



**CORPORATE FRANCHISE TAX
INDIVIDUAL INCOME TAX
INSURANCE PREMIUMS TAX
Film Production Credit Modification**

April 21, 2026

	Yes	No
DOR Administrative Costs/Savings		X

Department of Revenue

Analysis of S.F. 4634 (Hauschild), As Proposed to Be Amended (SCS4634A-1)

	Fund Impact			
	<u>F.Y. 2026</u>	<u>F.Y. 2027</u>	<u>F.Y. 2028</u>	<u>F.Y. 2029</u>
			(000's)	
General Fund	\$0	(\$500)	(\$1,800)	(\$1,900)

Effective beginning with tax year 2027.

EXPLANATION OF THE BILL

Current Law: A film production credit is allowed equal to 25% of eligible production costs paid in a taxable year. An eligible project is a film that includes the promotion of Minnesota, for which the taxpayer expends at least \$1,000,000 in a 12-month period for eligible production costs and employs Minnesota residents to the extent practicable. Films include feature films, television or internet pilots, programs, series, documentaries, music videos, and television commercials. Script and screenplay productions are not currently eligible for the credit.

The credit is nonrefundable but may be carried forward for up to five years. The credit is assignable to another taxpayer. Total credits are limited to \$24.95 million in each tax year. Effective Jan. 1, 2023, the limit was increased from \$4.95 million to \$24.95 million, and the sunset was extended through tax year 2030.

Proposed Law: The bill would expand eligibility for the film credit from projects with at least \$1,000,000 of eligible production costs in a 12-month period to projects with \$400,000 in eligible production costs in a 12-month period for most types of productions. The threshold would be \$150,000 for television commercials, and script or screenplay productions.

The bill would also raise the base credit rate from 25% of eligible production costs to 40%. This rate can be further increased to 45% if the project meets at least one of three conditions: (1) employing a Minnesota resident in a “key creative role” (including director, producer, showrunner, editor, actor, writer, director of photography, production designer, and cinematographer); (2) filming outside the seven-county metro area; or, (3) hire a majority of Minnesota residents in “below-the-line” crew positions (positions which handle the technical execution of film production, including camera operators, sound technicians, grips, electricians and other specialized crafts positions).

REVENUE ANALYSIS DETAIL

- Under current law, the film credit totaled \$1.65 million in tax year 2024 and is projected to increase to about \$2.5 million in tax year 2029.

REVENUE ANALYSIS DETAIL (Cont.)

- To estimate the impact of the proposal, that amount is multiplied by the ratio of the respective new rates to the current rates, weighted by the share of productions likely to be eligible or ineligible for the additional 5% credit, then summed. This sum is then multiplied by the assumed increase in eligible project expenses from the reduced minimum expense thresholds to generate the tax year estimates.
- Data from the Research and Economic Analysis Division of Hawaii’s Department of Business, Economic Development and Tourism shows that 14.7% of the above-the-line payroll expenses from that state’s film credit go to in-state residents. It is assumed that proportion equals the share of projects in Minnesota which employ in-state residents in a key role. The same data also shows that 71.7% of below-the-line payroll expenses go to in-state residents. It is further assumed that this proportion equals the share of projects with a majority of Minnesota residents in below-the-line crew positions.
- Data on film projects shot outside the seven-county metro is not available. Instead, it is assumed that this proportion equals the share of Minnesota’s employment in NAICS code 512 outside the seven-county metro based on 2024 Quarterly Census of Employment and Wages data from the U.S. Bureau of Labor Statistics.
- Finally, data from the Pennsylvania Department of Community & Economic Development is used to estimate the additional cost of reducing the qualifying expense threshold to either \$400,000 or \$150,000. That data provides the amount of qualified production spending for film projects awarded that state’s tax credit. The data is grouped by dollar thresholds based on a project’s total production budget, and the share of productions below \$400,000 or \$150,000 is imputed based on the nearest grouping for each respective amount. The final tax year amount is increased by the imputed share of projects which would be eligible at the lower thresholds relative to the current \$1 million threshold.
- Based on information gathered for the Film Production Credit Report published in January of 2025, it is assumed that all of the credits will be claimed on corporate franchise tax returns.
- Tax year impacts are allocated 30% to the current fiscal year and 70% to the following fiscal year.

Minnesota Department of Revenue
Tax Research Division
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