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New Jersey Tax Incentives Boost State as Hot Filmmaker Locale

By Danielle Muoio Dunn 2023-07-10T15:47:40000-04:00

- Netflix set to get millions for new Fort Monmouth studio
- Follows New York's approval of increased film tax credits

New Jersey is sweetening the pot for film and television production companies that set up shop in the Garden State, aiming to attract the next "Succession" or movie blockbuster from states that offer their own incentives to end up on the big screen.

Gov. Phil Murphy (D) last week signed legislation that boosts the available tax credits for studios and sets aside \$30 million for capital investments in production facilities. Netflix Inc. is poised to reap millions from the deal, after winning state approval in December to build a campus on a 300-acre former army base in Fort Monmouth.

New Jersey is one of at least 35 states betting that film tax credits will pay off in the long run in the form of more jobs and foot traffic to surrounding businesses. But such policies can prove costly as elected officials face continuous pressure to expand their tax breaks or risk losing a transient industry to a neighboring state.

New York may pose the most direct threat to New Jersey, and not just because it's right next door. Lawmakers there just raised the state's annual tax incentives cap for the industry to \$700 million from \$420 million in the fiscal year 2024 budget.

"New Jersey thinks that it could be just as valuable to the producers to have their shows created in New Jersey, actually save some money—parking in New Jersey alone is a lot cheaper—so they're trying to encourage production across the river," said Mark Klein, chairman and partner of the tax law firm Hodgson Russ in New York. "Bottom line is, New Jersey is absolutely trying to get a piece of the pie."

But the competition extends well beyond the tri-state region, with Georgia and California prominent among states offering tax credits to secure the next major motion picture or series. The Peach State

is known for offering some of the most generous incentives, and the state legislature last year rejected a push to cap a program that has exceeded \$1 billion in recent years. California lawmakers [recently approved](#) an extension of their film and tax credit program for five more years as well as a refundability feature, so that companies can get the benefit even if their credits exceed their tax liability.

\$250 Million Cap

New Jersey's [new law](#) increases the amount of tax credit money available to film-lease production companies to \$250 million from \$100 million. The New Jersey Economic Development Authority also can make up to \$400 million available to studio partners, a \$50 million increase. The legislation also removes penalties for companies that fail to maintain \$50 million in annual production expenses.

Last year, Lions Gate Films was awarded the state's first-ever studio partner designation, making it eligible for above-the-line wages and salary expenses for highly paid talent. It's set to become the anchor tenant of a new, 12-acre film and production studio in Newark that's being constructed by Great Point Studios.

Murphy in 2018 revived the state's film and digital media tax credit program after his predecessor, former Gov. Chris Christie, let it expire several years earlier. In-state production spending from filmmaking surged to \$650 million last year, compared with \$67 million in 2017, Murphy said at a news conference before the bill signing.

Expanding the tax incentive program means New Jersey will "be the first place people look to film" not only in the US, but "anywhere in the world," Murphy said.

New Jersey Policy Perspective, a left-leaning think tank, faulted the state's new program for increasing annual spending by at least \$200 million. The group also raised concern that there's uncertainty over its total cost because of a new deferred compensation provision, which allows expenses to be reimbursed by tax credits two years after a project concludes.

"They're expensive, and they don't actually stop a company from moving. Someone else can just offer more tax credits next week," Peter Chen, senior policy analyst at New Jersey Policy Perspective, said in an interview. "That seems to be some of what's happening here, where New York is offering a bigger chunk of tax credits, and New Jersey has to counter with even more tax credits in

order to lure productions back, and it becomes this race to the bottom where only the film companies win.”

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