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State pays down \$100 million in film credit backlog

Paying debt helps NM attract new productions

SANTA FE -- By the end of this week, the New Mexico Taxation and Revenue Department will have paid out nearly \$100 million in backlogged film credits for about 100 film and television shows produced in the state over the past several years that were allowed to build up by the prior state administration.

Another \$95 million is available to be paid out over the coming fiscal year to productions that have completed filming as part of the new administration's efforts to clear the backlog and ensure sound footing for the film and television industry in the state into the future.

Gov. Michelle Lujan Grisham made fulfilling the state's film rebate commitments a priority for the 2019 Legislature. Through a bill sponsored by Sen. Nancy Rodriguez, legislators agreed to make up to \$225 million available.

"In New Mexico, we pay our debts, simple as that," Gov. Lujan Grisham said. "These film and television producers made a commitment to our state, employing New Mexicans and providing an economic boost to all sorts of local companies in rural and urban communities alike. This administration will continue to proactively and aggressively fix the issues we inherited while at the same time

building on shared priorities that keep New Mexicans employed. I thank the Legislature for their commitment to this goal.”

Film companies are eligible for a tax credit on wages they pay to New Mexico residents and goods and services they purchase in the state.

Under the previous law, payouts were capped at \$50 million per year, but productions above that cap kept being approved for future credits, causing the backlog to accrue. Senate Bill 2 raised the annual payout to \$110 million and created a \$100 million cap on how much unpaid liability the state can accrue beyond the annual cash payout.

Companies like Netflix and NBCUniversal that commit to remain in the state under a new 10-year partnership program are now exempt from the annual cap. This exemption for long-term film partners encourages use of the credit for companies that create stable and long-term jobs and economic impact in New Mexico.

Ninety-eight shows submitted tax returns claiming the \$98.5 million in credits that are going out this week, with payouts ranging from \$1,300 to \$15 million.

Eight additional projects claiming credits totaling \$19 million will be paid in September. Another \$55 million in credits have been identified and are expected to be paid out over the next fiscal year or two.

“This week’s payout is about honoring New Mexico’s commitment to the film industry,” said Taxation and Revenue Secretary Stephanie Schardin Clarke. “The world needs to know that New Mexico is open for business and that our amazing local crews and supporting businesses are poised like never before to meet the needs of the film industry.”

“We are keeping our promises,” said Cabinet Secretary Alicia J. Keyes of the Economic Development Department. “The fact that New Mexico is paying its IOUs is one reason we are seeing an uptick in new business. That’s good news going forward: It means more jobs for our local actors and crews and more investment in the state.”

New Mexico Film Office Director Todd Christensen said the backlog of payments was affecting industry planning.

“Productions can now plan and budget with more certainty, and that means the state is a much better place to do business than it was a year ago,” Christensen said. “The industry has noticed New Mexico wants to be a serious partner.”

The rebates reflect just a fraction of what the industry has spent in New Mexico. Since New Mexico passed its film incentives law in 2003, the film and television industry has spent \$3.5 billion in the state.

So far in fiscal year 2019, industry spending here has reached \$332 million.

With its purchase of Albuquerque Studios, Netflix is expected to hire more than 1,000 employees, while NBCUniversal has pledged to hire more than 330 year-round full-time employees and spend \$500 million in New Mexico in the coming decade.

The new Film Production Tax Credit Act that takes effect July 1 not only authorizes the back payments but also:

- More than doubles annual payout to \$110 million per year for qualified expenditures.
- Establishes an extra 5 percent incentive for productions in areas outside the Santa Fe-Albuquerque corridor.
- Establishes an exemption for partnership production studios that agree to purchase or lease a facility in the state for at least 10 years. The work done by these partners is exempt from the cap.
- The credit ranges from 25 to 30 percent, depending on location and whether it is a recurring television production or film, with an additional 5 percent incentive for productions outside the Rio Grande corridor.
- Requires quarterly reporting on taxpayer money spent on the rebate program with greater transparency and cooperation between the Film Office, Economic Development Department and Taxation and Revenue Department.