



Film, Media, and Tourism Incentives

JLARC evaluation of economic development incentives

- Appropriation Act directs JLARC to evaluate economic development incentives on an ongoing basis
 - Spending and business activity
 - Economic benefits
 - Effectiveness
- JLARC contracts with Weldon Cooper Center for the evaluations

2025 Appropriation Act, Item 25(E).

In-depth incentive reports presented through 2026

Date	Incentives covered
November 2017	Film incentives (3)
June 2018	Workforce and small business incentives (9)
June 2019	Data center and manufacturing incentives (11)
September 2020	Infrastructure and regional incentives (10)
June 2021	Trade and transportation incentives (11)
June 2022	Science and technology incentives (11)
September 2023	Location and expansion incentives (9)
June 2024	Custom incentive grants (17)
June 2025	Workforce and industry incentives (10)
June 2026	Film, media, and tourism incentives (6)

Six film, media, and tourism incentives evaluated in this report

Program	Type of incentive	Annual average (FY15–FY24)
Tourism Development Financing Program	Gap financing	\$9.5M
Media provider equipment exemption	Exemption	6.4
Motion Picture Production Tax Credit	Tax credit	6.4
Governor’s Motion Picture Opportunity Fund	Grant	4.4
Film, TV, and Audio Production Input Exemption	Exemption	2.0
Governor’s New Airline Service Incentive Fund	Grant	0.1

In brief

Film activity supported by the film incentives varied widely from year-to-year, making it difficult for the state to develop a sustainable film industry.

Tourism Development Financing Program addresses lodging deficiencies and has high economic benefits and return in state revenue.

Governor's New Airline Service Incentive Fund has no influence on air service decisions and negligible economic benefits, but it may contribute to the success of new airline service by supporting marketing efforts.

Media provider equipment exemption generates negligible economic benefits but may have other public benefits.

In this presentation

Film incentives

Tourism Development Financing Program

Governor's New Airline Service Incentive Fund

Media Provider Equipment Exemption

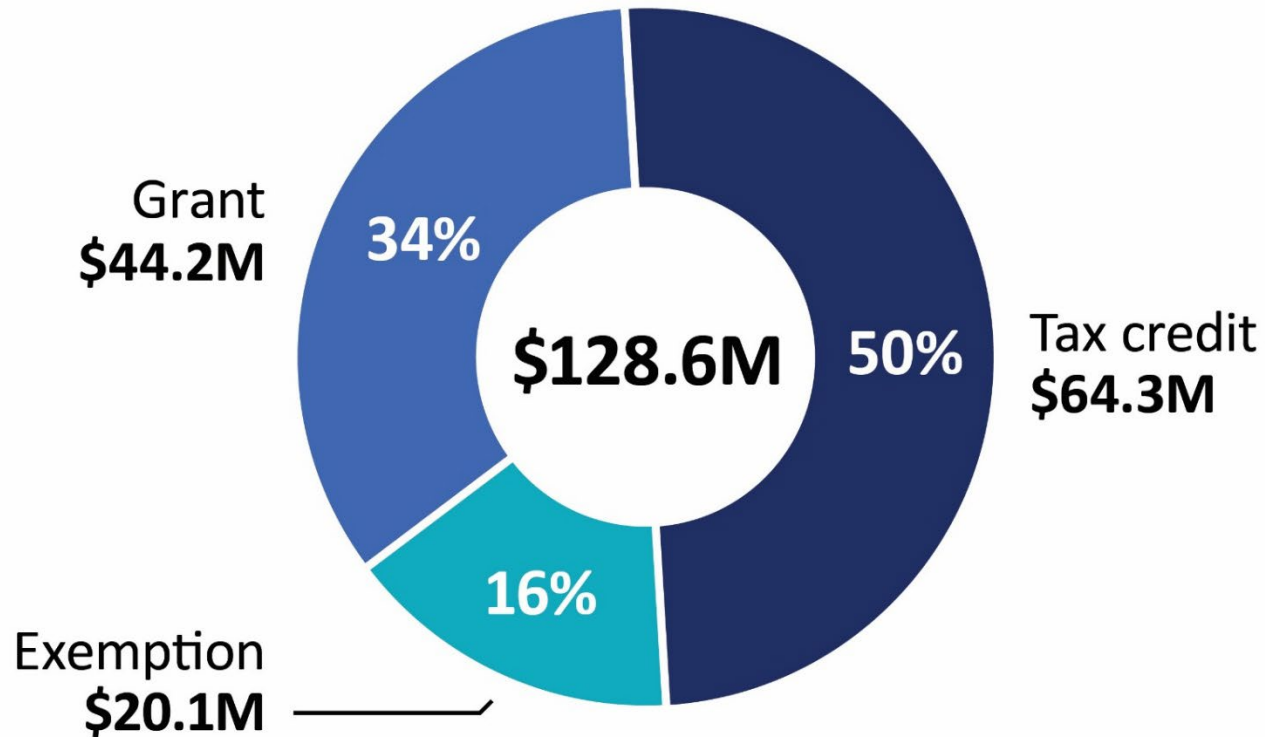
In this presentation: section 1

Film incentives

Film incentives are designed to increase film and television production in Virginia

Incentive	Features
Film tax credit	<ul style="list-style-type: none">• Refundable income tax credit for qualifying film productions in Virginia• Base credit (15% of eligible production expenses) and two additional payroll credits• Total credit allocations capped at \$6.5 million per year
Film grant	<ul style="list-style-type: none">• Cash grant made at governor's discretion• Subject to appropriations• Often used in conjunction with the tax credit
Film exemption	<ul style="list-style-type: none">• Allows production companies to purchase goods used in filming tax free

Virginia spent \$129 million on film incentives (FY15–FY24)



Film tax credit and grant are administered by the Virginia Film Office.

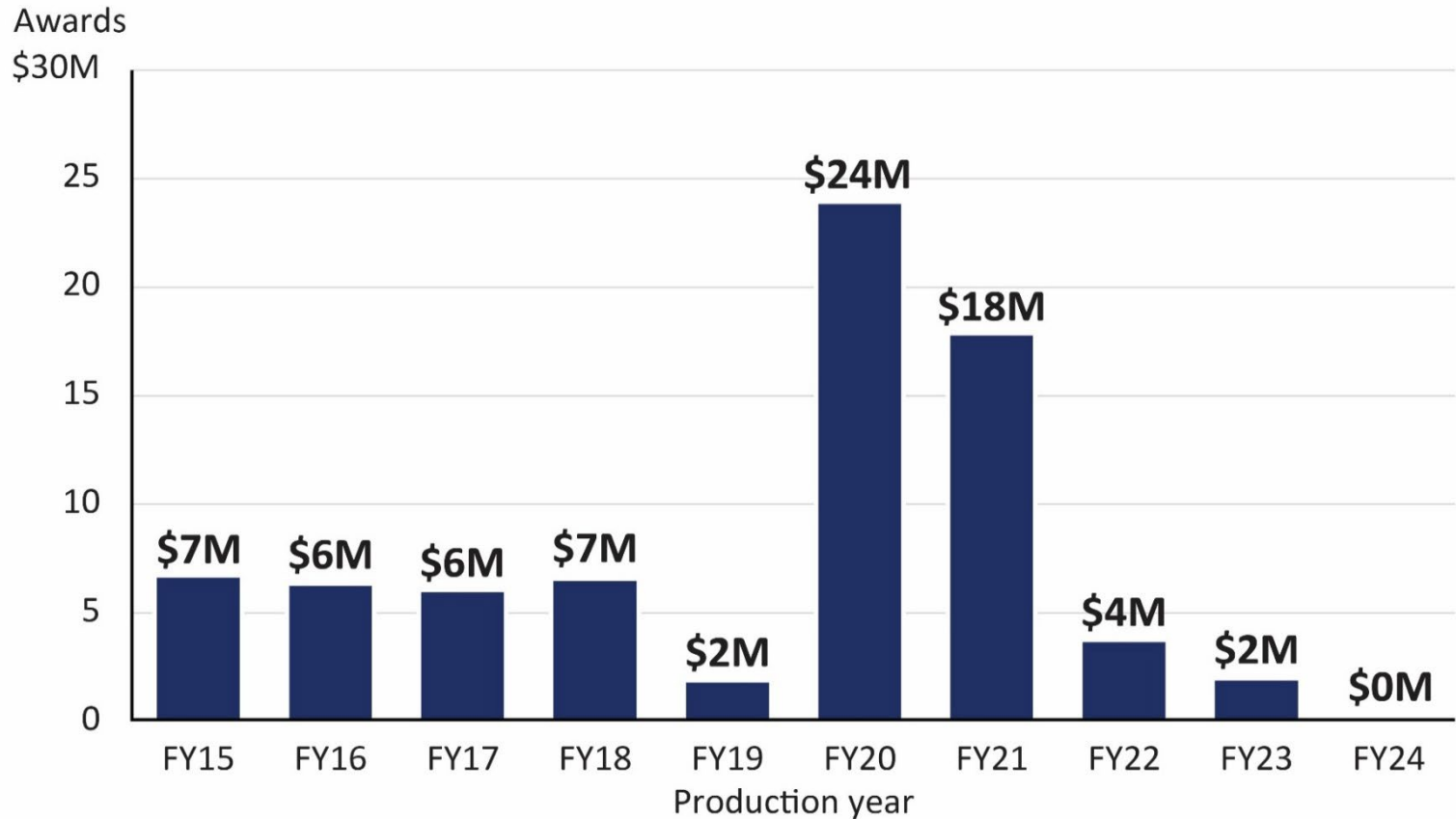
Finding: film incentives

The amount of incentivized film production activity in Virginia has fluctuated significantly each year, making it difficult to develop a sustainable film industry.

Volatility in film activity prevents development of a sustainable industry

- Difficult to retain experienced crews, specialized vendors, soundstage infrastructure
- Virginia film industry remains small despite some growth since 2015
 - grown by 1,700 workers
 - only 1.1 percent of U.S. film employment

Amount of film production activity in Virginia incentivized by the tax credit has fluctuated



Award amounts are assigned to year of production, not the year of the award.

Large tax credit awards in some years reduce availability of new tax credits in future years

- Cap is on annual tax credit allocation not annual tax credit awards
 - \$36 million in tax credits were awarded in FY19*
 - Several productions' allocations had to be spread over multiple years to stay within the annual \$6.5M cap
- Because of large FY19 awards, no awards were made in FY20, FY23, FY24
 - New credits could not have been allocated for several years to remain within the cap

*Productions received awards in FY19 but were filmed in FY20 and FY21.

Finding: film incentives' economic benefits

Economic benefits of film incentives vary relative to other economic development incentives.

- Film grant has moderate benefits.
- Tax credit has low benefits.
- Sales tax exemption has negligible benefits.

Film incentives' economic benefits and return in revenue vary (FY15–FY24)







- High
- Moderate
- Low
- Negligible



Economic benefit per \$1M spent



Return in revenue per \$1 spent

Incentive Type	Economic benefit per \$1M spent	Return in revenue per \$1 spent
Film grant	 62 jobs, \$13M in state GDP, and \$7M in personal income	 39¢
Film tax credit	 44 jobs, \$9M in state GDP, and \$5M in personal income	 29¢
Film exemption	 8 jobs, \$1M in state GDP, and \$1M in personal income	 7¢

Economic benefit and return in revenue relative to other incentives evaluated.

Film tax credit changes could help develop stronger film industry

- Adopt bonus 5 percent tax credit for television series that commit to filming multiple seasons
- Adopt formal method* to allocate credits across multiple years to reduce film production volatility
 - Less than \$1M: allocated to year of production
 - Between \$1M and \$5M: allocated across 2 years
 - Greater than \$5M: allocated across 3 years

*Could allow formal method to be waived by secretary of commerce and trade if certain conditions met.

Recommendations 1 and 2

The General Assembly may wish to consider

- Adopting an additional 5 percent tax credit for the second and subsequent seasons of multi-season productions.
- Adopting a formal method to allocate film tax credits across multiple years.

Film exemption could be allowed to expire

- Exemption expires on July 1, 2027
- Exemption is not important in film location decisions, and it generates negligible economic benefits
- Funding for the exemption (~\$2 million annually) could be allocated instead to the film grant or tax credit

In this presentation: section 2

Tourism Development Financing Program

Tourism Development Financing Program provides gap financing for large-scale tourism projects

- Created in 2011 to fund projects that address lodging deficiencies and lack sufficient private investment
- State supported 9 projects with \$95 million* in gap financing through the program (FY15–FY24)
- Gap financing is shared by the state, locality, and developer and repaid over 20-year period
- State's repayment share is funded through a portion of the retail sales tax revenue generated by the project

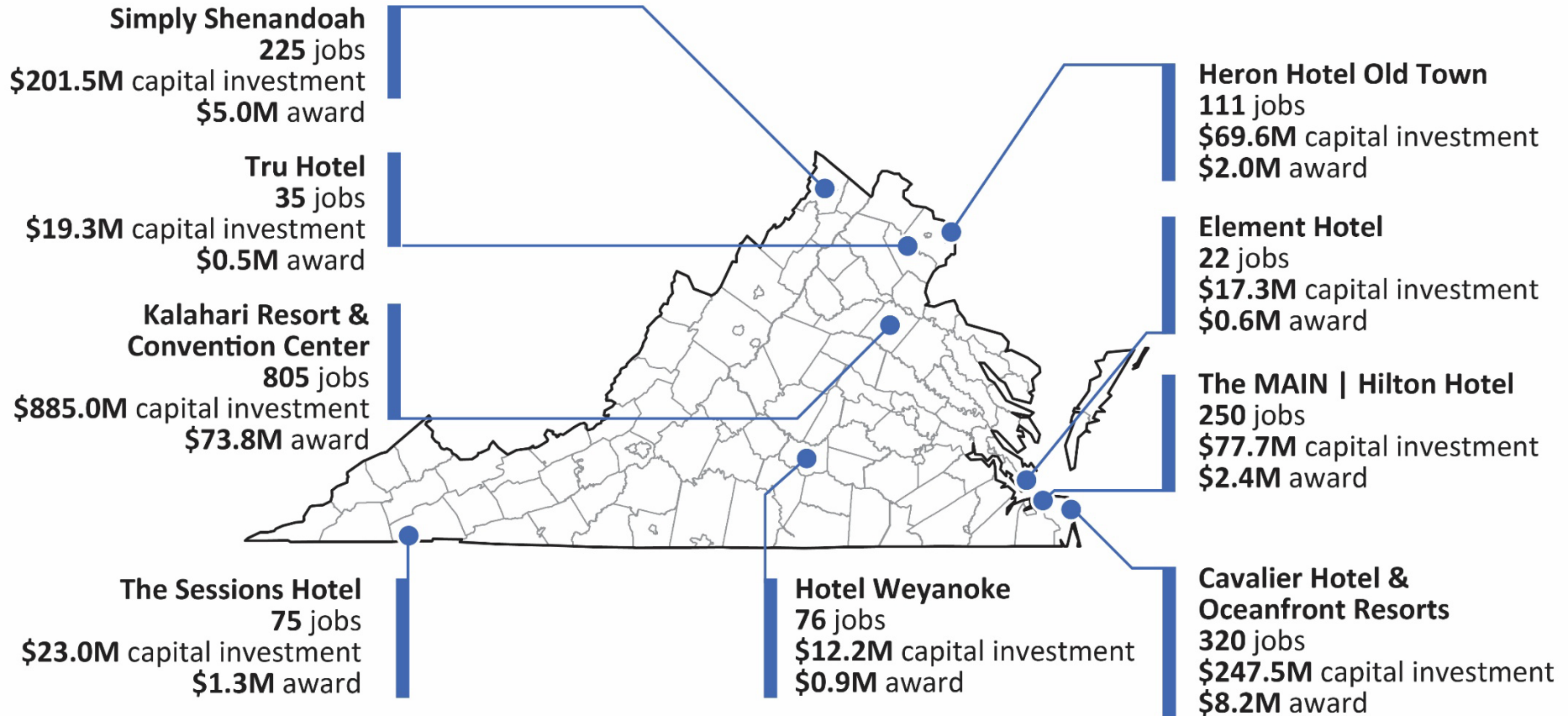
Administered by the Virginia Tourism Corporation (VTC). *Total gap financing is \$284 million, and the state, locality, and developer repay equal shares (\$95 million).

Project size determines amount of program support provided

Project tier	Project size (capital investment)	Maximum gap financing* as a percentage of capital investment	Percentage of revenue** used for debt repayment
Tier 1	< \$100M	30%	1.0%
Tier 2	≥ \$100M	20	1.5
Tier 3	≥ \$500M	30	2.0

*Supported by state, locality, and developer. **Quarterly project-generated retail sales and use tax collections.

Program has supported diverse tourism projects around the state (FY15–FY24)



Award amounts are state portion of gap financing only.

Finding: Tourism Development Financing Program

Projects supported by the Tourism Development Financing Program address lodging deficiencies and may have other benefits.

Program appears to fill gaps in tourism-related development

- Projects incentivize high-end lodging and recreation, conference, or wellness-focused resort space
 - Segments most closely associated with overnight visitation and higher visitor spending
- Some projects have contributed to downtown revitalization and preservation

Finding: Tourism Development Financing Program's economic benefits

Tourism Development Financing Program has high economic benefits per \$1 million spent on the incentive and a high return in state revenue relative to other incentives.

Tourism Development Financing Program has high economic benefits and a high return in revenue

- High
- Moderate
- Low
- Negligible



Economic benefit
per \$1M spent



121 jobs, \$20M in state GDP, and
\$12M in personal income



Return in revenue
per \$1 spent



90¢

(FY15–FY24)

Sales tax remittance process should be reviewed to determine if it could be less burdensome

- Sales tax collections for projects are certified, and repayments issued quarterly over 20 years
- Localities and lenders report that this process is administratively burdensome and exacerbated by staff turnover
- VTC, Virginia Tax, and Department of Accounts should take steps to reduce administrative burden*

VTC: Virginia Tourism Corporation. *Changes to quarterly process would require statutory change.

Gap financing is determined by project size rather than potential economic impact

- Three tiers exist based on project size, but projects have been similar in size and financing need
 - Majority of projects are in Tier 1 with capital investment less than \$100 million; majority have gap financing shares below 11%
- Projects' rates of return have no clear association with gap financing share
 - Suggests gap financing share and percentage of tax revenue for repayment should be based on factors other than project size

Projects' rate of returns have no clear association to gap financing share

Example projects	Gap financing share	Average annual rate of return
Kalahari Resort, Spotsylvania	25.0%	5%
Hotel Weyanoke, Farmville	22.0	8
Element Hotel, Hampton	10.0	8
Cavalier Hotels and Resort, Virginia Beach	9.5	5
Range, all projects	7.5% - 25.0%	2% - 10%

Recommendations 3, 6

- VTC staff should examine opportunities to improve
 - Sales tax remittance process
 - Tier structure
- VTC should report findings and any recommended statutory changes to the chairs of House Finance and Appropriations committees and Senate Finance and Appropriations Committee by November 1, 2027.

Projects should be required to meet a minimum level of projected out-of-state visitation

- Program has no out-of-state visitation requirement
- Economic development incentives are most effective when they bring new spending into the state
 - Incentive grants typically target projects in tradable industries*
 - Tourism projects bring in new spending by attracting out-of-state visitors
- 43 percent of visitors were reported to be out-of-state on average

*Sell majority of their goods and services outside the state.

Recommendation 5

The General Assembly may wish to consider requiring that projects supported by the Tourism Development Financing Program demonstrate that they will meet a minimum percentage of out-of-state visitation.

In this presentation: section 3

Governor's New Airline Service Incentive Fund

New airline service grant awarded \$340,000 for 18 new routes at Virginia airports (FY22–FY24)

- Small grants for marketing and promotional efforts for new airline passenger routes (average grant = \$19,000)
- Three airlines have used grants to market new routes
 - Breeze Airways (14 routes)
 - United Airlines (2 routes)
 - American Airlines (2 routes)
- Most of the new routes were established at Norfolk and Richmond international airports

Administered by the Department of Aviation.

Finding: new airline service grant

New airline services grant has no influence on Virginia air service decisions but may support new route success.

New airline service grant has no influence on airline decisions to establish new routes

- Grant is too small relative to
 - Route startup costs (~\$600,000 gate fees)
 - Available federal and airport subsidies
 - Administrative burden (approval by DOAV, 3 cabinet secretaries, and governor's office)
- Economic trends and demographic factors have greater influence on air service than incentives
- Potential benefit is raising public awareness about new route through promotional efforts

Finding: new airline service grant's economic benefits

New airline service grant has negligible economic benefits per \$1 million spent on the incentive and a negligible return in state revenue relative to other incentives.

New airline service grant has negligible economic benefits and return in revenue (FY22–FY24)

- High
- Moderate
- Low
- Negligible



Economic benefit
per \$1M spent



4 jobs, \$0.4M in state GDP, and
\$0.5M in personal income



Return in revenue
per \$1 spent



3¢

Program adopted in 2020 and first grants awarded in FY22.

New airline service grant could be eliminated

- Grant has negligible economic benefits and limited influence on airlines' decisions to establish new routes
- Macroeconomic, airline industry, and demographic trends have a much greater influence on air service decisions than a small grant
- However, grant shows state support for commercial air service and may assist in new route success through marketing assistance

Policy option 1

The General Assembly could consider eliminating the Governor's New Airline Service Incentive Fund.

If maintained, new airline service grant should be improved

- Streamline approval process given small award size
- Broaden eligibility to include service retention and capacity increases, areas where a modest grant can be more cost-effective

Recommendation 7

If maintained, the Department of Aviation should develop a streamlined approval process that aligns documentation and approval requirements with award size.

Policy option 2

If maintained, the General Assembly could consider broadening eligible uses of the fund to include service retention and capacity increases.

In this presentation: section 4

Media Provider Equipment Exemption

Virginia spent \$64 million on media provider equipment exemption FY15–FY24

- Exemption enables media providers to purchase eligible equipment tax free
 - Radio and television broadcasting companies
 - Cable television companies
 - Telecommunication companies
 - Broadband companies (since 2022)
- Annual spending on exemption nearly doubled after expansion to broadband equipment
 - From \$5M–\$6M to \$11.4M

Finding: media provider equipment exemption

Media provider equipment exemption supports communications infrastructure but lacks strategic targeting.

Media provider equipment exemption supports communications infrastructure

- Promotes investment in capital intensive broadcasting and telecommunications equipment
- Supports essential public functions like emergency alerts
- Decreased sales tax on broadband equipment is associated with increased investment according to research literature

Media provider equipment exemption lacks strategic targeting, particularly for broadband

- Benefits all broadband investment, not just unserved or underserved areas
 - Research indicates largest benefits occur when communities first gain broadband access
- Not included in state's overall broadband expansion planning framework

Finding: media provider equipment exemption's economic benefits

Media provider equipment exemption has negligible economic benefits per \$1 million spent on the incentive and a negligible return in state revenue relative to other incentives.

Media provider equipment exemption has negligible economic benefits and return in revenue

- High
- Moderate
- Low
- Negligible



Economic benefit
per \$1M spent



5 jobs, \$0.4M in state GDP, and
\$0.6M in personal income



Return in revenue
per \$1 spent



4¢

(FY15–FY24)

Comprehensive review could assess exemption's public benefit and structure

- Compare public benefits (supporting essential public services, promoting broadband deployment, and providing tax parity) with fiscal impact
- Consider structural changes to the broadband portion of the exemption
 - Separate it from the traditional communications portion of the exemption
 - Target it to underserved areas
 - Change it to a tax credit*

*Incentive type used in some states

Recommendation 9

Joint Subcommittee to Evaluate Tax Preferences may wish to consider reviewing the media provider equipment exemption to

- Assess the exemption's fiscal impact in relation to its broader public benefits
- Consider potential changes to the broadband equipment portion of the exemption

Media provider equipment exemption* should have an expiration date

- Exemption currently has no expiration date despite its size and recent expansion
- Expiration dates are a best practice to promote periodic legislative evaluation
- Would align with policy applied to other Virginia tax incentives

*Whether it remains one exemption or becomes multiple incentives.

Recommendation 11

The General Assembly may wish to establish an expiration date for the media provider equipment exemption.

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Next round of incentives for review: Revitalization and Community Improvement

- Historic Rehabilitation Tax Credit
- Neighborhood Revitalization Tax Credit
- Real Property Investment Grant – Enterprise Zone
- Job Creation Grant – Enterprise Zone
- Industrial Revitalization Fund
- Brownfields Restoration and Economic Redevelopment Assistance Fund