



# GEORGIA TAX CREDIT 2023 CHANGES, UPDATES, AND WHAT TO KNOW



# A QUICK INTRO ABOUT YOUR INSTRUCTOR

Jess Feder is an Atlanta based Production Accountant and Payroll Accountant.

She works either as Key for Indie features or as a 1<sup>st</sup> or 2<sup>nd</sup> for larger work. She also does Post-Production Accounting, specifically surrounding the GA tax Credit, and she runs a business helping new and growing members of the film community spin up and maintain their Loan-Outs.

She successfully filed for 5 GA tax credits in 2022 as a Post Production Accountant.

She has worked with a CPA who provides Comfort Letters and performs Tax Credit Audits to ensure the accuracy of this presentation.

She has gathered and presented this information to several productions already in 2023 and is available to hire on for a consultation on the Tax Credit for any size film.



Jessica Feder  
Feder Than You Productions  
401-275-3771  
federthanyou@gmail.com  
www.federthanyou.com

# HERE'S WHAT WE'LL COVER TODAY

General  
Overview of  
the GA Tax  
Incentive

What were the  
Old  
Requirements?

What are the  
New  
Requirements  
and  
Qualifications?

The Audit  
Process

Audit Timeline  
& Fees

What Do the  
New  
Requirements  
Mean for You?

What is the  
point of these  
changes?

In Conclusion

# THE GA TAX CREDIT INCENTIVE

What is it?

What is it worth?

What are the qualifications?

- The GA Tax Credit Incentive is worth 20% of qualifying GA Expenses
- An extra 10% uplift can be applied for adding the GA Film Office logo to the credits of the film in the appropriate spot
- The minimum GA qualified spend is \$500,000 to qualify for the tax credit

# THE OLD REQUIREMENTS

What were they?

What did the audit process look like?

What did it cost?

- For 2022 and previous, most GA spend qualified
- The audit process consisted of about 60 'samples' provided to prove AP and PR transactions (we'll go over this later as well)
- The general audit cost ranged from \$1,500 - \$5,000 depending on the size of the film



# LEARNING ABOUT THE NEW REQUIREMENTS

- In 2023, GA has changed both what qualifies and the audit process and has introduced several new documents that need to be provided for each transaction
- Note: for the purpose of this explanation, vendors will be divided into 2 categories:
  - Service Vendors— those who provide a service ie. Consultants, production services, etc
  - Product vendors— those who provide materials ie. Trailer rentals, camera package, etc



# #1 The GL Audit Template

This is a new General Ledger Template provided by GA that separates out transactions into categories for their review. The coding on this is very specific and required to provide for the audit.

## NEW DOCUMENTATION

FF1 Code	Description
HT	Lodging - includes hotels, private residents, condos, parking and other related lodging costs.
BX	Box Rental paid through AP
CR	Car Rental
AF	Airfare - includes airfare, baggage fees, airport greeters and other related flight costs
GX	Georgia Extra Hires
HF	Payroll Handling Fees
FA1	Fixed Assets on Depreciation Schedule
FA2	Fixed Assets not on Depreciation Schedule
PD1	Per Diem Payments Above the Line
PD2	Per Diem Payments Below the Line
LO	Payments to Loan Outs through Accounts Payable (not reimbursement)
NQ	Non-Qualified
Leave FF1 blank if the GL line item does not fall under any of the above categories.	

Enter in Column J of the GL Template.

FF2 Code	Description
GS	Georgia Spend Non-Payroll
GL	Georgia Labor (Georgia Residents)
NQ	Non Qualified
DL	Distant Labor (Non-Georgia Residents)

Enter in Column K of the GL Template.

GL Source Code	Description
AP	Accounts Payable
JE	Journal Entry
PC	Petty Cash
PR	Payroll
CC	Production Credit Card
*Not Restricted To These Codes	

Enter in Column L of the GL Template.

## #2 The Verification of In-State Work for Service Providers

- This is a form that must be completed for all service providers. A service provider is specifically a company that provides a service ie. Production services or sfx services. Any rental or purchase (tangible or not) is considered a product vendor.
- This is used to demonstrate how much of a vendor's work for your production was performed inside Georgia.

## NEW DOCUMENTATION

- For example, if you hire Feder Than You Productions for Production Services, but you then need me to attend a budgeting meeting in LA, the % of time I spend in LA must be notated on this form.



## #3 Sales Tax Account Verification for Product Vendors

- For all product vendors you must now provided one of the following:
  - The vendor's sales tax permit OR
  - The vendor's sales tax number verification printout from the GTC Sales Tax Accounts Verification tool
- This is in addition to the contract, lease agreement, w-9, packing slips/ shipping labels, and invoices that still need to be provided

## NEW DOCUMENTATION

- You need to verify that sales tax is being charged on all product purchases and rentals. If sales tax is not charged then the cost does not qualify unless you file a sales and use tax return and remit the sales tax yourself
- You will be provided with the GA instruction manual on how to find and download the verification printouts directly following this class

## #4 Local Business Licenses

- A Local Business License is required for any vendor that provides \$10,000 of products or more to the production
- This is something that must be obtained by the business. Cost and requirement for obtaining one vary by city as these are local not state licenses.
- An exception to the need for a business license from a business would be large, national businesses such as Delta, Target, Walmart, etc

## NEW DOCUMENTATION

- Large and/or location-based businesses (like PC&E, Gotham Sound, etc) are likely to already have this.
- It is worth noting an example: if your Stedicam operator who is based in CA is also renting you their gear, their payroll will qualify for the GA Tax Credit but the rental of their gear will NOT. We'll go over this more in the qualifications section.

## #5 Loan-out Contract Allocation Form

- For anyone paid as a loan-out (through payroll or otherwise), you will need to fill out this form
- Exception: You do not generally have to fill out a form for a GA resident who did ALL of their work for the production in GA who you paid less than \$100,000 (for example your trusty production accountant)

## NEW DOCUMENTATION

- This form, similar to the verification of in-state work for service providers, details how much time a loan-out employee worked in state (especially relevant for producers, line producers, directors, etc who have significant work time out of state)



# CHANGES TO QUALIFICATIONS & THINGS TO NOTE

- There are several changes to qualifications
    - Any flight that is not to or from the resident state of the person flying does not qualify
    - Travel days only count as half days for form 5
    - GA is cracking down on paying crew as 1099 vendors (Indie features) and will disqualify all crew paid as 1099 if there is not enough proof of Employee crew paid through payroll
  - Be sure to speak with your auditor about other potential changes and things that do not qualify!
- Shipping charges for shipping things to or from outside Georgia do not qualify
  - California SUI does not qualify
  - Payroll Handling fees will most likely not qualify
  - COVID costs do not qualify (though payroll for COVID officers still may)
  - Expenses that have not been paid do not qualify
  - The auditor will be reconciling loan out payments x 5.75% to amount on the G-7s. The G-7s and withholdings must be submitted timely for the costs to qualify (within the same quarter)

# CHANGES TO QUALIFICATIONS & THINGS TO NOTE (CONT.)

- Only purchases from Georgia vendors will qualify for the tax credit, but what qualifies as a GA Vendor has changed
- What the statement from the right means is that gear rented from out of state employees (owner/operator) will not qualify
- This also means that any invoice that includes shipping, you will have to provide shipping labels/receipts, and if the shipping was from out of state, you will also have to provide proof that the rental house USUALLY houses that type of inventory for it to qualify (think rental houses like PRG, Panavision, etc)

- “For purchases or rentals of goods, the vendor must have inventory in the state that is being purchased or rented by the production. The goods purchased or rented should be of the same type regularly held in the vendor’s Georgia inventory in their ordinary course of business. Goods are not considered purchased or rented in Georgia if the goods are shipped or delivered from the Georgia vendor’s location outside of Georgia unless more than a de minimis amount of the same type of goods shipped or delivered from outside of Georgia are normally held in inventory in Georgia by the Georgia vendor.”

# CHANGES TO QUALIFICATIONS & THINGS TO NOTE (CONT.)

- “A vendor that acts as a conduit for a non-Georgia vendor in making sales, rentals or services does not qualify.”

- Passthrus of any kind no longer qualify
- The GA Film Office examples include:
  - A prop house that is paid to provide costumes and sources the costumes from an out-of-state vendor-- the costumes will not qualify
  - A costume house commissioned for a custom costume, but the costume is made by an out-of-state employee-- the custom costume would no longer qualify
- Note: Registering with the Georgia Secretary of State or acquiring a Registered Agent in Georgia does NOT for these purposes qualify a business as a GA Vendor. To qualify as a GA Vendor, the business must have a permanent location in Georgia



# THE AUDIT PROCESS

What does it look like now?

What should youj be ready to submit?

What should you be ready to receive back?

- The Audit process is now significantly more rigorous than the previous 60 items of proof. Submitting for the audit now includes:
  - ALL lodging transactions
  - ALL airfare transactions
  - ALL loan-out transactions
  - ALL transactions (or vendors) over \$100,000
  - FULL Payroll Documentation
- Additionally, the samples requested for the audit include:
  - 150 PC (petty Cash) Samples
  - 600 AP (Accounts Payable) Samples
    - These samples need to include copies of invoices, contracts, lease/rental agreements, w-9, business license (if applicable), 1099, box rental agreement (if applicable), and related party comparison bids and/or studio rate cards (if applicable) for each samples
- Note: There are no longer Payroll samples requested because ALL payroll is evaluated in this process.

# THE AUDIT TIMELINE AND FEES

What can you expect?

What should your producers  
expect?

How long will it take?

- Due to the amount of work the auditors have to do on this process, once you recruit them to perform the audit, you have 60 days to get them the items listed on page 2 and 3 of the Film Audit Procedures Manual
- Once they do their assessment and provide the list of sample to the production, the production then has 60 days to return the samples to them.
- When the auditor is done performing their procedure sthey will submit their audit workpapers and all support (invoices, W-9's, business licenses, G-7s, production reports, payroll reports, timecards, etc.) to the DOR for their review.

# THE AUDIT TIMELINE AND FEES (CONT.)

What can you expect?

What should your producers expect?

How long will it take?

- The DOR will come back with follow up questions. The auditor may come back to the production company for further information to answer these questions. Once the DOR approves the credit amount, then the auditor can provide you with a report.
- Once the audit workpapers are submitted to the DOR, it may take about 6 months for the DOR to review and approve the credit. Then the credit can be sold.
- Forgoing an auditor and performing this process with GA is the same process, but turn around for completion and the funds is approximately 2 years
- From the auditors I've spoken with, audit costs now range between \$13,000 - \$20,000
- Additionally, there is an application fee owed to GA. With a comfort letter, this ranges from \$5,000 - \$10,000 depending on the size of production; without one it is between \$7,500 - \$15,000



# What do the new requirements mean for you (and your production)?

- It means this process starts EARLY
  - Use pre-production time to get systems in place to organize and file the additional paperwork
  - If you are working with an accounting system that allows you additional free fields for coding, set it up with the GA codes required by their new general ledger
  - We all know what a pain it can be chasing down W9's after production— if you think a business will be paid more than \$10,000, start the business license conversation early.

## WHAT DOES THIS MEAN?

- It means more labor
  - This is essentially a full-time job. If your production can support an extra clerk to track and file these extra forms , that's a potential avenue.
  - For the post-production part of this, a small team is necessary. It would take a single accountant weeks if not months to assemble all of this information (especially if there is still significant outstanding spend when shooting wraps).

# What do the new requirements mean for you (and your production)? (Cont.)

- It means organization is key
  - In addition to the above, Georgia is requiring each sample be provided in 1 file in a specific order ie the contract and invoice cannot be submitted separately
  - They have also instituted file naming conventions; these will be easier to follow if you are using the same naming convention within your production files from the start

## WHAT DOES THIS MEAN?

# WHAT IS THE POINT OF THESE CHANGES?

- According to GA, this was an act taken due to fraud that was committed in the filing last year that they would like to prevent moving forward.
- The amount of work involved will both disqualify fraudulent applications but also deter those who would attempt to commit fraud
- In reality, this not only disqualifies fraudulent productions but also most indie productions simply due to the scope of work. Small budgets are finding themselves unable to support the fees and workload and that the payoff is significantly smaller than what was anticipated based on last year

# IN CONCLUSION

- Other than the basic structure of submitting documentation and then pulling samples for an auditor, everything about this process has changed.
- If you can have someone on your team who has dealt with the new process in any capacity (shameless self promotion) it will make the process significantly easier
- It is worth talking to your Producers and Production Accountant about the plan to tackle this from the beginning— if none of the extra work is done to organize things during production, you are looking at significant time spent on the back end reformatting your documentation
- Many of the items that productions are used to claiming that are big-ticket items no longer qualify. Be thorough in reading the Film Audit Procedures Manual to confirm qualification.

The background is a solid blue gradient. Overlaid on this are numerous thin, white, curved lines that flow from the left side towards the right, creating a sense of movement and depth. These lines are more densely packed in some areas, forming a wave-like pattern that peaks towards the right side of the frame.

QUESTIONS?