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Study Finds North Carolina Film and TV Tax Incentive Spurs Economic Growth, Yields Positive Return on Investment

A new study released by Dr. Robert Handfield, a distinguished professor at North Carolina State University's Poole College of Management, found that the state tax incentive intended to attract film and television production to the State has produced a significant return on investment for North Carolina's economy.

Beginning in 2007, when the incentive was first enacted, through 2012, the film and television industry has spent $1.02 billion in the state, and generated a projected $170,000,000 in tax revenue. The cost of the credit over the same time period was $112,000,000. The result means that for every dollar of credit issued, the industry generated $9.11 in direct spending and contributed $1.52 in tax revenue back to North Carolina.

The study, titled "A Supply Chain Study of the Economic Impact of the North Carolina Motion Picture & Television Industry", aims to quantify the incentive's return on investment (ROI) and using predictive models, determine what the financial impact will be both if the incentive is extended, and if the incentive is allowed to expire.

"The objective of this study was to present a clear picture of the film and television production incentive, how it impacts North Carolina's economy, and how without it, the landscape for the industry might be drastically different," said the study's author Dr. Handfield. "The findings are quite clear on these matters, and reveal the incentive to be the driving force behind the economic success of North Carolina's film and television industry."

Below are highlights of the study's key findings:

- The direct spend by the film and television industry in North Carolina from 2007-2012 is $1,020,000,000. When compared to the cost of the credit ($112,000,000) over the same period of time, the result is for every dollar of the credit issued, the industry spends $9.11 within the State.

- The projected tax revenue collected as a result of film and television production from 2007-2012 is $170,330,307. When compared to the cost of the credit ($112,000,000) over the same period of time, the result is for every dollar of the credit issued, the industry generates $1.52 in tax revenue back to the State.

- For 2012 alone, the production tax incentive contributed a net positive cash flow of $25.3 million for North Carolina. This is the difference between the 2012 cost of the incentive ($60.14M) and tax revenue collected by state and local government ($85.4M).

- The incentive has allowed North Carolina to maintain a permanent crew base, providing 4,259 jobs at an average wage of $66,000, which is over a third higher than the national average for private industry ($41,750).

- Using predictive modeling forecasts, the study finds that if the production incentive is allowed to expire, 4,046 jobs would be eliminated and the industry's tax contribution would shrink to $4.3M. Additionally, research predicts a loss of over $164M in business revenue to more than 1,000 small businesses across the State.

- The predictive model shows a significant benefit to the State associated with extending the production incentive. Empirical survey results and cost model projections suggest the industry would grow to a projected $587M, which would begin to rival the size of the industry in Georgia ($880M). The extension would also result in a projected work force of nearly 31,000, nearly 6,400 of which would be full-time production jobs.

About Supply Chain Analyses:
Applying an economic process model used widely in the business world, this supply chain economic impact study provides a bottom-up net cost-benefit analysis of the value to the state and local communities of North Carolina's film and TV production tax incentive. Supply chain analyses examine production from procurement to delivery, providing a broader perspective of total economic value and impact. In the case of motion picture and television production—which is unlike any other industry—this approach yields a more accurate measure of the resulting flow of funds, goods, services, employment, wages, and taxes paid. It therefore presents a more reliable assessment of North Carolina's significant positive economic return on the state's investment in its film production tax incentive.

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About Supply Chain Redesign, LLC:
Supply chain management considers the economic functions of the entire value chain of a product or service, not just those functions limited to a specific firm. We are a team of highly skilled Supply Chain Professionals who bring integrated solutions to global clients. We focus on "Leap Frog" operating models that integrate functions across the company, as well as suppliers and customers across the extended supply chain.