is 100 percent compliance with this reporting requirement. This step is necessary to be awarded tax credit. • Detail is comprehensive, but data from various projects are not formatted or organized consistently. Appropriate for accounting purposes, but not designed for economic analysis. • Some data useful for purposes of economic analysis, such as employee-level payroll information, is collected and reviewed by Taxation, but no permanent records are retained. • Standard procedure is for files to be submitted in paper, reviewed by Taxation, and returned to the production company after review. No permanent records are kept of certain documents submitted only in hard copy. ORA was able to use these records for categorizing qualified production expenses by industry but was unable to assemble detailed employment information.

Data Reporting Tool: Rhode Island Form 8201A

Components:	Rhode Island Form 8201A, Motion Picture Production Company Tax Credits – Annual Employee Report
Recipient Agency:	Rhode Island Department of Revenue, Division of Taxation, Forms, Credits, and Incentives Section
Data Contained:	Production company contact information and federal employer identification number (FEIN), total number of employees, total payroll, employee-level information including employee type (seasonal, full time, or part time), employee name, Social Security number, date of hire, hourly wage, hours worked per week within Rhode Island, state of residency, and whether the employee received health insurance and pension benefits.
Comments:	• Data requested and wording of form does not reflect film industry norms and characteristics of recipient firms. For example, employees can be listed as part-time or seasonal, leaving it unclear how to designate an employee that is full-time for the duration of a project should be listed. • Data is insufficient for purposes of economic analysis. For example, the form requests hours per week but not total hours or weeks worked for the duration of the project. Timing and structure of annual report leads to significant non-compliance. • Annual report is requested after the credit has been awarded. In many cases this may be after a production company incorporated solely for the purpose of a single motion picture production have been dissolved or abandoned. This makes compliance highly unlikely and any sanctions for non-compliance moot. • While the form is legally required, there is no consequence specified for non-compliance. This form does contain personally identifiable information necessary for employee identification, but significant non-compliance makes the sample size insufficient for rigorous analysis. • Taxation is the appropriate entity with adequate policies and procedures in place to handle confidential and personally identifiable information such as is contained in this form. • For tax credit recipients engaged in multiple projects, there is no listing of the portion of each employee's time dedicated to the tax credit qualifying project.

Appendix E: Rhode Island Form 8201A "Annual Report

Instructions for Form 8201A
Motion Picture Production Tax Credits
Annual Employee Report

Due September 1, 2017

Complete all informational lines at the top of the form, including name, address, city, state and ZIP code, and federal identification number.

In addition, please provide your total number of employees and your total payroll for the period of July 1, 2016 through June 30, 2017.

In the first column, please indicate if the employee is a full time employee, a part time employee or a seasonal employee.

In the space provided, or on a separate sheet(s), provide the following information for each employee: name, **full social security number**, date of hire, hourly wage as of July 1, 2017, the number of hours worked per week within the State of Rhode Island by the employee and the employee's state of residency.

In the last two columns, please indicate with either a yes or no, whether or not health insurance benefits and/or pension benefits are offered to the employee.

All information is required for all company employees. This list should not include actors/actresses, directors, producers, etc who may have worked on the motion production, but who were not employed by the company.

This form must be filed by September 1, annually.

This Annual Report is being sent as a guide. A fillable version can be found online. You may either complete the fillable version on-line, print it out and send it in; send the report as an Excel spreadsheet or a txt (csv) file (be sure to send in the file format) via CD-ROM or DVD; or you may send the file via secure ftp. In order to file via secure ftp, send an email to Donna.Dube@tax.ri.gov. You will then be sent an email containing the secure link.

Regardless of format, the report must contain all required information as shown on the Annual Report form.

A fillable version of this form is available online at: www.tax.ri.gov/taxforms/misc.php#reporting .

All Annual Reports, regardless of format, shall be submitted to Donna Dube by either:

mail: Rhode Island Division of Taxation
Forms, Credits & Incentives Section
One Capitol Hill
Providence, RI 02908
Attn: Donna Dube

or email: Donna.Dube@tax.ri.gov

Pursuant to RIGL 44-31.2-6.1, all companies receiving Motion Picture Production Tax Credits under § 44-31.2 shall file an annual report with the tax administrator containing information on each employee as deemed necessary by the tax administrator.

Important Definitions:

"Health Insurance Benefits" means any health insurance plan offered by the eligible company to its employees regardless of whether or not the employee takes advantage of the plan.

"Retirement Benefits" means any retirement plan offered by the eligible company to its employees regardless of whether or not the employee takes advantage of the plan. This could be in the form of a SEP, a SIMPLE, a 401K plan, a profit sharing plan, a defined benefit plan, a deferred compensation plan or any qualified employer plan.

NOTE: An employee who is required to complete a reasonable probationary period to be eligible for healthcare or retirement benefits is deemed to have "earned" those benefits from day one of their employment.

Form 8201A
Annual Report

State of Rhode Island and Providence Plantations
Division of Taxation
Motion Picture Production Company Tax Credits - Annual Employee Report
Due September 1, 2017

ENTITY NAME			
ADDRESS			
CITY		STATE	
FEDERAL IDENTIFICATION NUMBER			

TOTAL NUMBER OF EMPLOYEES	
TOTAL PAYROLL - JULY 1, 2016 - JUNE 30, 2017	

***** ALL INFORMATION IS REQUIRED FOR ALL EMPLOYEES *****

Indicate Employe Type:Full time, Part time or Seasonal Employee	Employee Name	Social Security Number	Date of Hire	Hourly Wage as of 7/1/2017	Hours Worked Per Week Within Rhode Island	Employee's State of Residency	Health Insurance Y/N	Pension Benefits Y/N

If additional space is needed, please attach a separate sheet(s) with the additional information.

Under penalties of perjury, I declare that I have examined this return, and to the best of my knowledge and belief, it is true, correct and complete .

Signature of authorized officer | Date | Signature of preparer | Date

Title | MAY THE DIVISION CONTACT YOUR PREPARER ABOUT THIS RETURN? YE☐ N☐ | Telephone number

07/2017 **MAILING ADDRESS: DONNA DUBE, RHODE ISLAND DIVISION OF TAXATION, FORMS, CREDITS & INCENTIVES SECTION, ONE CAPITOL HILL, PROVIDENCE, RI 02908**