



U.S. Commercial Production Tax Incentives

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ana.net/production-tax-incentives

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EXECUTIVE SUMMARY

The landscape of film and entertainment production has undergone significant transformations over the past two decades, driven in part by the growth of state-sponsored film tax credits, grants, and rebate programs, collectively known as “Production Incentives.”

Such programs have proven extremely attractive by offering free money to entice the migration of production activity from other states to their jurisdiction. Designed to stimulate in-state economic activity, these programs reward production behaviors that meet strict requirements around spending, timelines, documentation, and content.

Today, more than 30 states offer some form of Production Incentives which specifically include advertising production as a qualified production type.

This paper explores the progression of these programs; outlines program forms, requirements, and essential steps for participation; and highlights the various state offerings. It provides a roadmap to evaluate eligibility, avoid common pitfalls, and maximize realized value.

By understanding the mechanisms, identifying suitable projects, and establishing clear internal processes, advertisers can leverage these incentives to significantly enhance their production budgets and overall financial strategy.

THE EVOLUTION OF U.S. FILM PRODUCTION INCENTIVES

U.S. Production Incentives on film production began as a response to the exodus of nearly 40 percent of all film projects from California to Canada in the late 1990s¹, reviving the term “runaway production” coined by the Hollywood AFL film council and Directors Guild of America in the 1950s². The allure of favorable currency exchange rates, combined with lucrative tax credits on film production in several Canadian provinces, initially caught the U.S. by surprise.

In response, U.S. states began introducing their own tax credit programs to retain and attract production. Oklahoma led this charge in 2001 with the introduction of SB 674, aptly named the Compete with Canada Act. By 2010, 40 states were offering similar programs³.

Government incentive programs often exhibit periods of dynamic growth and decline. New Orleans, the original “Hollywood of the South,” seemed unbeatable until the timing of certain legislative changes in both Louisiana and North Carolina in 2015 coupled with the growing strength of Georgia’s film tax credit program enabled Georgia to claim this title. Georgia has steadfastly maintained this position ever since. In 2025 Louisiana Governor Jeff Landry signed Act 44 into law, significantly reforming the state’s film tax credit program, increasing the base tax credit to 40 percent, and removing both per-project and per-person payroll limits. Marketers should pay attention to current and proposed legislative changes, which can greatly alter the availability of such programs and therefore production planning.

¹Monitor Company Study DGA/SAG (July 1999)

²Hollywood AFL Film Council Report (1957)

³Tax Foundation, Fiscal Fact No. 272 (Aug 2011)

UNDERSTANDING PRODUCTION INCENTIVES

At their core, these are government-sponsored initiatives designed to stimulate economic activity and job creation within their jurisdiction by attracting and supporting film and entertainment productions. These programs offer “free money,” a significant financial incentive, to productions that meet defined criteria.

The core behaviors rewarded typically include:

- **In-State Expenditures:** A foundational requirement is the commitment to spending some or all of the production budget within the state’s borders. Most states define a minimum commitment.
- **Qualified Production:** The production must qualify under the program’s definition of eligible content. Not all tax programs will qualify ad production, and most programs exclude industrials, news programs or game shows, fundraisers, and political ads.
- **Timelines:** Production activities must typically occur within a defined and approved timeframe.
- **Approved Expenses:** Funds must be spent on a defined list of eligible costs. These are outlined in program guidelines.
- **Comprehensive Documentation:** Expenditures must be documented in compliance with program requirements.

In return for adhering to these stipulations, productions receive a tangible benefit in the form of a tax credit or grant. It is important to recognize that these reward programs, while offering substantial advantages, are governed by a complex set of rules and restrictions. Drafted by legislators rather than production experts, these regulations can sometimes be intricate and challenging to interpret, and may at times seem at odds with their intended goals.

TYPES OF PRODUCTION INCENTIVES

State film production incentives generally fall into two primary categories:

1. Tax Credits: These are financial instruments that directly reduce tax liability dollar for dollar within the state. They are further categorized into three subtypes:

a. Transferable: Considered the most effective and prevalent type, these credits allow the applicant to sell or “transfer” the credit to a third-party buyer, typically at a discount ranging from 6 to 10 percent of the credit’s face value. Brokers facilitate these transactions and typically charge a fee of 2 percent of the credit.

Available in Connecticut, Georgia, Illinois, Massachusetts, Missouri, Montana, Nevada, Pennsylvania, Puerto Rico, Rhode Island, the U.S. Virgin Islands, and Wisconsin

b. Redeemable: Like transferable credits, these can be redeemed directly with the state. Redemptions often involve a fee or are issued at a reduced value.

Available in Louisiana

c. Refundable: These credits require filing a tax return with zero tax liability to receive the full benefit. This necessitates the use of a production entity for the benefit to be realized.

Available in Arizona, Colorado, Hawaii, Maryland, New Mexico, New York, Ohio, and Virginia

2. Grant/Rebate: These represent discretionary awards that provide direct cash back. Such programs typically have more limited funding and often require evidence of significant economic or promotional benefits (e.g., number of jobs created, promotion of the state) to secure the award.

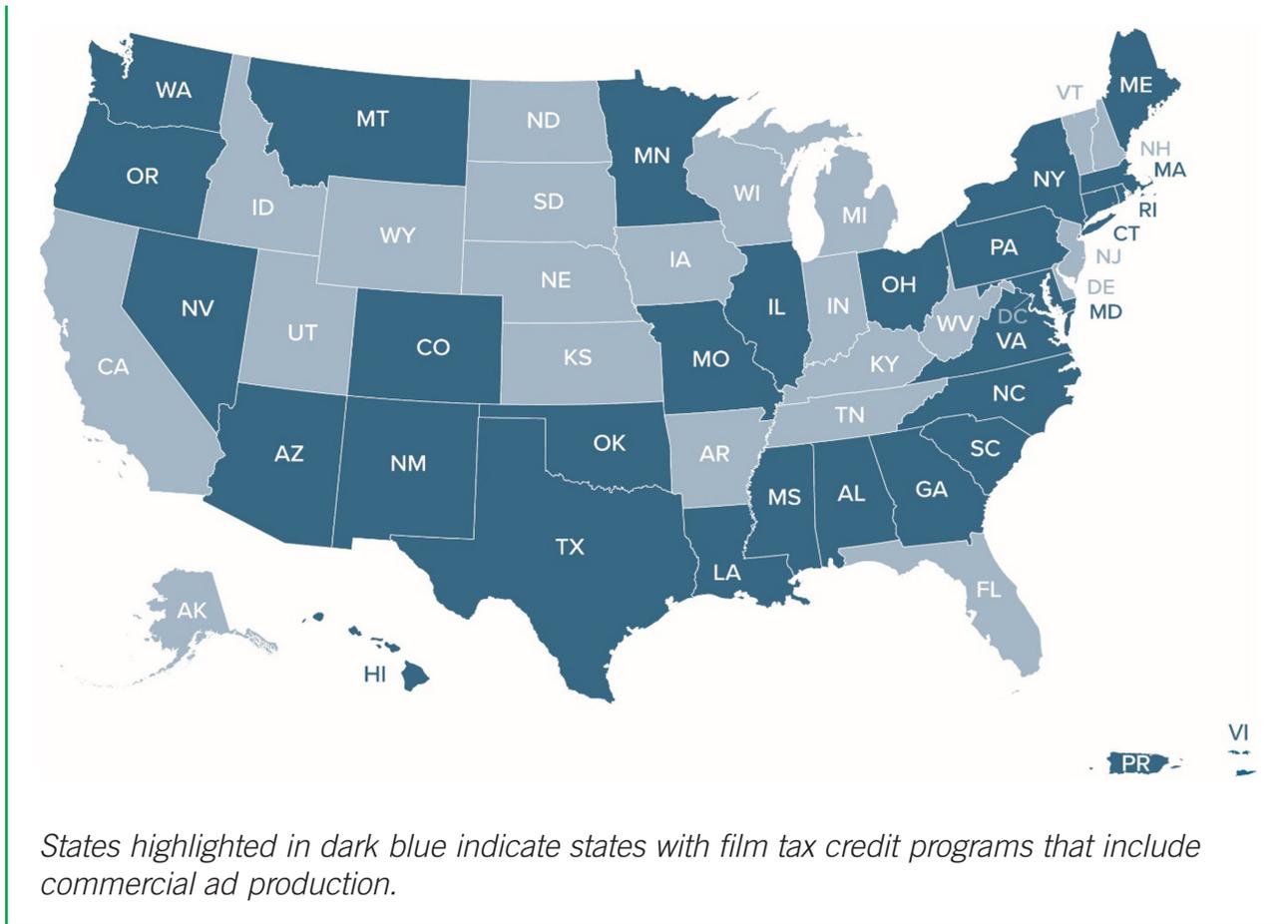
Available in Alabama, Maine, Mississippi, North Carolina, Oklahoma, Oregon, South Carolina, Texas, and Washington

STATE PROGRAM OVERVIEW

At press time, 30 U.S. states offer film tax credit programs that specifically include commercial advertising production as a “qualified” activity (see accompanying map). Additionally, 18 states currently have legislation introduced either to establish new programs or enhance existing ones, indicating a continued evolution of this benefit.

An interactive map detailing U.S. states with active programs, as well as a multijurisdictional comparison tool, is available at [Alta Incentives](#).

Alta Incentives Tax Credits Map



HOW PRODUCTION INCENTIVES WORK

While the specific processes, timelines, and requirements vary significantly by state, a fundamental understanding of how these programs operate is essential for successful participation. Transparency and clear communication are paramount to effective implementation. Production guidelines should explicitly specify ownership and detail the tax incentive process. Agencies should be encouraged to adopt these best practices and be provided with ongoing educational support from third-party experts. Utilizing qualified third-party administrators can facilitate enhanced continuity, cultivate trust, and ensure confidentiality among production teams.

The typical process involves the following key stages:

- 1. File an application:** The timing of such an application may range from days to months in advance of the production. Applicants must sign paperwork and commit to expending a minimum amount of funds on qualified production in the state. Some states require a fee at the time of application.
- 2. Create a qualified production:** Programs which include ad production may require evidence of distribution (both paid and unpaid), as well as links to the actual spot(s) produced. Each program will define what qualifies as a production under their rules. Certain types of productions will not qualify. These include but are not limited to political ads, fundraisers, live events, news programs, and industrial campaigns.
- 3. Pay qualified expenses:** Expense eligibility is defined by each program. These must be direct production expenditures incurred on the qualified production and expended within the state. Eligible expenses may include vendor costs, payroll for crew and talent, talent re-use, and agency hours related to production management and post-production costs.

Most programs require a minimum in-state expenditure amount (e.g., \$50,000 in Illinois, \$500,000 in Georgia) to qualify for the program. Some states require evidence that state taxes have been withheld, while others demand evidence that the vendor or service provider is a resident of the state (“local”).
- 4. Audit/Agreed-Upon Procedures:** Adherence to program requirements is critical and is typically verified through independent audits or “Agreed-Upon Procedures” performed by independent CPAs and/or the State Department of Revenue. These reviews involve specific procedures designed to validate expenses against program guidelines, such as:
 - **Invoice Verification:** Confirming the validity and existence of all invoices between involved parties.
 - **Residency Confirmation:** Obtaining evidence of vendor, crew, or talent residency.
 - **Evidence (aka “Proof”) of Payment:** Ensuring expenses have been paid in full, with documentation such as payment receipts, cancelled checks, or wire/ACH confirmations.
 - **Tax Compliance Review:** Confirming proper tax withholdings and timely remittance of funds to the state, where program requirements mandate.

KEY ELIGIBILITY AND PRODUCTION CONSIDERATIONS

It is important to acknowledge that not all projects are suitable for leveraging film tax credit strategies. Potential obstacles that productions should carefully consider include:

- **Creative Demands:** Are there specific creative requirements (e.g., unique backgrounds or aesthetics) that can only be fulfilled in a non-incentivized location?
- **Production Organization:** Does the state require a production company as the applicant? If so, the contracting process may be too complex for a timely approach.
- **Production Timeline:** Does the project's schedule align with the program's application and processing timelines?
- **Talent Availability:** Is key talent, especially celebrity talent, readily available and willing to work in the incentive-offering state?
- **Travel Requirements/Restrictions:** Are there any logistical challenges or limitations related to travel?
- **Budgetary Thresholds:** Will the project's qualified in-state expenditure meet the program's minimum spending requirements? Items rented or brought in from out of state will not qualify. Crew and talent from out of state may qualify in some programs; see program specifics for details, or consult your third-party administrator.

OWNERSHIP AND ACCESS: ADVERTISING-SPECIFIC CONSIDERATIONS

Unlike the feature film and television industries where the producer is the copyright holder, in the advertising industry, the client is generally both the copyright holder and financier of the production and is therefore the "producer" (unless a unique licensing scenario is present). All discussions regarding the incentive filing, and how a tax credit is realized and distributed, are at the client's discretion. Including language in production guidelines outlining the ownership of incentives, as well as a process for pursuing opportunities, is strongly suggested to ensure clarity and success. Otherwise, it is possible for the production company or agency to file for the incentive, sometimes without the knowledge or permission of the marketer. This can create a lack of transparency about where the money ultimately goes. Even when partners offer a discount in exchange for keeping the incentive, the benefit for advertisers is far greater if they keep it themselves.

INCENTIVE FILING AND ADMINISTRATION: BEST PRACTICES

It is imperative to name a point person who will follow through with the application and administrative details. Depending on state requirements and the type of return, there could be various options as to who can file and oversee the incentive on behalf of the advertiser, including the production company, creative agency, advertiser, or third-party facilitator. Parties should collaborate on the best approach to ensure they are maximizing the credit. In some instances, especially when an in-state legal presence is required, a third party may be best suited to manage the incentive process. In addition, some states require that all eligible production costs run through a local resource to qualify. Fair compensation to the point person/company filing is strongly suggested, at the discretion of the advertiser.

REALIZING THE BENEFIT: PLANNING AND FINANCIAL INTEGRATION

Please note that a credit won't immediately lower the cost of the current production. It can take from six months to more than two years from the time of production to monetize an incentive. However, while the application can be complex and time-consuming, the payoff can be in hundreds of thousands of dollars. The return and benefits can be significant, and if properly planned and executed, incentives can bring back sizeable returns: up to 40 percent of production, talent, and other qualified in-state spending.

It is important to define a plan for how the advertiser is set to receive the funds as soon as possible. Since it may take six to 24 months to receive the tax benefits, it is not always feasible to align the rebate to the project within the fiscal year. Because applications with the states are time-sensitive (you must apply prior to production), there is an opportunity to apply and then workshop internal processes after initial deadlines are met. Things to consider:

- **Fund Return Mechanism:** If the marketer is not the applicant, determine how the funds will be returned to the brand.
- **Credit Monetization Strategy:** Will the credit be monetized and brokered, or will the marketer use the tax credit to offset their tax liability in that state?
- **Budget Integration:** Will and/or how does the credit come back to the marketers' budget?

Important Note: State legislatures and government entities retain the right to modify the details of their commercial production tax incentive programs at any time. Therefore, it is essential to consult the most up-to-date information directly from the appropriate state entity or a well-informed third-party expert.

KEY FINDINGS

- Over 30 such programs exist and offer free money on qualified productions.

- They should be considered early in the creative process, and bidding should be transparent about who will receive the savings.

- The process can be complicated, and a third-party administrator can help navigate these complexities.

- The process takes time, and savings could fall into subsequent fiscal years. Work with your finance teams to accrue these savings, negating any need for potentially costly financing.

CONCLUSION AND INDUSTRY STANDARDS

Film production incentives present a significant opportunity for advertisers to optimize their production budgets and enhance their overall financial strategy. Understanding the historical context, operational mechanisms, and diverse types of these incentives is crucial for successful engagement. By strategically leveraging these programs, advertisers can unlock substantial financial returns.

The **Association of National Advertisers** has been instrumental in shaping industry's best practices and establishing clarity regarding the ownership and management of commercial production incentives. Their foundational thought leadership white papers underscore key principles:

- **[The Found Money of State Commercial Production Incentives](#)**, April 2012
As the “producers” of the project (as the legislation was intended), this white paper established the industry norm that marketers, as the intellectual property owners and financiers, are the rightful beneficiaries of any financial gains, including state tax credits, derived from their productions.
- **[State Commercial Production Incentives: Principles for Fair Business Practices](#)**, April 2014
This document emphasized the critical role of transparency, advocating that bidding production companies are entitled to fair compensation and that marketers should be prepared to facilitate open data sharing through Non-Disclosure Agreements.
- **[Production Transparency in the U.S. Advertising Industry](#)**, August 2017
This report highlighted the agency's responsibility to represent the advertiser's best financial and creative interests in production, which includes possessing knowledge of state commercial production incentives.

These industry standards reinforce the importance of proactive engagement and clear communication between all parties involved in the production process to ensure incentives are properly secured and allocated to the advertiser.

ACKNOWLEDGEMENTS

We would like to recognize the following members and companies for their support of this report on state commercial production incentives:

ANA Production Management Committee

Chair: Kristin Schaack, Senior Manager, Creative Producer at Target

Advertising Production Resources (APR) is a women-owned and women-led content creation optimization consultancy that oversees over \$1 billion in annual production spend and agency fees for more than 70 advertisers around the globe. With hands-on production backgrounds in TV, print, OOH, digital videos, web, mobile, social, and experiential marketing, our team of over 200 members around the world collaborates with advertisers and their creative resources to establish best practices and locate efficiencies in their content creation ecosystems. Our integrated approach and world-class benchmarking drives innovation, improves production acumen, and increases return on investment for all our clients.

Alta Incentives Group is a 100 percent employee-owned, nationally certified LGBT Business Enterprise. John Ryan, Alta's founder and president, pioneered the advertising industry's use of film tax credits, securing one of the first state film tax credits awarded to a national advertiser. He established the foundational processes for strategic access that continue to serve as the industry's backbone, leading to the recovery of over \$100,000,000 to brands through the efforts of his trained teams.

A recognized thought leader, he has contributed to the formulative ANA white papers on this subject, including the 2017 Production Transparency report. He also notably negotiated the first Non-Disclosure Agreement between the advertising community and the AICP (2015), facilitating unprecedented sharing of data between production companies and third-party administrators.

Beyond implementation, Ryan has played a pivotal role in shaping industry policy, writing state legislation to establish new state film tax credit programs and providing critical data analysis to legislative teams, trade associations, and committees across state governments. His annual compendium, the Alta Almanac, serves as the definitive guide to U.S. state film tax credit programs.

As the leader of the Alta team, Ryan continues to revolutionize the production incentive landscape for advertisers by enhancing operational efficiency, transparency, and cost-effectiveness while making sophisticated tax credit strategies accessible to advertisers of all sizes.

The project leader on this initiative was Greg Wright, SVP at the ANA. Peter Kenigsberg, senior director, also contributed. This report was designed by Melanie Kania, senior manager.

About the ANA

The Association of National Advertisers (ANA) is the definitive voice of the marketing industry. Since 1910, we have set and advanced the agenda for marketing transformation, connecting over 1,600 member companies to an influential global network, insights and resources that drive growth. Our members represent 20,000 brands and \$400 billion in annual marketing investment. Through industry-leading research, the CMO Growth Council, and our proprietary Growth Agenda and Practices, the ANA empowers marketers to shape the future of marketing and create lasting impact for their organizations and the industry.

U.S. STATE AND TERRITORY FILM TAX CREDIT RESOURCE LISTING

The list below includes links to motion picture tax credit programs for each state. Each has a Motion Picture tax credit program which includes commercial ad production as a qualified type of production. Links are effective as of June 2025.

[Alabama](#)

[Arizona](#)

[Colorado](#)

[Connecticut](#)

[Georgia](#)

[Hawaii](#)

[Illinois](#)

[Louisiana](#)

[Maine](#)

[Maryland](#)

[Massachusetts](#)

[Minnesota](#)

[Mississippi](#)

[Missouri](#)

[Montana](#)

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[Ohio](#)

[Oklahoma](#)

[Oregon](#)

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[Virginia](#)

[Washington](#)



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