

May 10, 2012

Committee on Ways and Means
Select Revenue Measures Subcommittee
Chairman Camp and Ranking Member Levin
Hearing on Certain Expiring Tax Provisions
Thursday, April 26, 2012

Chairman Camp and Ranking Member Levin,

We are writing to urge the Committee on Ways and Means to include in the tax extender legislation being considered, language, commonly known as Section 181, which will maintain film and television productions in the United States.

The United States Film and Television Industry

The film and television industry is a vital component of the United States economy. It generates a positive balance of trade in virtually every country in which it does business, and employs over 2 million American workers, both directly and through a myriad of businesses that provide the foundation and support to this industry. In total, nearly \$137 billion in wages were paid to those workers in 2009, including writers, performers, producers, crafts people, technicians, accountants, cinema employees, and many more employed in ancillary businesses. Few industries in the world can match what the US film and television business has achieved since its creation over 100 years ago.

Contrary to popular perception, the film and television business is mainly comprised of a network of small businesses located across the country, of which 83% employ fewer than 10 people. The industry contributes billions each year to United States companies, entrepreneurs and small businesses and generates over \$15 billion annually in state and federal taxes.

With production of films and TV programs occurring throughout the United States, this industry creates well-paying jobs and generates tangible economic benefits to cities and states nationwide. A typical motion picture employs 350-500 people. Production jobs have an average salary that is 73% higher than the current nationwide standard. A major motion picture shooting on location contributes \$225,000 every day to the local economy, so it is no surprise that it is seen as a critical engine of economic development in many places across the country.

The History of Section 181

In response to a growing number of foreign countries implementing policies to attract American productions, Congress included provisions, known as Section 181, in

the Conference Report to the American Jobs Creation Act of 2004, P.L. 108-357 (JOBS). The provision was amended in 2008 to further encourage production to remain in the United States and renewed as part of the tax extenders packages included in the Emergency Economic Stabilization Act, P.L. 110-343 and then again in 2010 in the Tax Relief Unemployment Reauthorization and Job Creation Act, P.L. 111-312.

Importance of Section 181

Section 181 was originally created by the JOBS Act with our strong support. The provision is a modest, yet important tool to help ensure that feature film and television productions remain in the United States. Section 181 helps to counteract the foreign incentives by lowering the cost of capital for domestic production by providing immediate expensing on the first \$15 million of film production costs. To be eligible, 75% of the production must occur in the United States.

Additionally, the film industry has been excluded from general provisions to increase business investment in this country, including bonus depreciation measures which cover virtually every other American industry. In recent years, one factor justifying the discriminatory treatment of film investment under the bonus depreciation provision was the existence of Section 181. To end this vital provision at a time when other industries still receive far greater incentives for capital investment would not only be unfair, it would hasten migration of film and television production overseas. This industry, which is such an important economic engine for many cities and states, should not be singled out for a tax increase.

Extending Section 181 will continue to promote capital investment and production in the United States. This will not only help to promote well-paying film industry jobs, but will also have a ripple effect across broad sectors of the economy by generating revenue and employment opportunities for a wide range of local businesses, such as caterers, dry cleaners, lodging, equipment rental facilities, transportation vendors, and many others.

We urge the Committee on Ways and Means to include the Section 181 provision in the tax extender legislation currently under review.

Sincerely,

DAVID DREIER
Member of Congress

HOWARD L. BERMAN
Member of Congress