

COVID-19 Tax Credit Update

We have received several questions from Georgia clients and CPA firms asking how COVID-19 may affect the tax credit market in the coming months. Below is a listing of several questions that we have received, along with answers from our point of view. Strategic is one of the largest market-makers in the tax credit space for the Southeast, and we hope to continue to help you moving forward.

QUESTION: Has COVID-19 affected Georgia film credits pricing for my 2019 liability?

ANSWER: So far the pricing for those needing film credits for 2019 liability has stayed close to historical averages, ranging from \$0.87 - 0.89. The range is dependent on the studio, the audit/ review (whether a Georgia Department of Revenue (“DOR”) audit or CPA comfort letter), the age of the credits, and amount of credits needing to be monetized. Pricing from the larger studios that have productions with a DOR audit is mostly at \$0.89.

QUESTION: What does the future market look like as the potential demand might decrease and the 2020 productions are pushed back to potentially 2021.

ANSWER: We feel that not much will change. Demand will most likely decrease as tax liability for 2020 will be down due to COVID-19, and supply will also be down due to the stoppage of production pushing supply to 2021. Historically Georgia film tax credits have ranged from \$0.86 - 0.93 and typically average around \$0.89.

QUESTION: If I have a large need can I get a better price?

ANSWER: In the past studios did not negotiate however today there is some discounting for large needs. It appears that most studios feel that a need of \$1 million or more will begin this discussion.

QUESTION: What other tax mitigation strategies should I be considering?

ANSWER: It depends on the characterization of the tax.

- For **capital gains** taxes we suggest the Opportunity Zone Funds should be considered. If this isn't of interest then one should consider state tax credits such as Film, Historic Rehabilitation or Low Income Housing. For Federal mitigation we are not sponsoring any Conservation Funds at the moment until legislation provides clarity.
- For **passive income** activity one should consider state and federal historic rehab credits.
- For **ordinary income** one should consider state tax credits.

QUESTION: I have tax in several states. What is available?

ANSWER: We work in all states that have a transferable program. Please inquire.

Contact us at 404.963.6657 for more information, or to secure tax credit needs for 2019 liabilities.