

Tax Incentives for Video Game Companies

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State governments across the country are competing to attract video game developers to stimulate local economies. As part of this effort, at least 20 states have enacted legislation to provide tax incentives to interactive media companies. Most of these incentive packages have been implemented in the past five years. Typically, the tax incentives take the form of credits, grants, and exemptions. The incentives are often administered by a state's film office.

The list below is intended to provide a state-by-state overview of the tax incentive packages and the general character of each state's plan. This list is not intended to provide a comprehensive summary of each plan. However, where available, links to further detailed resources are provided.

We are following tax incentive legislation for game developers pending in several other states. Check back for periodic updates or email us at info@beckreed.com, and we will automatically send the latest updates as they become available.



Alabama

In 2009, Alabama enacted an entertainment industry incentive plan granting a 25% tax credit for production costs and a 35% rebate for salaries paid to Alabama residents.

www.alabamafilm.org/Act2009-144-2.pdf

Arkansas

As of 2009, Arkansas provides a 15% rebate on qualified production costs as well as a 10% rebate of wages paid to Arkansas residents.

<http://arkansasedc.com/arkansas-film-commission/incentives.aspx>

Colorado

The Colorado Film Incentive program offers a 10% cash rebate video game design and creation. To qualify, Colorado-based production companies must have in-state spending of at least \$100,000 while an out-of-state production company must have at least \$250,000 in qualifying expenses. In addition, at least 25% of the workforce on every project must be Colorado residents.

Colorado's incentive program is run by its Office of Film, Television, and Media:

<http://www.coloradofilm.org/incentives.html>

Connecticut

Connecticut provides a tax credit equal to 30% of qualified digital media and motion picture production, preproduction and postproduction expenses incurred in the state that exceed \$50,000.

<http://www.ct.gov/CCT/cwp/view.asp?a=2126&q=316550>

Florida

The 2009/2010 Florida Film, Television, and Digital Media Incentive offers a 10% cash rebate for qualified expenditures of \$300,000 or more.

<http://www.filminflorida.com/ifi/incentives.asp>

Georgia

Georgia's Department of Economic Development offers animation, interactive entertainment, and video game development companies a 30% tax credit on qualified Georgia expenditures.

<http://www.georgia.org/GeorgiaIndustries/Entertainment/VideoGames/Pages/default.aspx>

Hawaii

Hawaii provides a 15-20% Motion Picture, Digital Media, & Film Production Income Tax Credit. This refundable tax credit is based on a production company's Hawaii expenditures while producing a qualified film, television, commercial, or digital media project.

http://www.capitol.hawaii.gov/hrscurrent/Vol04_Ch0201-0257/HRS0235/HRS_0235-0017.htm

Indiana

Indiana's Media Production Expenditure Tax Credit provides a 15% refundable tax credit for digital media productions with in-state expenditures greater than \$50,000. Indiana's media tax credit program is currently set to expire on December 31, 2011.

<http://www.in.gov/film/26.htm>

Kentucky

Kentucky provides a refundable income tax credit of up to 20% of approved expenditures.

<http://filmoffice.ky.gov/incentives.htm>

Louisiana

Louisiana provides a 25% tax credit for digital interactive media expenditures and a 35% credit for payroll expenditures for Louisiana residents.

<http://tinyurl.com/y96bgoq>

Maine

Maine's incentive program provides a wage rebate equal to 10% of non-Maine residents' wages and 12% of Maine residents' wages. There is an income tax offset for companies investing in Maine productions. Exemption of 5% tax for approved productions on production-related expenses. No location fees for state property. Exemption from tax on 95% of the cost of fuel/electricity used at production sites such as locations/studios. Free use of surplus state property such as furniture/office equipment.

http://www.filminmaine.com/files/mafi_explained.pdf

Massachusetts*

* Alas, the Commonwealth of Massachusetts does not have tax incentives for video game companies. In November 2005, Massachusetts enacted a law granting tax incentives for the film industry. The incentives for movie productions in Massachusetts now include sales and use tax exemptions for purchases made in connection with the filming or production of motion pictures. The credit is equal to 25 percent of the Massachusetts qualified production costs, not to exceed \$7 million per film project. State-owned property is available to production companies free of charge.

Legislation filed this year in the Massachusetts House of Representatives by State Rep. Vincent A. Pedone (D-Worcester) would extend a tax incentive to video game developers. The bill was referred to the Joint Committee on Revenue in March 2011. The proposed legislation is here: <http://www.malegislature.gov/Bills/187/House/H03301>

Video game tax credit legislation proposed in the Massachusetts House of Representatives by State Rep. John Binienda (D-Worcester) during the previous legislative session was not passed.

Michigan

Michigan's tax incentives give the entertainment industry a refundable business tax credit of up to 42% for production costs spent in the state

<http://www.michigan.gov/filmoffice/0,1607,7-248--168008--,00.html>

New Jersey

The New Jersey Film and Digital Media Tax Program provides a 20% credit to companies that spend at least \$2,000,000 in New Jersey. Further, New Jersey's incentive program has the following personnel eligibility requirements: at least 50% of the "digital media content production expense shall consist of wages and salaries for full-time digital media employees in New Jersey. The taxpayer shall create and maintain a minimum of 10 new full-time digital media jobs with an annual salary of at least \$65,000. The taxpayer shall utilize the remainder of the expense requirement to create full-time digital media jobs with an annual salary of at least \$36,000."

A [February 17, 2011, report](#) of the New Jersey Economic Development Authority and New Jersey Treasury evaluated New Jersey's incentive program and concluded that "[t]he digital media tax credit program is not well designed and has not attracted attention from the relevant industry participants, therefore we recommend that the current digital media credit be restructured. . . ."

Due to budgetary constraints, New Jersey's tax incentive program has been [suspended](#) until June 30, 2011, but new applications are currently being accepted.

<http://www.njfilm.org/Incentives.htm>

New Mexico

New Mexico offers a 25% tax rebate on all direct production expenditures, including New Mexico crew, that are subject to taxation by the State of New Mexico. The state film office touts that there is no minimum budget requirement, no minimum spend requirement, no prequalifying, and no cap.

<http://www.nmfilm.com/filming/incentives/tax-rebate.php>

North Carolina

In 2010, North Carolina enacted an incentive that provides a 15% tax credit to video game developers for salaries, as well as a credit for expenses paid to participating community colleges and research universities to develop games.

<http://www.newsobserver.com/2010/07/23/593855/video-games-get-tax-break.html>

Ohio

Since 2009, Ohio offers a tax credit equal to 25% of production expenses and 35% of Ohio resident wage production expenditures.

<http://www.discoverohiofilm.com/Incentives.aspx>

Rhode Island

Rhode Island offers a 25% tax credit to video game developers.

<http://www.film.ri.gov/>

Texas

Texas' incentive program returns 5% of Texas spending for video game developers spending at least \$100,000 in Texas. The grant increases to 6.25% if 25% of production occurs in underused areas.

<http://www.gamepolitics.com/2008/08/01/texas-awards-first-grant-game-developer>

Virginia

In 2010, Virginia enacted a tax credit for digital interactive media production (i.e., video games). Incentives include discretionary grants and certain tax exemptions.

<http://www.film.virginia.org/incentives/incentives.aspx>

Wisconsin

Wisconsin provides a credit of 25% of direct production expenditures for video game development. There is an investment tax credit of 25% for investing in Wisconsin-based productions. There is also an income tax credit of 15% for electronic game production businesses that make a capital investment by starting a business in Wisconsin.

This list does not attempt to describe one-off incentive plans like the one deployed in Rhode Island in 2010 to land 38 Studios, or the one offered by Utah in 2008 to lure Disney Interactive Studios, Inc.

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