

# Instructions to Production Companies

## The Big Sky on the Big Screen Act

### An incentive for film production in Montana

#### OVERVIEW

The Montana Film Office of the Montana Department of Commerce administers the Big Sky on the Big Screen Act, Montana's film production incentive enacted in 2005. Montana offers a **refundable tax credit** to qualified production companies that film in Montana. Production companies earn a 14% refundable tax credit on the first \$50,000 in wages paid to Montana crew members, and a 9% refundable tax credit based on qualified Montana expenditures by the production company. There is no minimum spend or cap. The production company must file a Montana income tax return at the end of the tax year following project completion in order to claim the credit. A \$500 administrative fee is due at this time.

#### FILING INSTRUCTIONS

### Before Production

Register the production company name with the Montana Secretary of State. Contact the Montana SOS Business Services Division to obtain the appropriate form for your business (Sole Proprietorship, Partnership, C Corporation, S Corporation, LLC). Forms can be downloaded online at <http://sos.mt.gov/Business/Forms/index.asp> or call the Business Services Division at 406-444-3665. A filing fee is required.

Submit The Big Sky on the Big Screen Act Pre-Certification Application [http://www.montanafilm.com/PDF09/Incentive\\_Application.pdf](http://www.montanafilm.com/PDF09/Incentive_Application.pdf) in its entirety to the Montana Film Office along with the following: 1) a copy of the script or synopsis; and 2) the intended distribution plan. The Montana Film Office will respond within 30 days, and usually much less, to notify the production company of their certification status. *Upon becoming pre-certified, production companies will receive a copy of their approved application with the certification approval number, and all forms, instructions, and information that will be needed during production.*

### During Production

Keep accurate records and receipts of "qualified Montana expenditures"<sup>1</sup> and payroll records for Montana "resident"<sup>2</sup> hires, including a completed form **FPC-RD** (Residency Declaration) for all Montana residents working on the production. The credit allowed for qualified expenditures is equal to 9% of the total qualified expenditures incurred in connection with the state-certified production during the tax year. The aggregate of the credit allowed for Montana residents for a production occurring in the production company's tax year is equal to the sum of 14% of the first \$50,000 or less of actual compensation paid to each Montana resident employed in connection with the state-certified production during the tax year.

<sup>1</sup> "Qualified expenditures" means expenditures in Montana made by a production company that are directly related to a state-certified production. These consist of all production related expenditures made in Montana with Montana vendors or subcontractors.

<sup>2</sup> "Resident" applies only to natural persons and includes, for the purpose of determining liability to the tax imposed by this chapter with reference to the income of any taxable year, any person domiciled in the state of Montana and any other person who maintains a permanent place of abode within the state even though temporarily absent from the state and who has not established a residence elsewhere. **MCA 15-30-101.**

## Within 60 days of completing principal photography

Submit the following to the Montana Film Office **AND** the Montana Department of Revenue:

1. Form **FPC-PP** (Film Production Credit: Submission of Costs-End of Principal Photography)

*or*

In lieu of Form FPC-PP: **a self-generated list of submission of costs** at the end of principal photography (must be formatted similar to Form FPC-PP)

*and*

2. Receipts, payroll records, and other forms of verification for the expenditures reported on Form FPC-PP or the self-generated list of submission of costs.

## At tax-year-end of filming year

Production companies will receive a mailing from Montana Film Office with specific instructions and tax forms to claim the tax credits. This will include submitting the following forms to the Montana Department of Revenue:

- A **Montana tax return** on the appropriate form for your entity
- Form **FPC** (Film Production Credit)
- \$500 application fee and form **FPC-AF** (Film Production Credit Application Fee)
- The tax credit is claimed on the appropriate line(s) of **Schedule V** (Montana Tax Credits)

*Please note:* Pass-through entities (partnerships, S corporations, and LLCs) must pass through the tax credit to its members, shareholders, or partners based on the same proportion that is used to report their income or loss for state tax purposes. Initially, the production company that incurred the qualifying employment and expenditures will file a Montana tax return to establish the amount of tax credit available for pass through. After this amount is established, each member, shareholder, or partner must file a Montana income tax return to claim their portion of the tax credit.

The tax credit will be applied to the Montana tax return to offset the tax liability of the production company. The remainder will be refunded to the production company in the form of a check unless the production company opts to carry forward the tax credit for the four succeeding tax years.

## CONTACTS:



Montana Film Office  
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Department of Commerce  
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Montana Department of Revenue  
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