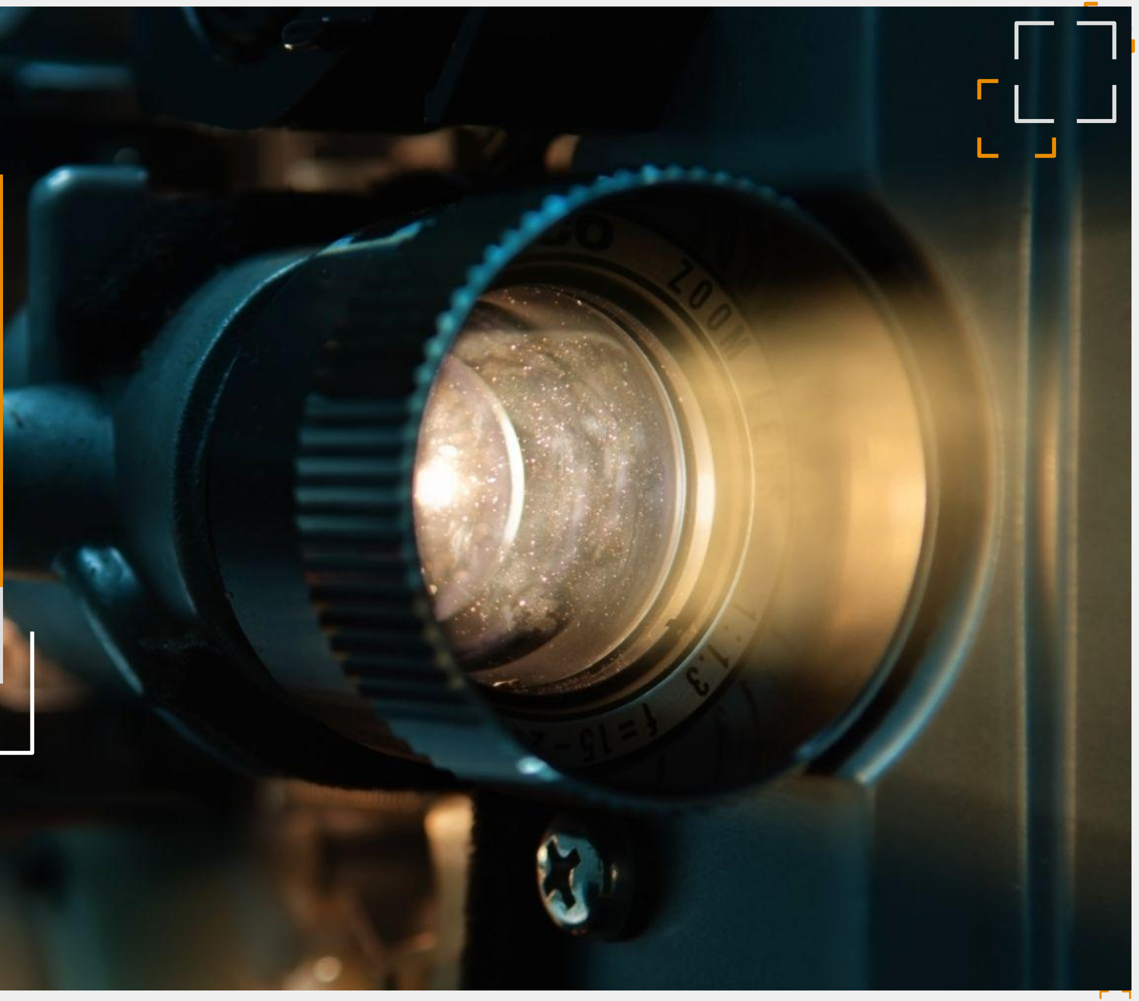
Benefit Assessment of Ontario's Film and Television Tax Credits



Report prepared by PwC for FilmOntario
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Executive summary

The film and television production industry contributed $2.2 billion to Ontario's economy and supported 42,000 jobs

1. Data is for 2019 because 2020 and 2021 figures are distorted by COVID-related public health restrictions. Estimates of economic impact include all productions using Ontario Creates-administered incentives and services including Film Fund, Tax Credits and Film Commission." It does not include commercials, music videos, corporate videos, or broadcaster in-house production.

Film and television production is **a major Ontario success story**. As well as acting as a cornerstone of Ontario's creative ecosystem, the industry has a major economic impact. We estimate spend by productions contributed **$2.2 billion to Ontario's GDP and supports over 42,000 jobs in the province**[1].

These impacts do not only arise from production activity but also through broader indirect and induced impacts that stem from **spending in supply chains and through workers in the industry spending their labour income** in the province (see diagram below).

Prior to the disruption from Covid-19 and related public health restrictions, the industry was experiencing a strong and steady expansion, **growing by 70% between 2012 and 2019**. Since restrictions have been lifted, production has been recovering strongly as companies are investing once more, and the industry is likely to surpass previous peaks in the near future.

Economic impacts of film and television production

Total impact

GDP: $2,215m
Jobs: 42,000
Government revenues: $650m

Direct impact:
GDP: $1,100m
Jobs: 22,700

Indirect and induced impacts:
GDP : $1,115m **Jobs:** 19,300

Source: PwC analysis, Statistics Canada based on data from Ontario Creates

Film and television production is highly mobile and responsive to tax credits and other incentives.

Film and television production is a highly mobile business. In many cases, a new production **will not have a fixed "home" but will select a location based on artistic merit, infrastructure and financial viability.**

Tax credits are ubiquitous in key North American film and television production clusters. The introduction of tax credits in states like New Mexico, Georgia and New Jersey has helped these states capture market share and build their production industries. **Even California, home of Hollywood, introduced a film and television production tax credit** in 2009 in response to the rapid growth of other states' industries, underpinned by their tax credits.

California also found it necessary **to adapt** its credit over time. In its early years, the California tax credit was rationed through a lottery process, but rationing was ended following estimates that 67% of productions missing out in the lottery moved to other locations, **amounting to a loss of at least US$3.9 billion** of production spend in the state between 2015 and 2020[1].

In Canada, the provinces of British Columbia, Ontario and Quebec, as well as Manitoba and Nova Scotia, have all implemented incentives to attract film and television production. Past attempts by Quebec, Nova Scotia and Saskatchewan to **reduce the generosity of, or remove, these incentives have all been eventually reversed** due to the rapid negative impact on the industry.

These findings are supported by a number of industry studies across Europe and North America, which through surveys and other analyses estimate that **between 73% and 100% of productions would not have occurred in their jurisdictions in the absence of the tax credits**[2].

1. California Film Commission, 2020. This is likely a conservatative estimate as it only includes productions that applied for the Californian credit, were rejected and moved out of state. It does not include those productions that did not apply for the Californian credit in the first instance.

2. See page 22 for references and details of these studies.

We estimate that for each dollar refunded to the industry through the film and television tax credits, $3.40 in GDP is generated in the province.

The value of tax credits granted to film and television producers in Ontario is estimated to have been **$560 million in 2019 across Ontario's three film and television tax credits:** the Ontario Film and Television Tax Credit, the Ontario Production Services Tax Credit and the Ontario Computer Animation and Special Effects Tax Credit[1].

To understand the **value for money of these incentives,** we need to consider how much film and television production activity would occur in Ontario **in the absence** of any tax credits (termed as the "additionality" of the policy). Evidence from market studies and several case studies suggests that the additionality of tax incentives (i.e. the extent to which they draw activity to the location) is high, due to geographic mobility of production, the significant impacts of these credits on production costs and the wide availability of credits in major film production clusters.

Based on our findings, we consider it likely that 73% to 100% of production spending could be lost to other jurisdictions if Ontario's tax credits were abolished. For the purpose of estimating the "value for money" of the tax credits, we have used the midpoint (86.5%) to estimate the economic activity supported by the tax credits, as shown below[2].

Impact on GDP:
Every dollar of tax refunded through film and television tax credits has supported a **$3.40** increase in the province's GDP resulting from production attracted to the province by the incentives. These impacts arise through the production's direct spending, the activities of the suppliers and increased household consumption.

Impact on labour income:
The film and television industry supports a significant number of jobs. Every dollar of tax refunded through film and television tax credits has supported a **$2.50** increase in labour income.

Impact on government revenues:
Through personal income tax, corporate income tax, consumption taxes and product and production taxes, the industry also supports government revenues. We estimate that for each dollar refunded through film and television tax credits, **$0.51** will return to the Ontario and municipal governments through additional taxation revenues resulting from production attracted to the province. When including the revenues for the federal government, this ratio is estimated at **$1.00**.

1. Ontario Creates.
2. PwC Analysis.

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