

## GUIDELINES

### Minnesota Film Production Tax Credit Program

#### Introduction

The Minnesota Film Production Tax Credit Program ([MN Statute 116U.27](#)), is an assignable 25% tax credit to attract and expand film production in the state. A film production company (applicant) may receive an assignable Tax Credit Certificate for up to 25% of eligible production costs for a project that expends at least \$1,000,000.00 in a consecutive 12-month period.

Program applications are accepted on a year-round basis. Credit Allocation Certificates are awarded on a first-submitted, first-allocated basis to applicants who submit a complete application and meet the program's minimum requirements.

***All projects must align with the goals and purposes outlined in Minnesota Statute 116U.27. The Executive Director of Explore Minnesota retains the discretion to deny any application if they determine that the project does not meet program objectives, is inconsistent with the legislative intent, or raises concerns about budget integrity, responsible management, or equitable use of state resources.***

***Submission or conditional approval of an application does not guarantee that the applicant will receive a tax credit. The Executive Director of Explore Minnesota has sole discretion to approve or deny funding, including the right to rescind approvals based on new information or noncompliance with program expectations.***

#### Eligibility

Only production companies are eligible to apply for the Film Production Tax Credit. Applicants must meet all criteria to apply for a credit allocation certificate:

- Apply at least 30 but no more than 180 days prior to beginning principal photography in Minnesota. Post production only projects must apply at least 30 days but not more than 90 days prior to beginning project work.
- Plan to expend a minimum of \$1,000,000 in eligible expenses during a consecutive 12-month period
- Employ Minnesota residents to the extent practicable
- Be able to submit proof that the project is at least 50% funded at the time of application
- Agree to promote Minnesota by visibly displaying a static or animated logo approved by Explore Minnesota Film, that promotes Minnesota within its presentation end credits for the life of the project (Television commercials are exempt from logo requirement)
- Remain in good business standing with the Secretary of State of Minnesota
- Be able to obtain and submit a tax clearance statement from the Minnesota Department of Revenue

**Qualified project types include**

- Feature Film
- Television or internet pilot/program/or series
- Documentary
- Music Video
- Television commercial

**Ineligible projects include but are not limited to:**

News, current events, public programming, or programs that include a weather or market reports, talk shows, a sports event or sports activity, one-time production related to a national event (e.g. sporting or national political event), contests and game shows, gala presentation or awards shows, finished production that solicits funds, home shopping programming, local or regional television programming, political issue or advocacy ads, projects featuring candidates currently running for political office in Minnesota, branded content, video games, student films and production for which the company is required under [U.S. Code Title 18, sec.2257](#) to maintain records with respect to a performer portrayed in a single-media or multimedia program

Projects that are already completed are not eligible.

**Revocation**

Explore Minnesota Film may revoke allocation certification if it is determined that:

- Production entity falls out of good standing with the Secretary of State
- Production is delayed or suspended (one 30-day extension may be granted)
- Production funding is lost
- Production will no longer take place in Minnesota
- Production no longer meets eligibility criteria (i.e. minimum spend)
- The Executive Director of Explore Minnesota has the right to rescind approvals based on new information or noncompliance with program expectations.

**Marketing Requirements**

Recipients of a Film Production Tax Credit are required to:

- Include a visible display of a static or animated logo approved by the director of Explore Minnesota Film, that promotes Minnesota within its presentation in the end credits for the life of the project
- Provide proof that the logo was placed in the end credit

Recipients of a Film Production Tax Credit are also required to provide the following to Explore Minnesota Film:

- One copy of the full-size poster for the film/project
- 3-5 production and promotional photos (with identification and credit) cleared for use by Explore Minnesota (website, socials, etc.) in perpetuity.
- One copy of the electronic press kit for the film when it is made available to the press (if one is created)



## How to apply

1. Applicant schedules and participates in a pre-application consultation. Contact [jill.johansen@state.mn.us](mailto:jill.johansen@state.mn.us) to schedule.
2. Applicant submits a complete Film Production Tax Credit Allocation Application with all required supporting documentation<sup>1</sup> to [MNfilmtaxcredit.tour@state.mn.us](mailto:MNfilmtaxcredit.tour@state.mn.us)  
*Applications are not considered complete until all required information has been provided to Explore Minnesota Film. Incomplete applications will not be date/time recorded until time of completion not initial submission. Expenses incurred and/or payments made before receipt of a Credit Allocation Certificate are not eligible for credit.*
3. Explore Minnesota Film reviews the application and determines if the proposed project meets the program's minimum requirements.
4. Upon satisfactory review, Explore Minnesota Film issues the applicant a Credit Allocation Certificate and schedules an implementation meeting.

<sup>1</sup>Supporting documentation includes: (Application Section VIII Required attachments)

- [Certificate of Good Standing in Minnesota](#)
- [Completed W9](#)
- Detailed budget with Minnesota expenses denoted. **A column added to budget layout denoting MN expenses as "MQE" is required.**
- Proof that 50% of the total project budget is available in verified funds. Acceptable proof includes: a signed bank letter (with contact email/phone) and an unredacted bank statement from a verified financial institution (account numbers may be redacted excluding last 4 digits), valid contract, completion bond, or equivalent.
- Tax clearance letter from the Minnesota Department of Revenue issued within 90 days of the application date (contact [businessincome.tax@state.mn.us](mailto:businessincome.tax@state.mn.us) or call 651-282-5225 to obtain this statement)
- Script/storyboard/synopsis or treatment
- Distribution agreement or distribution plan (if applicable)
- Signed acknowledgments:
  - ☐ Code of Conduct
  - ☐ Child Labor
  - ☐ Electrical Inspection
  - ☐ Photo Release
  - ☐ Weapons and Safety
  - ☐ Worker Classification and Wage Theft

For questions regarding the application or application process, please contact [jill.johansen@state.mn.us](mailto:jill.johansen@state.mn.us)

Send the completed application via email to [MNfilmtaxcredit.tour@state.mn.us](mailto:MNfilmtaxcredit.tour@state.mn.us)

## Expense overview and eligible expenses

Qualified expenses are those that are a direct cost of production incurred in and paid to a Minnesota company.<sup>2</sup> Applicants are required to spend a minimum of \$1,000,000 in eligible expenses during a consecutive 12-month period. The dollar amount of the tax credit for an eligible project is based on the dollar amount of qualified expenses incurred in Minnesota and paid to a Minnesota company *after* the issuance of a Tax Credit Allocation Certificate.

Expenses including goods, services, and labor are eligible ONLY if incurred within Minnesota. Items used, personnel, or services employed both within and outside Minnesota can be eligible only for the pro rata portion of expense incurred directly in Minnesota.

<sup>2</sup>A Minnesota company is defined as a permanent business that has a physical address and is located in Minnesota, conducts business in Minnesota, and files a Minnesota tax return. The company must be registered and in good standing with the Secretary of State of Minnesota.

### **Eligible expenses include:**

Direct costs of production incurred in and paid to a Minnesota company including:

- Location expenses and permitting fees
- Health and safety equipment and testing fees
- Studio and soundstage rental
- Sets, props, and wardrobe including construction materials, purchases, box rental, kit fee, and rentals
- Equipment rental including camera, grip, lighting and expendables, generators, and fuel used and consumed in generators
- Lodging
- Food and catering including craft service, working meals, and crew meals. Alcoholic beverages are excluded and itemized receipts are required.
- Transportation and parking including intrastate travel by airplane, taxicab, train, bus, mileage reimbursements,<sup>3</sup> leased vehicles, and fuel used and consumed in leased vehicles

<sup>3</sup>Mileage logs are required and reimbursements are restricted to federal rates at the time incurred

- Editing and related post production expenses including legal fees relating to post production, labor contracts, and licensing of music
- Production insurance when purchased through a Minnesota broker
- Production-related services, such as legal, accounting, and payroll processing fees incurred in and paid to a Minnesota company
- Short-term production office rental in Minnesota, utilities used and consumed at the production office, production office equipment rental, and production office supplies paid to a Minnesota company.
- Digital media and storage devices and related processing including film transfer and dailies paid to a Minnesota company.
- Contingencies are capped at 8% of the total project budget.

### Salary and Labor Requirements

- Above-the-line compensation paid to a resident of Minnesota employed in the production of a film. Eligible expense paid to a resident producer or director is capped at the first \$500,000 in wages, provided that required Minnesota withholding taxes are remitted. Individuals that hold more than one position are only eligible for one position.
- Above-the-line compensation paid to one non-resident producer, and one non-resident director is eligible (one non-resident producer and one non-resident director per episode if episodic production). Eligible expense is capped at the first \$500,000 in wages for each individual in those roles, provided that required Minnesota withholding taxes are remitted. Individuals that hold more than one position are only eligible for one position.
- Compensation paid to all above-the-line talent is capped at the first \$1M in wages for each individual, provided that required Minnesota withholding taxes are remitted.
- All loan-outs must be registered.
- Below-the-line compensation paid to a resident of Minnesota employed in the production of a film (25% incentive—uncapped).
- Below-the-line compensation paid to a non-resident of Minnesota employed in the production of a film (20% incentive—uncapped).
- Per Diem and housing allowances paid to Minnesota residents and non-residents while working in Minnesota. **Payments made in cash are not eligible.**

### Ineligible expenses include but are not limited to:

- Expenses incurred prior to issuance of the Tax Credit Allocation Certificate
- Salary and/or fees for services and labor provided outside of MN
- Salary and/or fees paid to a nonprofit
- Alcohol and tobacco including props and consumables
- Development, marketing, and business set up fees: *Costs for the development, financing, marketing, and/or advertising of a Film, as well as any costs incurred in connection with the sale or transfer of a tax credit, are explicitly excluded as eligible expenses. Also excluded is deferred, leveraged or profit participation paid or to be paid to individuals employed in a Film's production or to entities representing an individual for services provided.*
- Permanent office space including utilities, long term equipment rental, long term vehicle leasing
- Unpaid invoices
- Fuel for personal vehicles
- Interstate travel by airplane, taxicab, train, or bus
- Online purchases
- Payments made to an individual in cash (per diem, housing, etc.)
- Capital equipment purchases except for portable hard drives
- Purchases sourced outside of Minnesota
- Wrap parties, gifts, recreation, and entertainment
- Festival submission fees or related costs



- Expenses relating to illegal activities including citations, fines, or towing fees
- Damage or replacement fees due to accident, loss, theft, or misuse
- Costs incurred in connection with the sale or assignment of the tax credit

#### **REQUIREMENTS FOR CERTAIN EXPENSES:**

In order for these expenses to be considered Qualified Film Production Expenses, the following stipulations apply.

- Items used, personnel, or services employed both within and outside Minnesota can be eligible only for the pro rata portion of expense incurred directly in Minnesota.
- Itemized receipts are required for all food, meal and catering receipts. A credit card copy is not enough.
- Mileage logs are required, and reimbursement is restricted to federal rates at the time incurred.
- Production insurance is eligible only when purchased through a Minnesota broker.
- Cash payments to an individual (per diem, expense reimbursement, etc.) are not eligible.
- Shipping costs must be made at a brick and mortar location
- Production Services invoices must be itemized.
- Related party transactions must be disclosed during the audit and must include service agreement or contract, rate sheet or comparison bids and financial audit trail including unredacted bank statements (account numbers may be redacted excluding the last 4 digits). The competing estimate(s), rate card, contracts, and itemized invoices should be retained on file to substantiate the qualified expense. The number of competing estimates should align with the entity's written purchasing policy. Explore Minnesota Film will also be monitoring these transactions closely when the report is reviewed. Studio rate cards or comparison bids could be used to support the market rates.

#### **TAX CREDIT ALLOCATION LETTER and NEXT STEPS**

The tax credit allocation letter verifies that the project has been approved, and the amount of credit allocated. The amount stated is a "not to exceed amount." If the project goes over budget, the award will be limited to the amount initially approved. If a project spends less than the approved amount, the project will only receive credit based on the actual amount spent. Only Minnesota expenses incurred as of the date of the letter will be deemed eligible.

Additionally:

- On the day principal photography begins in Minnesota, the applicant is required to submit a Project Start Certification by email to [MNfilmtaxcredit.tour@state.mn.us](mailto:MNfilmtaxcredit.tour@state.mn.us)
- Daily call sheets to the same email are required

#### **FINANCIAL COMPLIANCE/COST VERIFICATION REPORT**

- Within 30 days of project completion the applicant commissions the Cost Verification Report by a [MN licensed CPA](#). This report must be prepared in accordance with generally accepted accounting principles and will verify the amount of eligible production costs related to the project. Provide the Cost Verification Report Guide and Agreed Upon Procedures and Final Production and Economic Impact Report to your CPA at the time



of engagement. All report preparation costs are to be paid for by the production company and are NOT considered an eligible expense for the incentive program.

- Within 30 days of report completion by MN licensed CPA, applicant provides Cost Verification Report and Final Production and Economic Impact Report to Explore Minnesota Film. Explore Minnesota Film can request additional documentation (receipts and/or invoices, proof of financial audit trail including unredacted bank statements), reviews the report, determines the final credit amount, and issues a Tax Credit Certificate.
- A Tax Credit Certificate is issued in approximately 90 days from receipt of the Cost Verification Report and Final Production and Economic Impact Report provided that no additional documentation is required. The Tax Credit Certificate will not exceed the Allocation Certificate amount regardless of actual eligible expenditures. Tax Credit Certificates are issued for the taxable year in which the twelfth month of the consecutive 12-month period lands
- Applicant files for the credit on its Minnesota tax return filed with the Minnesota Department of Revenue (MNDOR). In the event the Tax Credit Certificate holder elects to assign the certificate to another taxpayer, the assignee must notify MNDOR within 30 days of the date of assignment. For questions on claiming the credit, visit the [Department of Revenue Film Production Credit](#) site or email [businessincome.tax@state.mn.us](mailto:businessincome.tax@state.mn.us).