

KLR . . . Your Trusted Business Advisor

MASSACHUSETTS FILM PRODUCTION TAX CREDITS (MFC)

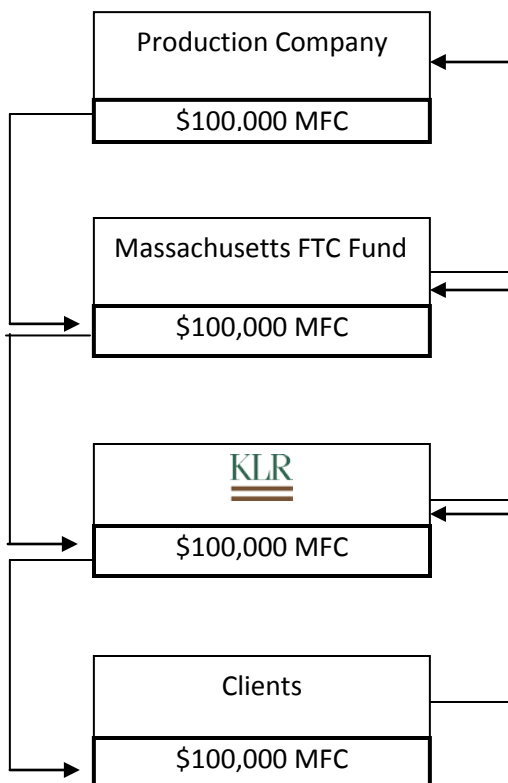


WHAT IS THE MFC? . . . Studios, producers, advertising agencies and filmmakers who either shoot at least half of their shooting days or spend at least half of their production budget in the state of Massachusetts are eligible for a tax credit for every new dollar of spending they bring to Massachusetts. Furthermore, Massachusetts law (ST. 2007, C.63) allows production companies to assign and transfer the credits to other taxpayers with no limitations. This allows for an active market which provides liquidity to the production companies.

KLR currently has MFC available for sale to its clients at a price of 92 cents per dollar of credit allowed. The MFC can be used for personal income taxes as well as corporate excise taxes. The credits reduce these taxes dollar for dollar regardless of the amount paid for the MFC. For example, if a taxpayer buys \$10,000 in MFC for \$9,200, they will be allowed a \$10,000 reduction in their Massachusetts tax liability, a permanent savings of \$800 in Massachusetts tax! The amount paid for the MFC, in this example \$9200, can also be deducted by the taxpayer like any other income tax payment.

HOW DOES IT WORK?

EXAMPLE:



The production company has incurred enough qualified Massachusetts production costs to generate \$100,000 of MFC.

An investment fund purchases the MFC at a discount from the production company, providing the production company with much needed cash before the project is complete.

KLR facilitates the purchase of the credits by its clients from the "fund". A letter is issued to the client by KLR confirming the amount of credits to be purchased, payment terms, etc. Client will issue a check to the fund escrow agent.

Clients will receive their MFC in the form of certificates issued to them in their name and I.D. number directly from the Massachusetts Film Commission. The certificates are attached to the tax return on which the credits are claimed.

HOW WE CAN ASSIST YOU

KLR can help you with every aspect of the Massachusetts Film Production Credit (MFC) . . .

- Consulting with production companies filming in Massachusetts
- Facilitate the purchase of available MFC
- Income tax compliance services
- Sales and use tax consulting
- Production cost certification audits
- Not-for-profit services (non-profit production companies)



ABOUT OUR FIRM

KLR is one of New England's premier accounting and business consulting firms. With 160 team members and offices in Providence, Boston, Natick and Newport, KLR provides a wide range of services to both individuals and businesses. Ranked one of the largest firms in New England, KLR's growth and commitment to clients is unparalleled in the industry. KLR has been awarded three Practice Innovation Awards and named one of the Best Places to Work (four years in a row).

Our award-winning firm helps ensure our ability to retain the most talented professionals to support your financial needs. Our team strives to exceed your expectations and provide valuable service every step of the way.

To learn more about how KLR can help your company or for assistance with the MFC, visit www.KahnLitwin.com or call your Tax Advisor at 888-KLR-8557.



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