



## Georgia Entertainment Tax Credit

The Georgia Film/Entertainment tax credit was created by The Georgia Entertainment Industry Investment Act which was signed into law in 2008. The income tax credit is granted to qualified productions including movies, television, commercials, music videos and certain interactive projects.

### Overview:

- May offset up to 100% of taxpayer's Georgia income tax liability.
- A carry forward five years is permitted
- Credits are purchased in one-year increments
- Credits can be used in the year they are purchased
- Current pricing around \$0.90 cents per credit (varies based on production and year).
- Credits are guaranteed by the production company or may be certified by the state of Georgia Dept of Revenue
- Taxpayer may benefit from time value of money by discontinuing estimated tax payments and the purchase of credits just prior to filing the Georgia tax return

### Acquisition process:

- The credits are sold directly by the production company to the end user.
- A contract is executed through the use of third party broker/vendor
- Credits may not be resold.

### Tax Treatment:

- A tax credit purchased is deemed to be an intangible asset
- The asset is deemed to be sold when the taxpayer claims the credit and uses it against a tax liability on their Georgia tax return.
- Taxpayer is taxed on the difference between the deemed proceeds (face value of the credit) and their basis in the credits.
- The gain is treated as a capital gain (short or long term depending on holding period).

### Example:

- Taxpayer purchases 100,000 GA Entertainment tax credits to offset their 2018 GA income tax liability.
- Taxpayer buys 100,000 credits from Studio A for \$90,000 [100,000 x \$0.90].
- A 2019 capital gain is recognized by the Taxpayer of \$8,500 [\$100,000 - \$91,500]

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