

Hello. It looks like you're using an ad blocker that may prevent our website from working properly. To receive the best experience possible, please make sure any blockers are switched off and refresh the page.

If you have any questions or need help you can email us

so it should come as no surprise that they are the forms of creative endeavor that can most benefit from research and development (R&D) tax credits.

Jul. 20, 2021



By Engineered Tax Services.

Of all the arts, the film and TV industries are the most dependent on technology—so it should come as no surprise that they are the forms of creative endeavor that can most benefit from research and development (R&D) tax credits.

Originated provisionally by Congress in 1981 as Research and Experimentation credits, **R&D tax credits** are now permanent federal and state tax incentives meant to stimulate innovation, technical design, and product development and enhancement

and keep the U.S. on the forefront of innovation. These tax credits reimburse

Hello. It looks like you're using an ad blocker that may prevent our website from working properly. To receive the best experience possible, please make sure any blockers are switched off and refresh the page.

If you have any questions or need help you can email us

are constantly investing in new technological advances that can take the shape of improved camera lenses, sound recording technologies, and lighting systems. Production companies can save substantial amounts of money simply by claiming these tax credits.

It just so happens that there is a company that specializes in helping film and TV production companies make use of R&D tax credits: [1913 Media Group](#), which describes itself as “a vertically integrated film and television studio, centered around the creative development and financing of pre-sold film projects.”

“We do a tremendous amount of financial engineering as part of our film production,” said [Joey DiFranco](#), president and COO of 1913 Media Group. “We’re project engineers who fiscally engineer film productions, and leveraging tax credits is a component of that. The big studios like Marvel are major financial engineers, but we’re bringing that knowledge down to the independent film space. We’ve found a sweet spot for this level of engineering: the sub-\$10 million production base [independent films that cost less than \$10 million]. Nobody in our space is taking advantage of incentives like R&D tax credits. Our job is to ask our creative clients, ‘How can we remove roadblocks?’ That’s why we offer financial engineering like R&D tax credits.”

DiFranco cited several examples of instances where film and TV production companies could make use of R&D tax credits. He explained that every film is represented by its own a short-cycle LLC, which protects the parent organization (Marvel, for example) from liability.

“Filmmakers are constantly undertaking tech development, software development, and process development—not necessarily for a specific film, but for the parent organization,” he said. “This is classic research and development for better processes and products. You’re literally reinventing the wheel for each film with visual effects,

practical effects, and custom gear and equipment. You're going through an ideation

Hello. It looks like you're using an ad blocker that may prevent our website from working properly. To receive the best experience possible, please make sure any blockers are switched off and refresh the page.

If you have any questions or need help you can email us

If you're in the film and TV business, how do you know if you qualify for R&D tax credits? Just take this simple four-part test established by the IRS:

1. **Permitted Purpose:** The activities must relate to new or improved business components, function, performance, reliability, and quality.
2. **Technological in Nature:** The activity performed must fundamentally rely on principles of physical or biological science, engineering, and computer science.
3. **Elimination of Uncertainty:** The activity must be intended to discover information to eliminate uncertainty concerning the capability, method, or design for developing or improving a product or process.
4. **Process of Experimentation:** The taxpayer must engage in an evaluative process that can identify and evaluate more than one alternative to achieve a result. This may include modeling, simulation, or a systematic trial and error methodology.

“If you're in the film and TV business, don't leave money on the table,” DiFranco said. “Those millions of unclaimed dollars could go a long way towards financing your next production!”

Technology

CPA Practice Advisor is registered with the National Association of State Boards of Accountancy (NASBA) as a sponsor of continuing professional education on the National Registry of CPE Sponsors.

Hello. It looks like you're using an ad blocker that may prevent our website from working properly. To receive the best experience possible, please make sure any blockers are switched off and refresh the page.

If you have any questions or need help you can email us