



Videogame Tax Credit Incentives

February 23, 2011 by Bob Tarantino

The efficacy of tax credits for the videogame industry, has been the subject of a variety of coverage recently:

- No Go for UK Tax Breaks for Video Games Industry (includes details on why the UK government has thus far declined to introduce credit incentives for the industry)
- notwithstanding the foregoing, "Hollywood" continues lobbying efforts with the UK government - Hollywood Lobbying UK Government Over Gaming Tax Breaks
- the State of Michigan has also made moves towards eliminating its videogame tax credits - Michigan Gov. Seeks to Scale Back Game Incentives - Do Tax Credit Plans Work?

That last link (written by Drew Boortz and from Reed Smith's Developing Concerns blog) contains some very thoughtful commentary on the topic of videogame tax incentive programs, of which I'll only excerpt this:

One final thought on this issue - it is possible that a straight cost-benefit analysis is not the only appropriate way to measure the success of a tax incentive program. There are other considerations, including the revitalization of underprivileged areas, promoting education and STEM skills in the area's schools, etc., that may not lend themselves to a "hard cash" analysis, but are nevertheless worthy goals.

In sum, the bottom line is that tax credits and incentives are tricky, complex beasts, and can cut for the better or for the worse. I for one would like to see more study of this, but based on the limited information available from a comparison of two state systems (Texas and Michigan), it seems to me that games projects are well-suited for tax credit financing, and that treating games as their own form of media, both for the purposes of project approval and payouts, is a strategy worth considering.

For the current state of play on videogame tax incentives in Canada, PwC's The Big Table series of publications is invaluable: the most recent Big Table of Digital Media and Animation Incentives in Canada — August 2010 can be downloaded at the link.

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