

TESTIMONY ON BEHALF OF THE POST NEW YORK ALLIANCE
TO THE JOINT ASSEMBLY AND SENATE
BUDGET PANEL ON ECONOMIC DEVELOPMENT
FEBRUARY 23, 2021

Good morning, Chairwoman Krueger, Chairwoman Weinstein, and distinguished members of the New York State Senate Finance Committee and the Assembly Ways and Means Committee. I am Yana Collins Lehman, and I thank you for the opportunity to provide testimony on behalf of the Post New York Alliance (PNYA), the association of film and television post production facilities and labor unions operating in New York.

The PNYA is made up of over 65 companies from all over the State of New York, with over 600 individual post production professionals working in film and television. It is the mission of the PNYA to incentivize film and television projects to finish in New York, to market the services provided by New York's post production industry, and to create avenues for talent to enter into this fast-growing sector of the economy. To that end, we testify today in support of the Governor's proposed extension of the Post Production tax credit in the state budget.

The Post Production Credit is a \$25 million sub-allocation of the \$420 million Empire State Film Production Credit. This framework divides the overall post production program into two components: a production tax credit that provides an incentive for productions that site in New York, including subsequent in-state expenses on post production; and a post production tax credit that incentivizes additional productions which shoot outside New York to bring the projects to New York for their post production work.

The success of the program is unparalleled, with the post production sector seeing explosive growth since enactment of the separate post production incentive, allowing domestic productions to bring scores of editorial work to New York. By enhancing the credit, it allowed New York to compete with Canada, which has a 48% VFX labor credit, and the UK, which credits 30% on 100% of a spend if 80% of the spend happens in the UK. We've succeeded in repatriating high-paying VFX jobs that were based in China and India because producers prefer having talent in the same time zone and offset the NY labor cost increase with the credit.

The PNYA commissioned a 2019 report from HR&A Advisors illustrating the post production program's role as both a jobs creator and an economic stimulus for New York's economy. The report indicated that over 10,800 people, including 3,560 freelancers, worked in the post production "ecosystem" (all jobs in the traditionally defined post production industry, as well as all post production jobs in adjacent industries), with an average income of \$83,400. In contrast, prior to the post production incentive, it was a rare occurrence for productions not sited in New York to opt to engage their editorial work in New York. And in fact, after the credits spurred the growth of our sector, 35% more people worked in New York's post production ecosystem in 2019 than in 2004. Over 40% of traditionally defined post production jobs in New York do not require a bachelor's degree, and a diverse talent development pipeline breaks down barriers to opportunity.

In addition, approximately 13,250 jobs are supported by this growing post production ecosystem, with average wages of \$86,000. Altogether, these 24,050 middle class jobs across the state can be attributed to the post production credit, with our sector's continued growth and stability likewise tied to its long-term extension. All this job growth and investment buoyed by the post production credit ripples across the New York State economy. Direct investment tied to the credit in 2017 led to \$6.9 billion in spending, \$2 billion in wages paid, and \$142 million in tax revenues back to the state and localities. The credits have helped New York become a national leader in post-production, and 20% of US-based post production firms call New York home.

However, like all industries, post production has been highly impacted by the COVID-19 pandemic. The post production credit insists that 75% of eligible spend occur within the state. However, our physical offices worked with skeleton crews to adhere to State COVID-19 protocols. As a result, much of our editorial work has occurred directly in individual workers' homes, in many cases out-of-state. This has led to significant confusion regarding how to accurately determine eligibility for the incentive (where the primary office is in New York, but the individual is telecommuting from their home state). This is not an academic question: already, a few large film productions and at least two repeat TV series, not sure whether they would still qualify for the credit with much of their labor having to move out-of-state, left New York for good and gave up the credit.

To clarify this matter, we are proposing language be added to the Governor's proposed extension that will explicitly qualify the costs of out-of-state telecommuting workers of New York's post production businesses for the tax credit's rebate. Such language is thematically consistent with the Department of Taxation and Finances' guidelines, which subject state taxes to wages paid to non-state residents who telecommute to a primary office within New York. Given these workers pay New York state taxes, we believe their work should also be eligible for New York's tax incentive.

In summation, the Empire State Film Post Production tax credit has supported the creation of thousands of jobs and billions of dollars in wages and economic activity. The PNYA respectfully urges your support for the Governor's proposed one year extension of the Post Production tax credit, and asks for your support in clarifying that the spend on out-of-state telecommuters will be eligible for the post production incentive. This proposed extension and technical clarification will ensure a continuation of the growth, vibrancy, and vitality of the post production industry throughout the state.

I thank you for this opportunity to testify on behalf of our industry and I look forward to answering any questions the panel may have.