

Items to be aware of when spending money for the Alaska Film Tax Credit:

- Items must be incurred in the state in order to qualify. "Incurred in the state" means "the activity" that is being performed. For example,
 - o If an employee is working on the production in California and in Alaska only the time spent on the production while in Alaska qualifies.
 - o If a specialized camera is rented in California and brought to Alaska to be used in a production applying for a tax credit, the expenditure will qualify because the "activity" of using the camera is taking place in Alaska, this must be directly related to the production and not in excess of FMV. You must also be able to show that the item was in Alaska (shipping receipts, invoices, etc.)
- To be considered a qualified expenditure under interstate transportation, the mode of transport must touch down in or take off from Alaska. If there are multiple legs of the transportation only the leg of the transport that touches down in or takes off from Alaska will be considered a qualified expenditure, unless all legs of the flight were purchased as a part of a single ticket, booked at one time through an airline or agent, with no deliberate layovers.
 - The cost for meals incurred on a plane or in an airport not on the ground in Alaska are not eligible expenses because the costs were not incurred in Alaska and are not considered costs of travel.
 - The travel agency fees are considered a qualified expenditure as a cost of traveling. Travel agency fees paid to an out-of-state agency for travel to or from Alaska can be considered to be a part of the cost to travel, thus allowing the cost to be treated the same as other interstate transportation costs at 50% of the total costs.
- Fuel receipts should be recorded in 3a, 4c, 4g, or 4n depending on the expense.
 - Receipts classified in 3a would be fuel expenses for a chartered flight. The flight must be for getting to a location and not for the actual filming of the production.
 - Receipts classified in 4c would be fuel expenses for aircraft/vehicles used while filming.
 - o Receipts classified in 4g would be fuel expenses for rental vehicles.
 - Receipts classified in 4n would be fuel expenses for anything else.
- Still photography is allowed, but only if it is an ordinary part and in conjunction with a "motion" filming. It must be directly related to the "motion" production and incurred in the state. However, still photography expenses will not be allowed if used in any post production activities that include marketing and distribution.
- Vendors being claimed for qualified expenditures in intrastate travel, musicians, and payroll services must have a valid Alaska business license. Use the following link to search for business licenses.

http://commerce.alaska.gov/CBP/Main/CBPLSearch.aspx?mode=BL

- According to state statute 43.70.020 all businesses operating in the state of Alaska must have a valid business license with seven exceptions found under AS 40.70.105: a fisheries business, sale of liquor, insurance business, mining business, supplying services as an employee, furnishing goods or services by a person who does not represent to be regularly engaged in furnishing goods or services, activities of an investment club. The first four exceptions listed require other licenses from the State. The CPA is not required to test business licenses for vendors that are not claimed for intrastate travel, musicians, or payroll services. The compliance/accountability will be done during the best interest of the state determination. A producer only hiring, or making a habit out of hiring only businesses in the state that were operating without a valid business license, (or if the producer only spotlighted people mining without mining licenses), then it could be determined that that particular production wasn't in the best interest of the state.
- Outstanding obligations will not be considered qualified expenditures. All checks must have cleared the bank at the time of the verification in order for the expense to qualify.
- All Alaska residents being claimed for Alaska resident wages must have a signed Alaska Residency Affidavit form. Follow the link and click on the tab Forms, see form 712. http://tax.alaska.gov/AlaskaFilmOffice/programs/CreditProgram.aspx
- The ATL resident credit incentive has a stricter residency requirement in order to receive the 30% credit and must meet the definition for being eligible for the Alaska Permanent Fund Dividend (PFD). For ATL residents not eligible for the PFD, the tax credit is 25%. For ATL non-residents, the credit is 5% (plus increases).
- By having an ATL non-resident, you are allowed an increase of 50% on all Alaskan wages.
- The definition for ATL personnel includes producers, directors, writers and principal actors. Most unscripted television shows consider the stars of their show to be spotlighted talent and not actual actors; therefore most unscripted television budgets report the talent as BTL talent, and not ATL. In order for the ATL personnel to be eligible for the ATL resident wage credit, the talent must clearly be a professional actor.
- Below-the-line personal include: cast and talent that are not ATL, unscripted television talent, production manager, assistant director, other producers, field producers, assistant producers, script supervisor, location manager, production accountant, costume designer, makeup artist, hair stylist director of photography, production designer, set decorator, gaffer, grip, special effects coordinator, craft service, caterer, transportation coordinator, editor, composer, property master, construction coordinator, and all other personnel who do not meet the definition of ATL.
- Loan out companies are often used by highly paid personnel such as producer, directors, and actors to receive payments for their services. The production pays the loan-out company a negotiated fee and the loan-out company 'loans' the individual to the production. All loan outs should obtain a business license in Alaska in order to comply with state laws.
 - Report ATL non-resident compensation paid through a loan-out company on line 2a for the 5% base.
 - o Report ATL Alaska resident compensation paid through a loan-out company on line 1a or 1b for the 25% or 50% base.

- Report BTL Alaska resident and non-resident compensation paid through a loan-out company on line 1c or 2b for the 30% base.
- Concerning the rural uplift: The bonus is to incentivize spending in a rural community; therefore, there must be an actual community. There is a list of rural communities that follow the statutory definition available on the film office website. If a community is not listed, the film office can help make the determination. Follow the link and click on the Rural Communities tab http://tax.alaska.gov/AlaskaFilmOffice/programs/CreditProgram.aspx
 - Payroll is not considered eligible for the rural uplift, unless you are paying a resident from the rural community in which you are filming.
 - Transportation to and from a rural community does not qualify for the rural expense. In order to be considered rural the transportation must be performed by a company based in a rural community.
 - o Items purchased in a rural community are considered eligible for the rural uplift.
- The auditor in the film office will request additional information to randomly test the qualified expenditures and review all documents for reasonableness.