



Tax Deduction for Motion Picture Production Costs Expanded by Emergency Economic Legislation.

On October 3, 2008, the Emergency Economic Stabilization Act of 2008, H.R. 1424, was enacted. It contains a tax provision of particular interest to the filmed entertainment community. Section 181 of the Internal Revenue Code, as it existed prior to the October 3 amendment ("Old Law"), permitted the owner of a qualified film or television production to elect to expense, rather than capitalize and amortize over the life of the asset, the cost of the production under certain conditions. (A qualified production generally requires 75% of the production payroll to be paid for services in the United States and excludes certain adult films.) Old Law required that the cost of the production not exceed \$15,000,000 to be eligible for the election (\$20,000,000 in case of productions in certain favored geographical areas). Under the amendment, the first \$15,000,000 of the cost of a qualified production is eligible for the election, regardless of the total cost of the production. This change is effective for productions commencing after December 31, 2007. Furthermore, the Old Law contained a "sunset" provision pursuant to which the election ceased to be available for productions commencing after December 31, 2008. Under the amendment, the sunset provision is extended so that the election ceases to be available for productions commencing after December 31, 2009.

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