



Key Considerations for Applicants:

Film Production Services Tax Credit

I. Purpose and Overview

This memorandum provides an overview of key considerations for organizations evaluating participation in the Wisconsin Film Production Services Credit program. The intent is to clarify program requirements, outline common review considerations, and highlight practical steps applicants may take to enhance eligibility and maximize potential credit value.

The program provides qualifying applicants with tax credits based on eligible wages, production expenditures, and certain taxes paid in connection with accredited productions in Wisconsin. However, the credit is subject to detailed eligibility requirements, documentation standards, and annual program limitations.

II. Accreditation and Minimum Eligibility Requirements

To qualify for the credit, a production must be approved as an “accredited production” by the Wisconsin State Film Office.

At a minimum, applicants must demonstrate that the production:

1. Meets the required wage thresholds:
 - At least \$100,000 in W-2 wages for productions of 30 minutes or longer*
 - At least \$50,000 in W-2 wages for productions under 30 minutes *
2. Falls within eligible production categories (e.g., film, television, or advertising)
3. Is not an excluded production type (including, but not limited to):
 - News or current events programming
 - Sports events
 - Talk shows
4. Has a viable plan for commercial distribution



5. Meets ownership or contractual requirements related to the production's copyright

Applicants are advised to confirm eligibility early in the planning process to mitigate the risk of disqualification.

Advisory Note: **For services rendered in Wisconsin, production companies and their subcontractors are required to properly withhold from wages. The withholding rate for nonresident entertainers is a flat rate of 6%, as outlined in Publication 508, Wisconsin Tax Requirements Relating to Nonresident Entertainers.*

III. In-State Activity Requirements

A central requirement of the program is that qualifying activities occur within Wisconsin.

To support eligibility, applicants must ensure:

1. Services are physically performed in Wisconsin
2. Expenditures are incurred in Wisconsin
3. Activities are directly related to production

In evaluating applications, reviewers focus on the substance and location of the activity, rather than solely the location of payment.

Advisory Note: *Establishing clear documentation of in-state activity (e.g., filming schedules, vendor locations, and work logs) is critical to supporting eligibility.*

IV. Workforce Considerations

Eligibility for wage-based credits depends on how workforce activities align with program criteria.

Applicants should ensure:

1. Wages are paid for services performed in Wisconsin
2. Payroll records clearly identify:
 - Employee roles



- Nature of services performed
- Location of work

While the program permits participation from nonresident employees, eligibility is determined based on where services are performed.

Advisory Note: *Early workforce planning may allow applicants to structure roles and assignments in a manner that aligns with program requirements and optimizes qualifying wages.*

V. Qualified Production Expenditures

Eligible production expenditures generally include costs:

- Incurred in Wisconsin
- Directly used in production activities

Examples include:

- Pre-production costs (e.g., casting, scouting)
- Production expenses (e.g., filming, set construction)
- Post-production costs (e.g., editing, effects)
- Operational costs (e.g., equipment rental, lodging, meals)

Excluded expenditures include:

- Marketing and distribution costs
- Costs not directly tied to production

Advisory Note: *Applicants should implement robust cost-tracking procedures to ensure expenditures are appropriately classified and supported.*

VI. Wage Limitations

The wage-based credit is subject to statutory limitations, including:



1. A cap of \$250,000 per employee on eligible wages
2. Exclusion of wages paid to the two highest-paid employees for productions with budgets of \$1 million or more

These limitations may significantly affect projected credit benefits, particularly for productions with high above-the-line compensation.

VII. Credit Structure and Financial Considerations

The credit generally consists of:

1. 30% of qualifying W-2 wages for Wisconsin residents
2. 30% of qualifying production expenditures
3. 100% of qualifying Wisconsin sales and use taxes paid

Additional considerations:

- Certain components of the credit are nonrefundable, meaning they may only offset Wisconsin tax liability
- The production expenditure component is refundable

Applicants should model anticipated credit outcomes based on their expected cost structure.

VIII. Program Caps and Availability

The program is subject to annual funding limitations:

1. \$5 million total credits available per fiscal year statewide
2. \$1 million maximum allocation per applicant per fiscal year

As a result, the program operates within a limited allocation framework.

Advisory Note: Early submission of applications is recommended to improve the likelihood of securing available credits. Productions can be approved for tax credits 90 days prior to starting principal production.



IX. Application and Approval Process

To obtain the credit, applicants must:

1. Submit an application to the Wisconsin State Film Office
2. Apply separately for each taxable year
3. Obtain formal approval prior to claiming the credit
4. Include approval documentation with the tax return

Credits must be claimed within four years of the original tax return due date.

Incomplete or delayed submissions may result in denial or deferral of credits.

X. Compliance and Audit Requirements

The program imposes significant compliance obligations, including:

1. Engagement of a Wisconsin-based Certified Public Accountant to perform periodic audits
2. Maintenance of detailed documentation supporting:
 - Qualified wages
 - Production expenditures
 - Location and nature of services performed

Applicants should anticipate audit-level review by the State Film Office and the Wisconsin Department of Revenue.

Advisory Note: *Establishing documentation protocols and internal controls at the outset of production may reduce compliance risk and facilitate the review process.*

XI. Credit Utilization and Carryforward

Applicants should consider how credits will be utilized:



- Nonrefundable credits may be carried forward for up to 15 years
- Credits may be used to offset Wisconsin income or franchise tax liability

Applicants with limited Wisconsin tax exposure should evaluate strategies to optimize credit value.

XII. Credit Transferability

The program permits the transfer or sale of nonrefundable credits.

To transfer credits, applicants must:

1. Notify the Wisconsin Department of Revenue
2. Provide supporting documentation of the transfer
3. Obtain certification of ownership

Advisory Note: Credit transferability may provide additional flexibility; however, it introduces additional administrative and structuring considerations that should be evaluated in advance.

XIII. Summary and Observations

While the Wisconsin Film Production Services Credit presents a potentially meaningful financial incentive, successful applicants typically:

- Demonstrate clear and substantiated in-state production activity
- Maintain comprehensive documentation
- Align workforce and cost structures with program requirements
- Submit timely and complete applications
- Plan for program caps, compliance obligations, and credit utilization

Applicants who incorporate these considerations early in the production lifecycle are generally better positioned to navigate the application process and realize the full benefit of the credit.