CBAER
Center for Business Analytics and Economic Research
GEORGIA SOUTHERN UNIVERSITY

Georgia Music Tax Credit
Economic and Fiscal Impact Analysis

Prepared for

Georgia Department of Audits and Accounts

Prepared by

Center for Business Analytics and Economic Research

Georgia Southern University

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Executive Summary

The Georgia Musical Investment Act (GMTC) provided tax credits for various segments of the music and entertainment industry. The Act targeted live musical or theatrical performances, recorded musical performances for entertainment production, but excluded recorded music. The tax credit is linked to two sectors of the live performance industry: music publishing and performing arts companies. The music publishing industry includes establishments that acquire and register copyrights for compositions used in television, motion pictures, live performances, and other forms of interactive entertainment. The performing arts companies are responsible for the production of live performances using actors and actresses, singers, dancers, musical groups/artists, and other performing artists. This report details the economic and fiscal impacts of the GMTC from January 1, 2018, through January 1, 2023, when it ended.

The analysis revealed that throughout the GMTC's active period, no tax credits were awarded. Despite receiving six applications for the tax credit, none of these were approved, resulting in no company using the credit provisions. However, a hypothetical scenario suggests that if the tax credits had been granted, they would have supported approximately 45 jobs, contributing an estimated $6.89 million in economic impact. Applicants would have received an income tax credit ranging from 15 percent to 20 percent, varying based on the production location. This support could have added value of $4.4 million to the industries linked to the credit. Had these tax credits been utilized, the total new tax revenue associated with this economic activity for state and local governments from 2018 to 2022 was projected to be $160,900. This includes $103,700 for the state of Georgia and $51,200 for local government collections.

It is important to note that this analysis does not account for the potential value of music tourism associated with the increased opportunities for musical events that the tax credit might have supported. However, the research conducted for this report indicates that the economic benefits of music tourism could be sizeable. The tax credit likely has an additional impact that goes beyond the direct effects analyzed in this report.

The GMTC's lack of use can be understood when compared to similar programs in other states. The GMTC's required minimum qualified expenditure of $500,000 was notably higher than that of other states' programs. Further, the tax credit of 15 to 20 percent was less attractive compared to the 25 to 35 percent incentives available in other states. Industry professionals cite implementation issues as a primary reason for the GMTC's limited success. Initially, the credit was intended to boost recorded music performances for productions shot outside of Georgia, while in-state productions could benefit from the existing Film Tax Credit. This dual focus led to confusion among applicants and reviewers alike. Despite these challenges, it is important to recognize the untapped potential of the GMTC. If fully realized and restructured with Georgia’s unique music industry characteristics in mind, this program could have significantly enhanced the value of music tourism, live performances, and recorded music in the state.

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Tax Provision Background/Overview

This report analyzes the fiscal and economic impact of the Georgia Musical Tax Credit (Musical Tax Credit or GMTC) provided in GA Code § 48-7-40.33.[1] The GMTC started on January 1, 2018, and is no longer available as of January 1, 2023. It provided credits for live musical or theatrical performances, recorded musical performances for entertainment production, and other qualified expenditures, excluding recorded music. It was managed jointly by the Georgia Department of Economic Development (GDEcD) and the Georgia Department of Revenue (DOR). The GMTC also excluded single musical performances not intended to go on tour, music/cultural festivals not intended to tour, industry seminars, trade shows, markets, and companies in default on tax obligations or loans guaranteed by the state.[2]

The Musical Tax Credit focuses on two segments of the musical industry: theatrical performances and recorded musical performances for entertainment production. First, musical or theatrical performances include concerts, musical tours, ballet, dance, opera, or a live variety show. To qualify, productions must originate, be developed, and have an initial public performance before a live audience in this state. Additionally, the tour must last 12 months or longer than domestically developed shows. Productions originating in foreign countries must debut in Georgia and spend at least seven days in the state, preparing and rehearsing for the United States leg of their tour.[3] Second, recorded musical performances must be linked to other productions, including a motion picture, a different type of film, television, a video game, or another form of interactive entertainment production.[4]

Production companies had to meet a minimum spending level based on the production type to qualify for this income tax credit. For live musical or theatrical performances, production companies had to meet $500,000 in qualified expenditures; a recorded musical performance minimum was $250,000 for work that was part of a movie, television, or interactive entertainment production and $100,000 for any other qualifying recorded musical performance.[5]

Once a production company believed it could meet these standards, the company would have to be pre-certified. GDEcD managed the pre-certification process by reviewing applications and issuing a pre-certification letter to the production companies that qualified for the tax credit. Then, DOR would be responsible for administering the issuing of tax credits, which could include collection and review of all required documentation. The tax credit was 15 percent on qualifying production expenditures, with an additional 5 percent credit for any qualified

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[1]2023 Georiga Code: Title 48 - Revenue and Taxation :: Chapter 7 – Income Taxes: § 48-7-40-33 https://law.justia.com/codes/georgia/2019/title-48/chapter-7/article-2/section-48-7-40-33/

[2] Rule 159-1-2-.01 Musical Tax Credit https://rules.sos.ga.gov/gac/159-1-2

[3] GA HB155 | 2017-2018 | Regular Session. (2018, January 01). LegiScan. Retrieved August 15, 2023, from https://legiscan.com/GA/bill/HB155/2017

[4] Ibid.

5 Ibid

production expenditures if produced in tier 1 or 2 counties, providing a potential total credit of 20 percent. Tier 3 and 4 counties are not eligible for this additional tax credit. All awards were issued on a first-come, first-served basis up to the amount of the annual cap.[6]

The assigning of tiers in Georgia is managed by the Department of Community Affairs and the process is governed by code section 48-7-40 of Georgia state law. This law requires that all 159 counties in Georgia be split into four tiers. The state uses three criteria which are all equally weighted and include: (1) highest unemployment rate for the most recent 36-month period, (2) lowest per capita income for the most recent 36-month period, and (3) highest percentage of residents whose incomes are below the poverty level according to the most recent data available. Counties in the 1st-71st rank of developed counties "shall be classified as tier 1," those ranked 72nd -106th are "classified as tier 2," then those designated 107th-141st in development are in tier 3, and lastly, the counties in tier 4 are ranked 142nd-159th in development.[7]

Finally, awards are capped, and these vary by tax year. For projects taking place during the year 2018, the tax credit cap was $5 million. This increased to $10 million during 2020 and then hit $15 million for 2021 and 2022. Starting at the beginning of 2023, the GMTC was allowed to expire and the credit was no longer available.[8] During the lifespan of the provision, the Georgia General Assembly would make two minor changes. In 2017, the word "or" was replaced with "and" in section (g) paragraph 2, which linked carry forward and eligibility requirements to the disallowed uses for the tax credit.[9] Also, in 2019, in subparagraph (b)(4)(A), the word "make-up" was replaced with "makeup. "[10] Other changes were proposed but never passed by the Georgia General Assembly. In 2020, SB 441 increased the amount of the tax credit given to a production company from 15 to 25 percent, lowering the spending thresholds for eligibility and removing the 12-month musical tour requirement.[11] Next, in 2022, HB 1330 aimed to increase the tax credit to 30 percent of qualified expenditures, reduce the spending requirements, allow aggregation to meet that threshold, and remove the 12-month touring requirement.[12] The proposed amendments did not pass the General Assembly on either occasion.

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[6] Ibid.

[7] § 48-7-40 - Designation of counties as less developed areas; tax credits for certain business enterprises:: 2010 Georgia Code :: US Codes and Statutes :: US Law :: Justia

[8] *Georgia Musical Tax Credits on my Mind*. (n.d.). Frazier & Deeter, LLC. Retrieved November 3, 2023, from https://www.frazierdeeter.com/insights/georgia-musical-tax-credits-on-my-mind/#:~:text=Credit%20Caps,the%20musical%20tax%20credit%20expires.

[9] GA SB 365, 2017 -2018, Region Session. LegiScoan retrieved December 1, 2023, https://www.legis.ga.gov/api/legislation/document/20172018/171897

[10] GA SB52 | 2019-2020 | Regular Session (2019, May 12) retrieved December 1, 2023 https://legiscan.com/GA/text/SB52/2019

[11] GA SB441 | 2019-2020 | Regular Session (2020, March 10). Retrieved August 15, 2023, from https://legiscan.com/GA/bill/SB441/2019

[12]GA HB1330 | 2021-2022 | Regular Session. (2022, March 16). Retrieved August 15, 2023, from https://legiscan.com/GA/bill/HB1330/2021

Related Economic Activity

The GMTC focused on supporting economic activity in live music performances and recorded musical performances for entertainment production segments of the music industry. CBAER has selected two North American Industry Classification System (NAICS) code sections to analyze the GMTC-related part of the music industry, which are Music Publishers (NAICS 51224) and Performing Arts Companies (NAICS 7111) industries. The Music Publishers industry includes establishments that acquire and register copyrights for compositions used in television, motion pictures, live performances, or other forms of interactive entertainment. Establishments in this industry either own copyright or act as the administrator of the music copyright on behalf of the owner. In contrast, establishments in the performing arts industry are engaged in producing live performances using actors and actresses, singers, dancers, musical groups/artists, and other performing artists.[13] Combined, these two industries cover the majority of the activities included in the GMTC. Due to the targeted approach of the GMTC, not all of the economic data discussed in this section would be eligible for this tax credit. Rather, the information presented in this section is designed to outline the total economic value of the music publishers and performing arts industries in the United States and the state of Georgia. CBAER included information at the national level because the tax credit focused on performers and performances in Georgia sharing their work beyond the state of Georgia.

The team began by examining the music publishing industry and how it has changed over time. In the past, physical album sales were a major driver of revenue for this industry. Now, as consumers move from physically owning music to streaming, those streaming platforms (e.g., Spotify, Apple Music, SoundCloud, etc.) are producing the most revenue for these artists. For artists and producers, this shift away from physical album purchases has increased the value of having strong content licensing agreements. These licensing agreements typically have three main forms: performance royalties, mechanical royalties, and synchronization royalties. Performance royalties encompass music that is broadcasted through TV, radio, or other means.[14] Mechanical royalties consist of funds that are created through tape recordings, music videos, and other sales of the video. This form of licensing could be a physical copy of the recording, such as on a tape or a vinyl record, or a digital reproduction of a digital song, its ringtone, and the broadcasting on streaming platforms such as Spotify, Amazon Music, Pandora, Apple Music, etc.[15] The final type of royalty is the synchronization royalty, which includes music found within audiovisual productions or music used in films, TV programs, TV commercials, and video games. Many artists use this form of licensing to promote their music and drive engagement using visual media.[16]

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[13] *North American Industry Classification System (NAICS) U.S. Census Bureau*. (n.d.). https://www.census.gov/naics/?input=71&chart=2022&details=7111

[14] IBISWorld (Jan 2023) Music Publishing in the US

[15] Zantal-Wiener. (2022, October 10). *In the Streaming Era, How Do Most Users Consume Music?* Retrieved November 15, 2023, from https://blog.hubspot.com/marketing/online-music-listening-preferences

[16] Ibid.

National Overview

The music publishing industry was estimated to have $7.2 billion in revenue in the United States in 2023. This revenue supports 790 establishments and a total employment of 6,063 workers across the entire United States. Focusing on TV, film, radio, video, and advertisement production and performance accounted for $5.5 billion in revenue in 2023. This revenue accounts for 76.4 percent of the music publishing industry's revenue. Film and TV production have typically used recorded music in their productions. Over time, these usages fluctuate based on the needs of film and TV producers. The current trend is away from pop songs and towards scores directly composed to follow the action in a scene. One future source of growth for the music publishing industry is that video game producers will become a larger part of this industry, as game creators are increasingly willing to pay for high-quality songs to enhance the gaming experience for consumers. Not only are video game producers taking advantage of music production, but advertisers are also finding that music can make their content more effective by using songs to promote their products. The need for engagement and new sources of revenue is changing how copyright holders and artists seek to promote and monetize music.

The remainder of the music publishing industry focuses on the production of physical recordings and digital songs. This includes both physical album sales using mediums like vinyl records and songs played on streaming platforms or those as ringtones for cell phones. Also included in this segment are sheet musicals and films or books by music creators. In 2023, this part of the music publishing industry had $1.58 billion in revenue, which is 21.9 percent of the total revenue for this industry.[17]

Over the next five years (2023-28), physical album sales are predicted to further decline by 8.3 percent per year, while the demand for streaming services is expected to grow by 7.3 percent each year. However, due to the low royalty rates paid by streaming services, this increase will not account for the loss of revenue from the physical album sales. Therefore, many copyright holders are considering licensing agreements with other production companies and live performances to regain that revenue.[18]

Since copyright holders are turning to production companies and live performances, CBAER next examined the musical or theatrical performance industry in the United States. In the live performance theaters industry, which includes musical theater and opera, non-musical performances, and other arts performances, revenue reached $8.4 billion in 2022 and employed over 92,800 people. It is projected to increase to $9.3 billion in 2027 and employ just over 107,000 people. Due in part to population growth, the southeastern United States has been noted as a growth area for this part of the industry as theaters track wider population growth.[19] Finally, the team examined the industry from the perspective of performers. For theater performers, live performances of musical groups and artists are the single largest

[17] Ibid.
[18] Ibid.
[19] IBISWorld (Sep. 2023) Live Performance Theaters in the US

source of revenue for the industry, with artists making up most of that revenue. This accounts for 39.2 percent of total industry revenue, which is equal to $2.8 billion in 2023. It is followed closely by recording and royalties at $1.4 billion and salaried and contract income of $1.3 billion, which covers musicians who play in orchestras or choirs.[20]

Georgia Economic Overview

CBAER analyzed the current economic trends in Georgia using the same NAICS codes as used in the previous section. As noted previously, these codes likely included businesses that could benefit from the GMTC and some that would not. CBAER used three variables in this analysis: employment, establishments, and gross state product data for Music Publishers (NAICS 51224) and Performing Arts Companies (NAICS 7111). The team sought to highlight the current activity level in relevant associated industries and set a baseline for economic activity.

CBAER used a five-year time frame spanning the years 2018 to 2022. The selected date range fits within the timeframe the GMTC was active. The NAICS code used in this section was not specifically included in the GMTC. Rather, CBAER used a similar analysis of the music industry prepared by other researchers to confirm the code selected for this analysis. In a report published by Portland State University prepared for Business Oregon, the economic development portion of the Oregon State Government, both NAICS 51224 and NAICS 7111 are included in the music and sound recording and performing arts trade clusters.[21]

Table 1 illustrates the employees in Georgia within the industries linked to the GMTC throughout the years 2018 – 2022. The team looked into the music publishers and performing arts companies' sectors in order to align with the Musical Tax Credit. In Table 1, there are notable changes that occurred within the five years.

[20] Ibid.

[21] Northwest Economic Research Center. (2023). *The Power of Music - An Economic Analysis of Oregon's Emerging Commercial Music Industry Final Report*. https://www.oregon.gov/biz/Publications/Emerging_Industries/CommercialMusicIndustry.FullReport.pdf

Table 1: Employment in GMTC Linked Industries

	2018	2019	2020	2021	2022
Music Publishers	104	116	126	135	141
Performing Arts Companies	3,231	3,352	2,370	2,606	3,143
Total	3,335	3,468	2,496	2,741	3,284

Source: JobEQ®

Between 2018 and 2022, both industries linked to the musical tax credit had a total average employment of 3,064 jobs statewide. Employment in music publishing industries and employment in performing arts companies had opposite trends between 2018 and 2022. Employment for music publishers has steadily increased since 2018. In contrast, employment for performing arts companies has steadily increased until 2020, followed by a decrease in 2021 and a slight recovery period in 2022. Despite the recovery from the low point in 2020, the performing arts companies' employment rate remains lower than its 2018 value. Total employment in the industries closely linked to the musical tax credit decreased by 1.5 percent between the years 2018 and 2022.

Next, the team examined total establishments for these same industries. Total establishments increased in Georgia between 2018 and 2022.

Table 2: Establishments in GMTC Linked Industries

	2018	2019	2020	2021	2022
Music Publishers	15	15	18	20	23
Performing Arts Companies	210	218	250	272	298
Total	225	233	268	292	321

Source: JobsEQ®

Establishments in the music publishers and performing arts companies have increased steadily since 2018. The number of establishments in these sectors of the live performance industry was seemingly unaffected by the COVID-19 pandemic. When comparing 2022 to five years prior, establishments increased by 7.3 percent on an average annual basis.

Finally, the team analyzed the Gross Domestic Product (GDP) linked to the Music Tax Credit industries. Table 3 illustrates the Gross Domestic Product for the Music Tax Provision in Georgia over the past five years, from 2018 to 2022.

Table 3: Gross Domestic Product for GMTC Industries - Georgia*

	2018	2019	2020	2021	2022
Music Publishers	$164.53	$170.88	$111.63	$141.15	$191.56
Performing Arts Companies	$46.58	$52.84	$42.89	$42.91	$44.85
Total	$211.12	$223.71	$154.52	$184.06	$236.42

Source: JobsEQ®
*Millions

As seen in Table 3, the GDP for the musical tax credit has fluctuated over the past five years, with an initial increase from 2018-2019, a sharp decline in 2020, and a recovery from 2021-2022, with 2022 values of GDP surpassing that of 2019. Total GDP between both sectors declined in the year 2020 by 31 percent from the year prior. For these numbers to return to where they were in 2018, before the pandemic, GDP needs to increase by $56.6 million, or 37 percent. Total GDP for both sectors rose again in 2022 by 24 percent, equaling a difference of $81.9 million. The music publishing sector was able to successfully achieve and surpass pre-COVID levels, while the performing arts companies sector is still recovering.

To conclude this section of the analysis, CBAER included information that outlines the wider economic impact of this industry. The information included provides an upper bound for the potential economic value of the music industry. By design, the GMTC focuses on a narrow segment of this industry. Georgia Music Partners noted that the economic impact of the music industry is already a part of the economy of this state. The organization has examined a broad-based segment of live performances, which included concerts and other forms of live entertainment in Georgia. In 2019, the impact of all live performances in Georgia was $2.7 billion, which supported 24,124 jobs and generated $113 million in total state and local tax revenues.[22]

Additionally, Georgia Music Partners also examined the music recording industry. This analysis found that the industry contributed $2.5 billion to the state's gross domestic product, which, in turn, supported 45,122 jobs. This led to the development of 9,613 music establishments, 13,167 royalty recipients, and 91,529 songwriters in Georgia.[23] In summary, both reports demonstrate that the music industry goes beyond the segments covered by the GMTC.

[22] The Concerts and Live Entertainment Industry. (n.d.). In *Georgia Music Partners*. Oxford Economics. Retrieved November 15, 2023, from https://georgiamusicpartners.org/wp-content/uploads/2019/02/210723-GA-Live-Nation-State-One-Pager.pdf
[23] Georgia. (n.d.). In *50 States of Music*. 50 States of Music. Retrieved November 15, 2023, from https://50statesofmusic.com/state-pdf/?sid=19

Other States Comparison

To analyze how other states use tax policy incentives to support live musical or theatrical performances and recorded musical performances for entertainment production, CBAER created two different groups of states. First, CBAER selected nine other states that support musical or theatrical performances using tax incentives. These states include Illinois, Louisiana, Maryland, Missouri, New York, Ohio, Pennsylvania and Rhode Island. These states were selected because each had a tax credit program similar to the GMTC but focused on incentivizing live musical or theatrical performances. The second group of states is smaller and includes Louisiana, Tennessee, and Oklahoma. These states were selected because each provides a different example of how other states incentivized recorded musical performances for entertainment purposes.

The analysis begins by examining the economic value of concerts and live entertainment in 2019. The figure displayed in Table 4 came from Georgia Musical Partners and Oxford Economics, and the analysis was completed in 2021.

Table 4: Economic Impacts of Concerts and Live Entertainment in 2019

State	Total Economic Output Impact*	Total Jobs	State & Local Taxes Generated*
New York	$7,800	48,264	$509
Illinois	$3,900	28,192	$294
Pennsylvania	$3,900	25,291	$315
Ohio	$2,900	22,467	$170
Georgia	$2,700	24,124	$113
Missouri	$1,600	12,071	$115
Maryland	$655	5,139	$41
Rhode Island	$551	4,772	$28
Louisiana	$543	4,511	$57

*Millions

Source: Oxford Economics, The Concerts and Live Entertainment Industry, July 2021

Table 4 illustrates that Georgia has a strong concert and live entertainment industry in terms of total economic output. Georgia ranks fifth in our sample with a total economic output impact of $2.7 billion, which includes direct, indirect, and induced transactions. Looking at total jobs, Georgia ranked fourth, moving past Ohio to just below Pennsylvania.

Next, Table 5 below displays the credits, eligible applicants and activities, and tax caps.

Table 5: Other State Music Industry Incentives and Tax Credits

State: Theater Credit Program	Incentive (Credit)	Eligibility Applicants and Activities	Tax Caps
Illinois – Live Theater Production Tax Credit Act (35 ILCS 17/)	20% of Illinois labor expenses and production spending per tax year Additional 15% credit for labor expenses paid if high poverty or unemployment state residents	Spend $100,000+ on labor and marketing for a scheduled Broadway production within 12 months of Illinois presentation Or an Illinois production that lasts eight weeks and at least six performances each week	$500,000 cap for each applicant for each tax year $2 million cap for all applicants for each fiscal year
Louisiana – Musical and Theatrical Production Income Tax Credit (RS 47:6034)	7% when investment is greater than $100,000 and less than or equal to $300,000. 14% when investment is greater than $300,000 and less than or equal to $1 million 7% of payroll for Louisiana residents. Additional credit of 0.072% of the amount spent to employ students	Expenditures made from investments in a state-certified musical or theatrical production Construction, Repair, or Renovations of facilities of said productions Payroll of Louisiana residents Employment of college technical students for said production	Cannot exceed base investment in production or infrastructure projects $1 million per project $10 million for all projects per given fiscal year Payroll credit is capped at $1 million paid to any single individual
Maryland – Theatrical Production Tax Credit (Md. Code, Tax-Gen. S 10-756)	25% for all direct costs used for theatrical productions in Maryland	exceed $100,000 of direct cost incurred in Maryland for development, production, performance, or operation of theatrical production Compensations for an individual exceeding $100,000 cannot be included in the total costs	$2 million for a single theatrical production $5 million for all production per given fiscal year
New York - Empire State Musical and Theatrical Production Tax Credit Program (5 NYCRR S 240)	25% of qualified expenditures $25 million infrastructure tax incentive for reallocation	Live Musical or theatrical production that has eight shows in more than three locations may apply for: Pre-tour production costs, salaries, wages, and other compensation are capped at $200,000 per week, technical and crew production costs	$8 million for all production per year
Rhode Island - Musical and Theatrical Production Tax Credits – (R) Gen. Law S 44-31.3-2)	30% of total eligible expenditures	Musical and theatrical production companies that have a minimum of $100,000 may claim for production, performance, and transportation expenses for pre- and post-Broadway production	$5 million per taxpayer $15 million for all taxpayers

(Continued) Table 5: Other State Music Industry Incentives and Tax Credits

State: Theater Credit Program	Incentive (Credit)	Eligibility Applicants and Activities	Tax Caps
New York – Musical and Theatrical Production Tax Credit (N.Y. Tax Law S 24-C)	At level one the production facility can receive tax credits of 25% of expenses At level 2 the production facility can receive tax credits of 25% of expenses	The facility must be in the Manhattan area containing 500 seats or more, at least one stage, and other production amenities, and live performances Companies must implement N.Y. state-approved diversity and arts jobs training plans to make these productions available to low-income residents Ongoing productions with revenues exceeding 200% will be required to contribute 50% of their tax credit to The Arts Cultural Program Fund	At level one it is up to $3 million Level two it is up to 350,000 if the production budget is $750,000
Missouri – Entertainment Industry Jobs Act (Missouri SB 170)	30% of qualified expenses	Tax credit for rehearsal and live entertainment tour expenses	The beneficiary will receive no more than $1 million in tax credits if expenses are less than $4 million. $2 million in tax credits if expenses exceed $4 million but less than $8 million. $3 million in tax credits if they spend at least $8 million.
Pennsylvania – Entertainment Economic Enhancement Program(Pennsylvania S 8774-D)	25% for all qualified expenses spent at class one and two venues. 30% of qualified expenses are spent at class one and three venues 35% of qualified expenses are spent on Class 1 and 3 venues that do not serve alcohol Additional 5% of tax credits of qualified expenses spent on two or more class 2 and 3 venues	Available for concert management companies that produce concerts with live musical performers Must spend ten days rehearsing in qualified rehearsal facility (at least in class 1 venue) Rehearsal expenses in Pennsylvania must accumulate to at least 60% of rehearsal expenses during the whole tour	Annual cap of $8 million and spend at least $3 million in equipment from Pennsylvania companies A single tour can be as low as $0.8 million to $2.0 million
Ohio Motion Picture Tax Credit (Ohio S 122.85)	30% of eligible expenditures	Spend at least $300,000 per production run by a professional cast and crew and associated with New York City's Broadway theater district Expenditures include goods and services purchased and consumed in the state related to production activities	$50 million per year for all motion picture and Broadway productions $5 million for theatrical productions $45 million for motion pictures

As seen in Table 5, tax credits are provided for businesses that invest in rehearsal, production, performance, marketing, construction, renovations, and labor required to stage large-scale musical and theatrical productions. States like Illinois, Ohio, and Rhode Island require applicants to market and perform in a Broadway, pre-Broadway, post-Broadway, or Broadway touring production. Louisiana requires theatrical development within the state. Maryland also credits pre-Broadway productions as well as other national touring productions. States such as New York and Pennsylvania also have contingencies based on the level of the venue in which the production is being performed.

With few exceptions, the eligibility requirements for all states that have a musical and theatrical production tax credit are similar in terms of basic structure. Applicants need to reach a minimum spending requirement and have numerous rehearsals and performances across a specified time, usually within the state.

Illinois provides a 20 percent tax credit on labor and production expenses plus an additional 15 percent tax credit for labor expenses to high-poverty individuals. This additional focus accounting for social and demographic considerations is also apparent in Louisiana, where they provide a 7 percent tax credit for the payroll of Louisiana residents and 0.072 percent of the amount spent on the employment of students. The New York Musical and Theatrical Production Tax Credit is the only tax credit that requires companies to implement the New York state-approved diversity and arts jobs training, which makes these productions available for low-income residents. Additionally, ongoing productions with revenues exceeding 200 percent of qualified expenditures must contribute 50 percent of the tax credit to the nonprofit Arts Cultural Program Fund. This program focuses solely on New York City, both Broadway and Off-Broadway. The New York Empire State Musical and Theatrical Production Tax Credit Program is the state program for areas outside of New York City. These are examples of incentivizing the arts not just for economic development but to target other social and welfare outcomes as well.

Most states commonly include a 25 to 35 percent tax credit for all qualified expenditures, likely due to the competitive nature of the music industry. Some states have caveats, such as Pennsylvania, wherein tax credit is increased for all qualified expenses depending on the class of the venue in which the production is being performed. The annual cap for all theatrical productions ranges from $5 million to $15 million, with $1 million through $5 million usually being the cap for a single theatrical production. Meanwhile, in Missouri, the cap rises depending on the amount of investment put into a theatrical production. The most eligible applicant can receive $3 million in tax credits if they spend at least $8 million on qualified expenditures. In Pennsylvania, the cap is determined by the amount of tour-related equipment purchased or rented from local businesses, with caps increasing to $2 million to $3 million for equipment purchases or leases over $4 million and $8 million, respectively.

Tax credits are refundable in Louisiana, Maryland, New York, and Ohio, which eliminates the need to carry forward periods of unused credits. Louisiana also allows the transfer of credit in addition to the credit being refundable. Illinois, Rhode Island, Missouri, and Pennsylvania also have provisions for the transfer of credits. Illinois and Missouri allow carryforwards of unused credits for five years, and Rhode Island and Pennsylvania allow three-year carryforwards.

Next, the team examined three tax credit programs that support recorded musical performances for entertainment production in different ways. First, Oklahoma used music as an uplift within the film tax credit. The base incentive is 20 percent for projects shot in Oklahoma. If at least one percent of qualified expenditures are spent on music in Oklahoma, then the incentive can increase by 2 percent.[24] Including music with film credits ensures that spending on music comes with other direct inputs.

Next, the state of Louisiana has a Sound Recording Incentive Program, which offers an 18 percent tax credit to qualifying projects. To qualify, the total project must be $25,000 in expenditures, with at least $10,000 coming from Louisiana residents. This program also has a $100,000 cap per project and a total program cap of $2.16 million in annual spending. Examples of activities included are music or vocal recording in the form of tracking and overdubbing, film scoring, spoken word performance, and live music performances.[25]

Third, the state of Tennessee offers the Tennessee Entertainment Tax Credit, which specifically incentivizes post-production activities, including audio and visual post-production, visual effects (VFX), and music scoring. The minimum amount required is $50,000 for post-production activities. This is in addition to other activities, including features, episodic television (scripted and non-scripted), animation, and video game development. After this minimum is met, 40 to 50 percent of Qualified Payroll Expenses is covered in tax credit based on county of residence. This credit has been linked to several video game musical scores, including Call of Duty, Madden, and Star Wars and TV series/films for Lost in Space (seasons 2 and 3), Fargo (season 1), and The Shack.[26]

Finally, comparisons to programs in other states provide indications as to why the GMTC was not used. The minimum qualified expenditures of at least $500,000 on the production of live musical or theatrical performances are above other state requirements, except when compared to those targeted to Broadway and Off-Broadway productions. Additionally, the credit of 15 percent of qualified expenditures with an additional 5 percent for expenditures in tier 1 and tier 2 counties is lower than the 25 to 35 percent incentive generally offered by other states. It appears that eligibility requirements in Georgia were higher than in other states, and the tax credit was not as competitive as provisions offered in other states.

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[24] Oklahoma film + music office - filmed in Oklahoma act of 2021. (2015, June 23). Oklahoma Film and Music Office. https://www.okfilmmusic.org/incentives\

[25] Sound Recording Program. (n.d.). Louisianaentertainment.gov. Retrieved December 7, 2023, from https://www.louisianaentertainment.gov/music/sound-recording-program

[26] F&E Incentive. (n.d.). Tnentertainment.com. Retrieved December 7, 2023, from https://www.tnentertainment.com/film/incentives/fe-incentive

Economic Activity

Estimating the economic activity linked to the GMTC was complicated because this tax credit was never awarded. This led the research team to develop several different ways to estimate the potential economic impact of this tax credit. CBAER first conducted an economic contribution analysis based on the six instances when GMTC applications were received over the life of the credit. Using these applications, the team sought to provide information on the potential economic value based on past performance. Next, the team examined the potential amount of tax credit that could have been awarded. These figures will be compared to the job creation figures and a potential alternative use analysis that will provide an idea of what the credit was able to fund. This section will conclude with an analysis of possible factors that could influence the use of this tax credit.

Economic Contribution Analysis

This analysis is based on the six applications retained by the DOR for the GMTC program. These six applications lacked the pre-certification letter for the GDEcD required under the Georgia Music Tax Credit rules. These applications were forwarded to GDEcD and were denied the pre-certification. Following another search of records by DOR, it was determined that no tax credit was issued under this tax credit. The applications provided to CBAER were anonymized, so it was not possible to determine if the projects took place. However, 51 percent of proposed expenditures were in the recorded musical performances for entertainment production, and 49 percent were in the live musical or theatrical performances. Due to the lack of issued credit, CBAER is treating applications as if they were approved. By operating under the assumption that these applications were approved, CBAER is working to provide information on what the impact of the tax credit could have been. This will provide one scenario of what a similarly designed music tax credit could do to future economic growth and state revenue.

The economic impact analysis was calculated using IMPLAN, one of the most widely utilized input/output models. It was created as a partnership between the United States Forest Service (USFS) and the Federal Emergency Management Agency (FEMA) in the mid-70s. This model was privatized in 1991 and is now a fully private company. It is one of the most commonly used input/output models in the United States.

IMPLAN uses four variables to describe the economic contributions linked to what is being studied: output, gross regional product, labor income, and employment. Output covers the value of industry production, which includes net sales and inventory changes estimated by using annual production estimators embedded in IMPLAN. Next, to measure the value added, the intermediate impact has been removed from the output category. Intermediate goods include the consumption of goods and services purchased from other industries or imported from outside the target area. The third variable is labor income, which consists of both employee compensation and proprietor's income and includes both wages paid and benefits provided to employees. The inputs used in the IMPLAN model include both factors. The final variable is employment, which includes all full-time, part-time, and temporary labor. These four variables work across the economy to define the types of economic impacts linked to the GMTC.

When combined, these variables will demonstrate the economic contribution linked to the direct inputs. It is the input variables that typically provide the starting point for the analysis. Generally, the larger the direct contribution made to the economy, the larger the corresponding increase in total economic impact.

The spending linked to the GMTC represents the amount of economic activity linked to the applicant. This, in turn, represents the total amount of economic activity that could have been supported by this tax credit. The spending that was linked to these applications has been aggregated and modeled in the input/output model IMPLAN, and it covers the 2018 to 2022 timeframe in which the credit was available.

Table 6: 2018-2022 Potential Economic Contribution Linked to GMTC Applications

	Output*+	Value Added*+	Labor Income*+	Employment
Direct	$3.65	$2.49	$1.79	26
Indirect	$1.29	$0.72	$0.41	7
Induced	$1.95	$1.14	$0.62	11
Total	$6.89	$4.35	$2.81	45

* Dollars in millions: + Current year dollars

Between 2018 and 2022, the potential total output impact of these applications was $6.89 million, which includes $3.65 million in direct transactions. Also included in these impacts are the secondary transactions, which include indirect spending, that is, business-to-business transactions. Regarding output, these reached $1.29 million in potential spending. The next category is induced effects, which covers business-to-consumer spending-induced effects, which reached $1.95 million.

The potential GMTC spending also supported 26 direct jobs and 45 total jobs, totaling $2.81 million in labor income; these job figures include full-time, part-time, and temporary workers. When these jobs are linked to the live performance segment of the industry, it is unclear which jobs are full-time year-round and which are contracted or time-limited, such as to support an event. As noted, IMPLAN does not distinguish between these types of positions.

Additionally, this analysis did not include event spending by vendors or attendees. The economic value of an event comes from spending and transactions at the event and visitors to the local community. Due to data availability, CBAER did not have this type of information to include in the analysis.

However, in the future, this type of economic impact analysis of a live event should include the number of visitors who traveled to the event from outside of the local area, the expenditure of each visitor, and the primary purpose of the trip. Following common best practice guidelines, local attendees of the festival are excluded from the analysis, as their contribution to the local economy is not unique. In other words, locals are spending funds at the event that likely would have been spent in the area in the absence of an event.[27] In contrast, visitor spending is unique because these funds are temporary and vary over time, which can have a significant impact on the economic system. Furthermore, visitors from outside the area can be classified into two groups: those whose primary reason for visiting the area is the event and those whose primary reason for visiting the area is something else. For an economic impact analysis, events with more first-time or new visitors to the area are more valuable than those visitors who travel to the region primarily for another purpose and also attend the event.[28]

Direct effects can be analyzed through the immediate purchases and expenditures of visitors and tourists who attend these events, including ticket sales, lodging/hospitality, food, transportation, entertainment, and more. Indirect effects of a live event would come from the goods and services purchased by businesses to fulfill the needs of the music festival and subsequent tourism industry. For example, due to consumer demand, restaurants and hotels will need to restock their inventory. Finally, induced effects occur when employees in the direct and indirect impact industries spend money on goods and services in the local economy.

An example of the local impact comes from the Savannah Music Festival. According to a survey conducted by the University of Georgia School of Hospitality and Food Industry Management, more than 40 percent of the audience traveled from out of town, stayed four nights in Savannah hotels, and were responsible for $8.6 million in spending during the festival.[29]

[27] Bracalente, B., Chirieleison, C., Cossignani, M., Ferrucci, L., Gigliotti, M., & Ranalli, M. G. (2011). The Economic Impact of Cultural Events: The Umbria Jazz Music Festival. Tourism Economics, 17(6), 1235-1255. https://doi.org/10.5367/te.2011.0096

[28] Music Festival at Sunrise Ranch: Economic Impact Analysis. (n.d.). In *Larimer County*. Larimer County.

[29] Shumake, L. (2023, June 26). *Box Office Breaks Records - Savannah, GA | Savannah.com*. Savannah, GA | Savannah.com. https://www.savannah.com/box-office-breaks-records-for-savannah-music-festival-2023/#:~:text=The%20nonprofit%20organization%20also%20generated,%248.6%20million%20in%20direct%20spending

Use Analysis

If all of the analyzed tax credits for the applications had been awarded between 2018 and 2022, the total amount of tax credit issued would have reached $561,000. Following the format used in the economic contribution analysis, CBAER analyzed this as if it had been awarded. This subsection of the report focuses on the contribution these funds made to the state economy and to tax collections using the not-credited tax credit as the direct input.

Table 7: State Government–
2018-2022 Alternative Use Economic Impact

	Output*+	Value Added*+	Labor Income*+	Employment
Direct	$561.0	$380.2	$270.7	4
Indirect	$200.1	$111.5	$63.8	1
Induced	$296.3	$174.1	$93.8	2
Total	$1,057.4	$665.8	$428.3	7

*Dollars in thousands, + Current year dollars

The economic contribution of the not credited funds linked to state government spending supports four jobs in direct state employment and seven total jobs. Additionally, this spending increased the direct value added at the state level by $380 thousand in direct spending and $665.8 thousand in total after this spending moved through the economy. These jobs have pay and benefit packages that are close to $61,720 in annual compensation.

Next, CBAER estimates the total amount of tax revenue that would have been collected following the economic contribution analysis. Table 8 displays the total tax collection for both state and local governments in Georgia from 2018-2022.

Table 8: Combined State and Local Governments –
Average Alternative Use Tax Collections Without the Tax Credit *+

	State	Local Taxes
Georgia Income Tax Estimate	$14,135	
Sales Tax Estimates	$3,530	$2,974
Georgia All Other Taxes (estimated at 22% of total GA tax)	$4,982	
Property		$476
Total State and Local Tax Estimate	$22,648	$3,451

* Whole numbers; + Current year dollars

Using the economic contribution analysis, the total state tax collection reached $22,648 while local tax collection hit $3,451. These findings are not new tax collections, rather these are the proportion of existing tax collections that are estimated to be linked to the GMTC. Additionally, the revenue is connected to the secondary impact of individuals paying state and local taxes. For revenue collected at the state level 62.4 percent of payments made were income tax collections. In contrast, sales taxes made up 86.2 percent of local government revenue in the analysis.

But For Analysis

Estimating the *But For* was challenging because CBAER was working with randomized data. This made it unclear if any of the events/recording sections took place. Considering the substantial economic value of the recorded music and live performance industry highlighted in the Georgia Economic Overview Section, the modest economic contribution of GMTC makes this tax credit seem relatively insignificant. However, this tax credit could bring live theatrical performances to more communities across the state of Georgia by providing a launching pad for traveling shows. A typical Broadway-style show brings in 35 people from out of state to start a tour. This leads to an investment of $750,000 to $800,000 in the host theaters and other support services, with an average length of stay of seven days. This allows theaters to fill their building at off-peak times while being able to host a high-quality show at the end of this timeframe. For smaller theaters, this could be a strong revenue source because traveling shows like to start in smaller markets where it is more affordable to refine their process.[30] In addition, touring musical acts can employ 200-300 people while on the road, and these acts also like to start in smaller markets and can take several weeks to get going.[31]

When it came to recorded musical performances for entertainment production, the intent of the GMTC was to bring more independent film-scoring projects to Georgia. Under current law, projects shot in Georgia can do their scoring in this state as part of the Georgia Film Tax credit. However, projects shot outside of Georgia are not covered by this law. Records of the frequency of these requests were not readily available from either the industry or state government. Given the intent of the GMTC law, it was managed by the Georgia Film Office. This presented management challenges for both Film Office personnel and potential users of the GMTC.[32]

Following the limited specific data available, CBAER conducted a shift-share analysis, which compared employment growth for performing arts companies and sound recording studios in Georgia to national growth rates to identify regional differences and economic changes.

Table 9 displays a shift-share analysis for the musical performance industry within Georgia based on employment. A shift-share analysis is a type of analysis used to display growth for both employment and competitiveness within a given industry in set regions. It also displays differences between local and national economies. The percentages are calculated for each column, so they do not total 100 percent.[33]

A shift-share analysis was used to determine the primary factors behind the growth within the performing arts industry and the sound recording industry. Specifically, the analysis was used to

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[30] Interview with Norman Easterbook, Executive Director/CEO, RiverCenter For the Performing Arts, Colubmus Georgia, November 15, 2023

[31] Interview with Mala Sharma, Preisdent, Georgia Music Partners, November 3, 2023

[32] Interview with Mala Sharma, Preisdent, Georgia Music Partners, November 3, 2023

[33] Ziuznys, A. (2023, July 26). *Shift-Share Analysis: Determine the Competitiveness of an Industry*. Coresignal. https://coresignal.com/blog/shift-share/

determine if national economic growth, local properties, or the overall industry were the primary reasons for growth within Georgia.

Table 9 displays national growth, local competitiveness, and industry mix share. National growth is the portion of growth of employment for a given industry attributed to overall national economic growth. Essentially, it measures how much an industry's growth aligns with economic expansion in the country.[34] Local competitiveness reflects the unique advantages that a given region offers to an industry. In the above case, local competitiveness would be the advantage that the state of Georgia provides to the industries that would qualify for the GMTC.[35] The industry mix share describes what would happen in the local industry if only national-level factors were applied to the region.[36] These factors together result in the shift-share analysis seen in Table 9.

Table 9: Shift-Share Analysis of Live-Performance Industries 2018-2022

NAICS	Industry Title	% National Growth	% Local Competitiveness	% Industry Mix Share
7111	Performing Arts Companies	25%	29%	-45%
51224	Sound Recording Studios	15%	68%	-17%

Source: Jobs EQ®

This shift-share analysis focuses on the growth within the live performance industry, particularly in the sectors of performing arts companies and sound recording studios, over the past five years. A key highlight of this analysis is the role of local competitiveness in driving industry growth. With respect to performing arts companies, local factors account for 29% of the total employment growth in this sector. This indicates a significant influence of regional advantages in the expansion of performing arts companies in the state. For sound recording studios, an impressive 68% of the regional growth in Georgia can be attributed to local conditions and advantages. This substantial percentage underscores the importance of Georgia-specific factors in the development of the sound recording studios sector.

The percent national growth column indicates how much economic growth in Georgia in these two sectors of the Live Performance industry can be attributed to the overall growth rates of

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[34] Goodwin, K. (2018, February 15). *How Shift Share Analysis Works*. PropertyMetrics. https://propertymetrics.com/blog/shift-share-analysis/#:~:text=Shift%2Dshare%20is%20a%20standard,to%20unique%20regional%20growth%20factors.

[35] Goodwin, K. (2018, February 15). *How Shift Share Analysis Works*. PropertyMetrics. https://propertymetrics.com/blog/shift-share-analysis/#:~:text=Shift%2Dshare%20is%20a%20standard,to%20unique%20regional%20growth%20factors.

[36] Understanding Shift Share. (n.d.). In *Economic Modeling Specialists, Inc. Resource Library*. Economic Modeling Specialists, Inc. Retrieved November 15, 2023, from https://www.economicmodeling.com/wp-content/uploads/2007/10/emsi_understandingshiftshare.pdf

the sectors in the national economy. For the performing arts companies, 25 percent of its economic growth within Georgia can be attributed to the national growth of the industry sector. For the sound recording studios, 15 percent of this growth within Georgia can be attributed to national effects.

In this case, the local competitiveness column indicates the advantages the state of Georgia has on the Live Performance industry in terms of performing arts companies and sound recording studios.[37] For the performing arts companies, Georgia companies account for 29 percent of employment growth in this industry sector. Continuing with this logic, Georgia companies account for 68 percent of local employment growth for sound recording studios.

Finally, the industry mix share column represents what would have happened if the national growth factors were solely applied to Georgia. In other words, what would have happened if Georgia did not have a live performance industry as defined in this report? For the performing arts industry, growth would have declined by 45 percent, and for the sound recording studios industry, growth would have declined by 17 percent.

While the growth exhibited in the sound recording studio industry can be attributed primarily to the local advantages that Georgia has for these industries, the performing arts companies can attribute their growth equally to national economic advances as well as some of the local advantages that Georgia contains, such as its thriving film industry.

[37] Goodwin, K. (2018, February 15). *How Shift Share Analysis Works*. PropertyMetrics.

Fiscal Analysis

The economic impact of the musical tax credit affects the state and local government tax collections, partly offsetting the revenue loss caused by credit utilization. Companies pay sales tax on particular non-exempt items purchased in-state, and their employees pay income tax on their wages. The impact of state and local tax receipts on economic activity is organized in Table 10.

Table 10: GMTC Linked Potential Revenue 2018-2022*

Type of Tax	State Impact	Local Impact	Total
Sales Tax	$26,414	$14,835	$41,249
Property Taxes	$0	$40,568	$40,568
Corporate Profits Tax	$10,156	$0	$10,156
Other Taxes	$3,511	$1,853	$5,364
Personal Income Tax	$63,625	$0	$63,625
Total Tax Receipts	$103,706	$57,256	$160,962

* Whole numbers

To calculate the net revenue or loss due to the GMTC, the cost of the credit in terms of lower corporate income taxes is offset by the net of the new tax revenue generated by the economic activity spurred by the provision of the credit. Alternate governmental spending is not considered in this analysis due to the relative immateriality of the numbers. For this analysis, we will use the tax credit that would have been taken if the credits had been approved to illustrate the net impact. The net revenue gain or loss due to the musical investment tax credit is presented in Table 11 under the assumption that 25 percent of new economic activity occurs due to the provision of the GMTC, and the results if 100 percent of such activity were generated by the credit.

Table 11: Estimated Net State and Local Revenue Loss from the GMTC*

Type of Tax	25%	100%
Corporate tax foregone due to tax credit utilized *	$-561,000	,$-561,000
New sales tax receipts	$10,000	$41,000
New corporate profits tax	$2,000	$10,000
New personal income tax	$16,000	$64,000
New property taxes	$10,000	$41,000
New other taxes	$1,000	$5,000
Net tax gain or loss	$-522,000	$-400,000
ROI	**-93.05%**	**-71.30%**

*Whole numbers

Even if 100 percent of the new job creation were attributed to the music investment tax credit, the return would have been a negative 71.3 percent. Given the nature of many live events, such as major concerts, the potential for the credit to provide a return on investment exists. Future evaluations of this credit, if reinstated in some form, should consider the type of event and whether it is an event that attracts out-of-state visitors. In this case, the projects were simply too small to have much of an impact.

Public Benefit

The public could benefit from a GMTC type tax credit in three different ways. First, by increasing the quality of live music and theater production, more parts of Georgia can become places for tourists to visit and enjoy live performances. Next, adding additional live music and theater production activities can enhance residents quality of life by providing more opportunities for entertainment and gathering places for community members. Third, by encouraging recorded musical performances for entertainment production, it is possible to expand the skills present within the workforce in Georgia.

In Georgia, tourism is an important part of the economy. Between 2018 and 2022, spending by tourists has increased by 6 percent to $32.7 billion in 2022.[38] In 2019, The U.S. Travel Association reported that the top five reasons for domestic travel were visiting relatives, shopping, visiting friends, fine dining, and rural sightseeing.[39] Natural beauty, gastronomy, and historic sites are the main features that attract tourists to a particular location. Georgia possesses many of the aforementioned characteristics, and many of these tourist draws are located near population centers across the state. Developing a musical tourism landscape can bring value to the beauty, history, and industries already present in the state. Touring productions can increase the exposure of these areas, attracting new visitors and extending the length of stay of visitors and musical tourists alike.

Nationally, music-related out-of-town attendees spend a total of $32.6 billion at local businesses, reportedly having higher sales than the organic food industry, museum and historical sites, theme parks and amusements, the cosmetic and beauty industry, and the agricultural industry. Generally, if an out-of-town attendee purchased a $100 event ticket, their local spending ranges between $335 and $435 on a per person per day basis.[40] A healthy flow of music tourism can also foster a prominent reputation as an attractive location for tourists. Successfully promoting and cultivating music tourism could allow the state to become a prominent entertainment hub, increasing both cultural and economic value.

[38] Explore Georgia, Economic Impact of Tourism in Georgia, retrieved from. https://industry.exploregeorgia.org/research/tourism-economic-impact-data
[39] (N.d.-b). Ustravel.org. Retrieved December 7, 2023, retrieved from https://www.ustravel.org/system/files/media_root/document/Research_Fact-Sheet_US-Travel-Answer-Sheet.pdf
[40] Sacks, A. & Mariano M., (2021, July 26). The Concerts and Live Entertainment Industry: A Significant Economic Engine. Oxford Economics.

Next, increasing existing residents' quality of life can be improved by access to live performances. Live entertainment allows for social bonding, public engagement, and the creation of community identity.[41] The creation of a live music scene allows individuals to become a part of social groups, bond with others, and feel less isolated.[42] The creation and incentivization of these social meeting spaces, including those that host live performances, can increase community outreach opportunities that might be unavailable otherwise.[43]

Furthermore, residents gain a sense of identity through live music.[44] For decades, blues, jazz, hip hop, and rock and roll have given Georgia a distinct cultural identity that is intertwined with its production of distinct musical styles. Identities created through live performances allow Georgia residents to feel connected to their community, allowing them to gain a sense of togetherness and unity. Live performances create a sense of cultural vibrancy through the creation and cultivation of a cultural ecology.[45] Building local community identity through music can help to create a sense of place and, over time, can lead to increased investment and cultural opportunities for community members.

Third, by supporting the development of a strong music industry linked to the entertainment industry, the state of Georgia is helping to build the capacity of film, television, and interactive entertainment production in the state. The economic value of these entertainment productions is split between the days these projects are in production and a support activity taking place around the project. One way to increase the economic value of these projects to the state of Georgia is to ensure that more of the post-production work on these projects is completed in the state. An important part of completing one of these projects is ensuring the post-production process Is handled efficiently and completely. This process includes the visual effects and the addition of music accompanying the images on screen. These musical scores can be a costly part of completing the project. These are funds that companies must spend, and if they are shot in Georgia, they are covered expenditures by the film tax credit. The GMTC was meant to cover projects not shot in Georgia, potentially providing more opportunities for companies to build the capacity of similar businesses in this state.

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[41] Hoeven, A., & Hitters E. (2019). The social and cultural values of live music: Sustaining urban live music ecologies. *Journal of Cities, 90,* 263-271.
[42] Ibid.
[43] Ibid.
[44] Ibid.
[45] Ibid.

Intending to capitalize on the scoring of films, TV, and other recorded musical performances that were shot outside of the state of Georgia, the GMTC established an employment landscape for music publishing and recording occupations within the state. According to an analysis of the Georgia Film Tax Credit, many of the productions that received the tax credit were also shot in other states.[46] Thus, the GMTC could have served to bolster music and sound design expertise within the state of Georgia by increasing the economic activity that would make it possible to finish production in the state.

Finally, The Joint Georgia Heritage Study Committee in 2022 noted that Georgia is progressively losing business opportunities within the music industry due to the insufficiency of the tax credit.[47] Many speakers in attendance noted that Georgia needs to utilize the tax credit for not only the expansion of live entertainment, but also must establish an office that is dedicated to the entertainment and music industry. Rob Evans, the chief engineer at Capricorn Sound Studios as well as owner of Creek Media at Capricorn, stated specifically that the addition of a commissioner for music at the state level would help aid and support music projects in Georgia.[48]

[46] Griffin Leslie McGuire, G. (2020). Impact of the Georgia Film Tax Credit.
[47] Georgia State Senate. (2022). *Joint Georgia Music Heritage Report*. https://www.senate.ga.gov/committees/Documents/JointGeorgiaMusicHeritageFinalReport.pdf
[48] Georgia State Senate. (2022). *Joint Georgia Music Heritage Report*. https://www.senate.ga.gov/committees/Documents/JointGeorgiaMusicHeritageFinalReport.pdf

Summary and Conclusion

The Georgia Musical Tax Credit covered live musical or theatrical performances, recorded musical performances, and other qualified expenditures (equipment and labor) between the years 2018 through 2022. No tax credits were issued throughout the lifespan of the program. If applications linked to this credit were issued, the tax expenditure of $561,000 would have been produced, and the economic contribution could have reached a four-year total of $6.89 million in economic output (revenue) and $4.35 million in value added (gross domestic product). If the tax credits were awarded, it would have supported a total of 45 jobs. With the six applicants, each applicant would have received a 15 percent to 20 percent income tax credit, dependent on the location of the production. In terms of tax revenue, the musical tax credit state and local tax could have reached $160,900 between 2018 and 2022. The tax revenue for the state of Georgia culminated in $103,700, while the local government collection would have reached $51,200 in tax revenue.

According to industry professionals, the GMTC was unsuccessful due to implementation issues. The initial spending threshold was set higher than what was requested by the industry, which proved to be difficult for many users to achieve. Furthermore, the credit was managed by the Georgia Film Office and was initially designed as another tool to incentivize recorded musical performances and other touring and theatrical productions that were either recorded or performed outside of the state. Productions shot within the state of Georgia were able to use the existing Film Tax Credit. Additionally, the live performance segment of the credit also contributed to the implementation issues, as it added complications for both applicants and reviewers.

Through coalescence with the film industry, the GMTC has the ability to benefit the Georgia economy by creating a market for tourism and recording otherwise unavailable through the Film Tax Credit. This is especially true if the credit contains specific provisions for scoring, as do tax credits found within other states. In the live performance segments, states like Maryland and Illinois have a threshold for qualification of $100,000 as opposed to $500,000. This lowering of qualified expenditure requirements would allow more productions to benefit from the tax credit, incentivizing more productions to enter the state and contribute to the Georgia economy. The Film Tax Credit serves as an example of the economic contributions a successful tax credit can bring.