



**For Immediate Release**  
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**Contact: Saeed Ali**  
213-847-7777 (office)  
213-505-2839 (cell)

## **ALARCÓN INTRODUCES MOTION TO INCREASE THE ENTERTAINMENT BUSINESS TAX CAP, WHICH WILL REDUCE TAXES FOR HUNDREDS OF SMALL AND MEDIUM-SIZED PRODUCTION COMPANIES**

As part of his continuing efforts to help retain and attract the film, TV and commercial production industry in Los Angeles, today, City Councilmember Richard Alarcón introduced a motion directing the City Attorney, in consultation with the Chief Legislative Analyst (CLA) and City Administrative Officer (CAO), to prepare an ordinance within 30 days that would raise the Entertainment Production Cap from \$2.5 million to \$5 million. The motion also directs the CLA and CAO to report to the Jobs and Businesses Development Committee on the economic impact that such an ordinance would have on the City of LA.

“The film, TV and commercial production industry employs tens of thousands of people in the City of Los Angeles, yet our workers are in constant jeopardy as productions chase tax incentives across the globe, leaving Los Angeles to take the economic hit and our workers to lose their jobs,” said Councilmember Alarcón. “Production companies are focused on their bottom line, and my motion would help small and medium-sized companies reduce their bottom line by lowering their taxes and creating a new incentive to do business in Los Angeles.”

David Phelps, Director of External Relations, Association of Independent Commercial Producers (AICP) said, "While modest in scope, we believe this proposal will encourage small production houses across Southern California to keep their projects in LA. The vast majority of commercial production houses have less than \$5 million a year in production costs, which means that most of our member companies will see real tax relief under this proposal and have another incentive to keep their productions local."

Currently, the city assesses tax liability on film production companies through a flat fee of \$145 on production costs up to \$2.5 million. This represents the minimum threshold to which \$1.30 is accessed for each additional \$1,000 in production costs filmed within the City incurred in excess of \$2.5 million. This rate-per-thousand system taxes all production costs up to a maximum of \$12 million or \$12,495 in direct city taxes. The Business Tax Advisory Committee (BTAC) Incentives Subcommittee has recommended this modest cap adjustment from \$2.5 million to \$5 million for the Entertainment Production Cap, as it will assist in retaining our current level of film activity while bringing recently displaced production back to the City of Los Angeles. This item is also included in a series of tax incentives that BTAC recommended studying, however, Alarcón introduced it as a separate motion to move this piece forward more quickly.

If the entertainment production cap were to be increased from \$2.5 million to \$5 million, at least 535 local production companies, including post-production companies, boutique production houses and commercial production companies, would receive a reduction in their taxes. In fact, according to the Association of Independent Commercial Producers' 2010 Annual Member Survey, the median sales per commercial production company was \$2.79 million a year. Raising the threshold to \$5 million would provide significant tax savings to small and medium-sized production businesses, such as these commercial production companies, at a minimal cost to the City and would ultimately create more revenue for the City as businesses stay, expand or open within our borders. Initial reports show that this adjustment will have a negligible impact on the City's tax base, with a projected direct loss in city revenues of only \$382,889 for the income lost for the companies earning between \$2.5 and \$5 million. However, recent revenue trends suggest the loss could be offset by consistent revenue growth that has been exhibited under the existing tax structure.

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Councilmember Alarcón is the Chair of the Jobs & Business Development Committee, which oversees issues of filming for the City. He has moved an aggressive agenda of items to make it easier and cheaper to produce film, TV and commercials in Los Angeles. Items that have been implemented to-date include implementing free parking at City lots and under DWP power lines, creating power nodes at heavily-filmed areas, creating better processes for posting of signage and street-closures. These are all part of 19 recommendations introduced by Alarcón and approved unanimously by the City Council in October of 2009.

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