PENNSYLVANIA

ENTERTAINMENT ECONOMIC ENHANCEMENT PROGRAM TAX CREDIT

An Evaluation of Program Performance

March 2021

COMMONWEALTH OF PENNSYLVANIA
INDEPENDENT FISCAL OFFICE

Independent Fiscal Office

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INDEPENDENT FISCAL OFFICE

March 25, 2021

The Honorable Members of the Performance-Based Budget Board and Chairs of the House and Senate Finance Committees:

Act 48 of 2017 requires the Independent Fiscal Office (IFO) to review various state tax credits over a five-year period. For the third year, the IFO reviewed five tax credits: the Neighborhood Assistance Program, Resource Enhancement and Protection Program, Entertainment Economic Enhancement Program, Video Game Production and Keystone Special Development Zones Tax Credits. The act requires the IFO to submit tax credit reviews to the Performance-Based Budget Board and the Chairs of the House and Senate Finance Committees and to make the reports available to the public on the IFO website.

This report contains the tax credit review for the Entertainment Economic Enhancement Program (EEEP). The IFO reviewed industry reports that relate to economic incentives for the entertainment industry, held discussions with various stakeholders and met with agency staff who administer the tax credit. Based on that research, the IFO submits this report to fulfill the requirements contained in Act 48.

Currently four states (including Pennsylvania) offer a tax credit for live musical performances. Credit amounts vary by state, but Pennsylvania's tiered program offers the most generous credit percentages. Annual program caps also vary, with Pennsylvania ranking third highest. Due to the recent enactment of the credit (2016), only two years of historical data were available for review. This analysis examines available data and other issues that determine the net economic return of the EEEP Tax Credit.

The IFO welcomes all questions and comments on the contents of this report. Questions and comments can be sent to contact@ifo.state.pa.us.

Sincerely,

Dr. Matthew J. Knittel
Director

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General Findings and Recommendations

Enacted in 2016, the Entertainment Economic Enhancement Program (EEEP) Tax Credit is available to concert tour promotion companies, concert tour management companies or other concert management companies that produce concerts with live musical performers and meet specified requirements for concert/tour expenditures and location. Depending on the number and location of concerts, the base amount of the tax credit is 25, 30 or 35 percent of the applicant's total qualified rehearsal and tour expenses. Some applicants are eligible to receive an additional 5 percent credit (maximum of 40 percent total). Act 13 of 2019 increased the annual program cap from $4.0 million to $8.0 million. Credits for a single tour may not exceed $0.8 million (or up to $2.0 million with higher levels of qualified tour equipment rentals/purchases).

The **general findings** of this report are as follows:

- Three other states offer a tax credit for live musical performances. Tax credit amounts vary by state, but Pennsylvania's tiered program offers the most generous credit percentages. Annual program caps also vary, with Pennsylvania's EEEP Tax Credit ranking third highest.
- There was limited program history available for the EEEP Tax Credit (two years and 15 recipients) and rehearsal/tour schedules for the most recent fiscal year (FY 2019-20) were significantly impacted by mitigation efforts related to the COVID-19 pandemic.
- All EEEP Tax Credit recipients received the maximum credit allowed for a single tour, yielding an average effective credit of roughly 10 percent. Nearly all EEEP Tax Credits are sold. Recipients generally pay a 10 percent facilitator fee and a 6 percent discount to the purchaser.
- The credit provides a substantial benefit to the only Pennsylvania qualified rehearsal facility. Stakeholders indicate that the availability of this facility limits the number of concerts/tours that are able to take advantage of the tax credit program.
- Tours and rehearsals are highly mobile and it is likely that the credit has a material impact on location decisions.
- For less established performers, the tax credit may provide greater incentives by making a tour more financially viable.
- The analysis finds that the <u>net</u> return on investment (ROI) is 15 to 35 cents of state tax revenue for each tax credit dollar.

The final section of this report contains various **recommendations**. A summary is as follows:

- Eliminate the requirement that a tour must rehearse at a qualified rehearsal studio and allow the rehearsal to occur at any Pennsylvania studio.
- The EEEP Tax Credit is offered at rates from 25 to 40 percent, but the average effective credit is only 10 percent after imposition of the per tour cap. The maximum allowable tax credit for a single tour and the tax credit rates should be re-evaluated for effectiveness.
- The tax credit should be made refundable. The fees and discounts charged by third parties represent leakage and do not contribute to the economic output of the industry.

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Section 1: Introduction

Act 48 of 2017 requires the Independent Fiscal Office (IFO) to review various state tax credits over a five-year period.[1] For the third year, the IFO reviewed five tax credits: the Neighborhood Assistance Program, Resource Enhancement and Protection Program, Entertainment Economic Enhancement Program, Video Game Production, and Keystone Special Development Zones Tax Credits. The act requires the IFO to submit tax credit reviews to the Performance-Based Budget Board and the Chairs of the House and Senate Finance Committees and to make reports available to the public on the IFO website.

The act specifies that tax credit reviews shall contain the following content:

- The purpose for which the tax credit was created.
- Whether the tax credit is accomplishing its legislative intent.
- Whether the tax credit could be more efficiently implemented through other methods.
- Any alternative methods which would make the tax credit more efficient.
- The costs to provide the tax credit, including the administrative costs to the Commonwealth and local government entities within this Commonwealth.

The act also specifies that the IFO shall develop a tax credit plan for all tax credits subject to review. The plans should include performance measures, and where applicable, the measures should reflect outcome-based measures (including efficiency measures), measures of status improvements of recipient populations, and economic outcomes or performance benchmarks against similar state programs or similar programs of other states or jurisdictions. The IFO submits this report to fulfill these requirements.

The remainder of this review contains four sections. **Section 2** discusses how the tax credit is administered and presents historical data. **Section 3** presents relevant data for states that offer programs similar to the Entertainment Economic Enhancement Program Tax Credit. **Section 4** contains a discussion of factors that affect the economic return of the tax credit and provides an economic impact analysis. **Section 5** concludes with the tax credit plan, as required by Act 48. A complete list of reports, studies and data sources used for this report can be found in the **Appendix**. If submitted, written comments provided by stakeholders and affected agencies are also included in the Appendix.

[1] Act 48 of 2017 is also known as the Performance-Based Budgeting and Tax Credit Efficiency Act. See the Appendix for the Tax Credit Review Schedule.

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Section 2: EEEP Tax Credit Overview

Article XVII-D of the Tax Reform Code of 1971 (Act 84 of 2016) created the Entertainment Economic Enhancement Program (EEEP) Tax Credit. The EEEP Tax Credit is available to concert tour promotion companies, concert tour management companies or other concert management companies that produce concerts with live musical performers. Act 13 of 2019 increased the annual program cap from $4.0 million to $8.0 million. Eligible applicants must (1) purchase or rent at least $3.0 million in concert tour equipment from companies in Pennsylvania and have the equipment delivered to a location in Pennsylvania, (2) rehearse at a qualified rehearsal facility for a minimum of 10 days and (3) perform at least one concert at a Class 1 venue and at least one additional concert at a Class 1, 2 or 3 venue located in a municipality other than the municipality in which the concert at the Class 1 venue took place.[2] To qualify, an applicant's Pennsylvania rehearsal expenses must comprise at least 60 percent of the total rehearsal expenses incurred during the entire tour.

The amount of the tax credit is equal to (1) 25 percent of the applicant's total qualified rehearsal and tour expenses for a tour with concerts held at two Class 1 venues or a Class 1 and a Class 2 venue, (2) 30 percent of the applicant's total qualified rehearsal and tour expenses for a tour with concerts held at a Class 1 venue and a Class 3 venue and (3) 35 percent of the applicant's total qualified rehearsal and tour expenses for a tour with concerts held at a Class 1 venue and a Class 3 venue that does not serve alcohol. Applicants may qualify for an additional tax credit equal to 5 percent (maximum of 40 percent total) of the qualified rehearsal and tour expenses for concerts held at two or more Class 2 and/or Class 3 venues.

Qualified rehearsal expenses are costs incurred during a rehearsal at a qualified rehearsal facility and consist of the purchase or rental of concert tour equipment, food and accommodations, and other costs related to construction, photography, staging and lighting. Qualified tour expenses are costs incurred during a tour of venues located in Pennsylvania, such as marketing expenses, cost of tour merchandise (if purchased in Pennsylvania and resold at Pennsylvania concerts) and payments made to a personal service corporation representing individual talent.[3] Qualified expenses include employee compensation, transportation costs, food and lodging.[4]

Allowable concert venues may include a stadium, arena, other structure or property owned by a municipality at which concerts are performed. Venues are classified according to the following criteria: (1) a Class 1 venue is located in a city of the first class or a county of the second class and has a capacity of at least 14,000, (2) a Class 2 venue is located outside the geographic boundaries of a city of the first class or a county of the second class and has a capacity of at least 6,000 and (3) a Class 3 venue is located within a Neighborhood Improvement Zone, owned by or affiliated with a state-related institution, or owned by the Commonwealth and affiliated with the state system of higher education. The maximum tax credit allowed

[2] A qualified rehearsal facility is a rehearsal facility within the Commonwealth that meets at least six of the eight required criteria. For the list of those specific criteria, see https://dced.pa.gov/download/appendix-l-qualified-rehearsal-facility-affidavit/?wpdmdl=82674. Currently only one Pennsylvania rehearsal facility meets these criteria.

[3] Tour expenses do not include development costs (e.g., the writing of music or lyrics).

[4] For the purpose of this section, the term qualified expense represents both qualified rehearsal expenses and qualified tour expenses. Qualified rehearsal and tour expenses are the sum of Pennsylvania rehearsal and tour expenses, provided Pennsylvania rehearsal expenses comprise or will comprise at least 60 percent of a tour's total rehearsal expenses. For a full list of qualified expenses, see the EEEP Tax Credit guidelines at https://dced.pa.gov/download/entertainment-economic-enhancement-program-eeep-guidelines/?wpdmdl=87149.

for a single tour ranges from $0.8 to $2.0 million, depending on the amount of qualified concert tour equipment rented or purchased.[5]

Tax credits may be utilized against Pennsylvania personal income (excludes withholding) or corporate net income tax for the tax year the credit is issued. Credits not used in that tax year may be carried forward for an additional three tax years. The credit is non-refundable and may not be carried back to preceding years. The credit may be sold or assigned at any time in the initial tax year or in the three subsequent tax years.[6] The credit is also transferable however, transferred credits cannot be carried forward, carried back, sold, assigned and/or used to obtain a refund of the credit.

This section begins with a description of the goals and purpose of the tax credit. It then discusses the application process and administration of the tax credit, and concludes with a presentation of program data.

Goals and Purpose

Act 48 of 2017 requires that all tax credit reviews published by the IFO shall discuss (1) the purpose for which the tax credit was created and (2) whether the tax credit is accomplishing its legislative intent. For this credit, the IFO reviewed the stated intent of the authorizing legislation and documentation provided by the Pennsylvania Department of Community and Economic Development (DCED) regarding the EEEP Tax Credit. For this review, the IFO established the specific and quantifiable goals and general purpose of the EEEP as follows:

Goals

- Increase the number of rehearsals and concerts that take place in Pennsylvania.
- Encourage employment growth in the music and entertainment related industries.
- Expand Pennsylvania's market share of national employment in this industry.

Purpose

- Expand economic activity in the live entertainment and related sectors and bolster the purchase of local goods and services.

[5] The maximum tax credit award for a single tour is determined by the amount of concert tour equipment rented or purchased from Pennsylvania firms. If the amount of equipment rented or purchased is (1) at least $3.0 million but less than $4.0 million, the cap is $0.8 million, (2) more than $4.0 million but less than $8.0 million, the cap is $1.25 million or (3) more than $8.0 million, the cap is $2.0 million. Prior to Act 13 of 2019, the effective cap on individual awards was $0.8 million.
[6] The purchaser of a tax credit must claim the full amount of the credit in the tax year in which the credit was purchased and may not use the credit to offset more than 50 percent of the buyer's tax liability for that year. Any unused credit is forfeited by the buyer.

Administration

The Pennsylvania DCED administers the tax credit and reviews applications. Applicants for the EEEP Tax Credit must provide a complete application package that includes the following:

- A $300 non-refundable application fee.
- Evidence that the applicant is registered to do business in Pennsylvania and has a valid state tax identification number.
- Documentation that all personal service corporations or pass-through entities engaged by the applicant are incorporated, or formed in Pennsylvania, or are registered to do business in Pennsylvania.
- Completed EEEP Tax Credit Application, Budget Top Sheet listing the projected concert rehearsal and tour expenses and Single Application for Assistance.
- Official planned concert tour itinerary and/or official routing schedule.

Completed application packages must be submitted no earlier than 180 days prior to the start of concert rehearsals in Pennsylvania. Within 15 business days of submission, the tax credit program manager will conduct a telephone interview with the applicant to discuss concert details. Completed application packages will be accepted during the following 10-day periods: January 1-10, April 1-10, July 1-10 and October 1-10.

The department evaluates applications based on compliance with program guidelines and the following criteria:

- Estimated number of rehearsal days in a qualified rehearsal facility.
- Number of concerts at Class 1, 2 and 3 venues.
- Projected amount of Pennsylvania rehearsal expenses compared to aggregate tour rehearsal expenses.
- Predicted amount of tour expenses incurred for venues within the Commonwealth.
- Anticipated amount of concert tour equipment that will be purchased or rented from a Pennsylvania company.
- Expected days spent in Pennsylvania hotels/lodging establishments.
- State tax compliance for applicants.

Once approved, DCED will issue a contract that specifies the maximum amount of tax credit available to the applicant along with the contract obligations. DCED will then issue an EEEP Tax Credit certificate within 45 days of receipt of the following finalized forms and reports:

- Final Concert Rehearsal and Tour Economic Impact Report within 180 days of the tour's final concert.[7]

[7] The Economic Impact Report is a comprehensive report that includes information on the applicant, rehearsal and tour schedule (including class of venue and location), lodging, tour production expenses, general employment, production employment, insurance company, audit firm and community contributions.

- Final Budget Top Sheet report listing actual Pennsylvania rehearsal expenses, aggregate tour rehearsal expenses and the qualified concert rehearsal and tour expenses incurred.
- Final Pennsylvania Vendor/Subcontractors report.
- Final Employees Form.[8]
- Independently audited examination report of total rehearsal and tour expenses, Pennsylvania rehearsal and tour expenses and qualified rehearsal and tour expenses.
- Confirmation that each venue displayed the Pennsylvania Keystone logo at some point during or at the performance.
- Confirmation of state tax compliance.

The EEEP Tax Credit certificate is submitted to the Department of Revenue (DOR) for application against the recipient's Pennsylvania state tax liability.

The administration of the EEEP Tax Credit requires 380 DOR staff hours and 100 DCED staff hours annually. The costs are nominal to both agencies.

Historical Data

Table 2.1 provides detail on EEEP Tax Credit authorizations for FY 2018-19 and FY 2019-20. DCED authorized $13.6 million in credits to 15 applicants over the two-year reporting period. (Note: tour schedules in FY 2019-20 were significantly impacted by mitigation efforts related to the COVID-19 pandemic.) The amount of tax credits authorized in FY 2019-20 increased by $2.4 million from the prior year and reached the maximum statutory cap ($8.0 million). Credits are authorized when DCED approves the EEEP Tax Credit application and reserves a portion of the annual credit allocation. Credits are awarded after the completion of the tour's last concert, all final reports have been submitted/approved and the credit certificate has been issued. The limited data available show that nearly all tax credits were sold for a net average of 84 cents per dollar of credit award. A 10 percent transfer fee is generally paid to the facilitator of the sales transaction and roughly 6 cents flow to the firm that purchased the tax credit as a discount.

Over the last two fiscal years, most qualifying concerts were held at Class 1 venues and the majority of recipients benefited from only the base EEEP Tax Credit rate of 25 percent. Two recipients qualified for the 35 percent credit and no entity received the 5 percent supplemental credit.

For FY 2018-19, Pennsylvania qualified rehearsal and tour expenditures (including resident payroll) associated with EEEP Tax Credit awards totaled $73.9 million (average of $10.6 million per tour). That amount fell to $33.5 million (average of $8.4 million per tour) in FY 2019-20, due largely to the postponement of concerts related to the COVID-19 pandemic. Due to the per tour cap on EEEP Tax Credit awards, the average effective tax credit was reduced to roughly 10 percent of total qualified rehearsal and tour expenditures.[9]

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[8] A Final Employees form lists identifying information (including job description) of any employee, both resident and non-resident, who worked during the tour.

[9] Due to the tiered cap structure implemented by Act 13 of 2019, it is likely that the average effective credit will increase in future years.

Table 2.1
Entertainment Economic Enhancement Program

	Fiscal Year		
	2018-19	2019-20	Total
# Authorized	7	8	15
Requested	$5.6	$8.2	$13.8
Authorized[1]	$5.6	$8.0	$13.6
Awarded[2]	$5.6	$3.7	$9.3

Note: Millions of dollars.
1 Credit is authorized when application is approved and a portion of the credit is reserved from the annual credit allocation.
2 Credit is awarded after final reports are approved and credit is issued.
Source: Pennsylvania Department of Community and Economic Development.

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Section 3: State Comparison

This section provides an overview of other state tax credit programs that are similar to the Pennsylvania Entertainment Economic Enhancement Program. Georgia, Louisiana and New York offer tax credits for live musical or theatrical productions. The tax credit rates range from 7 percent (Louisiana) to 40 percent (maximum in Pennsylvania) of qualified expenditures. All four states impose an annual cap, and Georgia has the highest cap at $15.0 million. New York requires that a minimum of eight shows are performed at three or more locations, similar to the venue specifications for the EEEP Tax Credit. In Georgia, the touring or theatrical production company must originate in Georgia or host its U.S. debut and rehearse a minimum of seven days in the state. This is slightly shorter than the ten-day rehearsal requirement in Pennsylvania. Pennsylvania's program is unique in that it is only for live music concerts, while other state programs also include theatrical productions. The text that follows provides a brief overview of each state program.

Georgia offers a non-refundable tax credit equal to 15 percent of qualified in-state production expenditures. An additional 5 percent credit (20 percent total) is available if the production activity takes place in select counties. To qualify, the company must be (1) a touring or theatrical production company that originated and developed in Georgia and hosts its first public performance in front of a live audience in the state or (2) hosts its U.S. debut in Georgia after rehearsing for a minimum of seven days in the state. The program is also available for recorded musical performances that are incorporated into film, television or digital interactive entertainment productions. Production companies must meet minimum spending requirements. The annual program cap is $15.0 million.[10]

Louisiana offers a refundable and transferable tax credit for musical and theatrical productions. The credit amount is based on level of expenditure as follows: 7 percent for eligible expenditures between $100,000 and $300,000, 14 percent for eligible expenditures between $300,000 and $1.0 million, and 18 percent for eligible expenditures over $1.0 million. An additional 7 percent credit is offered for payroll expenditures to Louisiana residents. Productions must be a concert, theatrical or other live production that originated or debuted in Louisiana and must meet the minimum $100,000 in-state expenditure requirement. The program has an annual cap of $10.0 million and 50 percent of that amount is reserved for non-profit organizations. Individual projects are capped at $1.0 million annually.[11]

New York offers a refundable tax credit to qualified production companies equal to 25 percent of qualified production and transportation expenditures. The company must conduct technical rehearsal and preshow activities in state and perform shows in qualified regional theaters in Upstate New York. Currently, a total of eight qualified facilities are available. A "show" is defined as a live performance of a dramatic musical or theatrical presentation. Tours must complete a minimum of eight shows at three or more locations to be eligible. The annual program cap is $4.0 million.[12]

[10] See https://www.georgia.org/industries/film-entertainment/music.
[11] See https://louisianaentertainment.gov/live/Live-Performance-Production-Program.
[12] See https://esd.ny.gov/empire-state-music-and-theatrical-production-tax-credit-program.

Table 3.1
Entertainment Economic Enhancement Credits Across the States

State	Utilization	Tax Credit	Annual Cap[1]
Georgia[2]	--	15-20%	$15
Louisiana	Refund/Transfer	7-18	10
New York	Refundable	25	4
Pennsylvania	Transferable	25-40	8

1 Dollar millions.
2 Georgia's credit is neither refundable nor transferable.
Source: Various state websites.

Literature Review

As part of its analysis, the IFO reviewed industry reports that relate to economic incentives for the entertainment industry. Due to the relative size of the industry and the small number of incentives offered by states, there is a dearth of research that examines the impact of live concerts on state and local economies. The text that follows provides a summary of two recent reports on similar state tax credit programs.

Economic and Fiscal Impact of Louisiana Entertainment Tax Credits (2019)

The report provides an estimate of the economic impact of Louisiana's Motion Picture Production (film), Sound Recording Investor (sound), and Musical and Theatrical Production Income (live performance) Tax Credits.[13] In 2018, a total of $150.5 million was certified for all three entertainment credits: $148.4 million for film, $48.9 thousand for sound and $2.0 million for live performance. The report estimates that a total of $28.9 million in state tax revenue was generated in 2018 due to the three tax credit programs. The average state return on investment (ROI) for all entertainment programs combined was $0.19 per tax credit dollar. The individual ROI's were reported as follows: film 0.19, sound 0.18 and live performance 0.25. The computed ROIs assume that all credit recipients were incentivized by the tax credit and do not include an offset for the state balanced budget requirement.

Musical and Theatrical Tax Credit - Annual Report, Calendar Year 2019

Empire State Development releases an annual report on the New York Musical and Theatrical Tax Credit.[14] Six applications were submitted in calendar year (CY) 2019 that requested a total of $5.7 million in tax credits. Those musical and theatrical productions were projected to incur approximately $23 million in qualified production and transportation expenditures and employ approximately 900 individuals. Four tax credits were issued for a total of $2.4 million in CY 2019 with qualified costs of $9.8 million.

13 See https://louisianaentertainment.gov/docs/default-source/default-library/2019-economic-fiscal-impact-of-louisiana-entertainment-tax-credits.pdf.
14 See https://esd.ny.gov/sites/default/files/MT-AnnualReport-2019.pdf.

Section 4: Economic Analysis

This section contains the economic analysis of the Pennsylvania EEEP Tax Credit and is divided into two subsections. A cost profile of a typical rehearsal and concert tour was created from applications received by DCED. Based on those profiles, the analysis then estimates a range of direct spending that may be incentivized by the tax credit and applies various multipliers to determine the potential economic impact. All multipliers used in this analysis use the RIMS II multipliers for Pennsylvania published by the U.S. Bureau of Economic Analysis.[15]

Entertainment Economic Enhancement Program Cost Profile

A cost profile for a typical concert rehearsal and tour in Pennsylvania must be established to identify the types of new, direct spending leveraged by tax credits. **Table 4.1** (next page) displays the share of total costs for various spending categories for a typical concert rehearsal and tour in Pennsylvania. The profiles are based on credits awarded by DCED for the past two fiscal years.[16] Multiple tours in FY 2019-20 were postponed and are waiting to be rescheduled.

The data show that qualified expenditures typically comprise 96 percent of total expenses for concert rehearsal and tours in the Commonwealth. Expenses that do not qualify for the tax credit are expenditures that occur outside the state such as fees paid for rehearsal or tour production services. For qualified expenses that are eligible for the tax credit, wages and salaries paid comprise roughly six percent of total expenses for the average rehearsal/tour. The share paid to Pennsylvania residents (1.4 percent) was less than that paid to non-residents (4.4 percent). The wage share is higher for tours (10.4 percent of qualified expenses), as is the share paid to Pennsylvania residents (3.5 percent). Non-wage expenses comprise the majority of qualified expenses for the average profile at 94.2 percent. These expenses include various rentals (e.g., facilities, sound equipment), transportation costs, operation costs and other miscellaneous expenses.

The final line in Table 4.1 displays the total share of qualified spending that the analysis assumes is received by Pennsylvania residents and vendors (remains in the state). It includes all wages paid to residents and all non-wage expenses. All wage payments to non-residents are assumed to flow out of state because those individuals also receive lodging and per diems. Those reimbursements are assumed to offset any Pennsylvania spending, while wages are spent in their state of residence.

[15] The results obtained using the BEA RIMS II multipliers were generally confirmed using the IMPLAN model. IMPLAN is an economic input-output model that captures the interrelationships between individual sectors of state and local economies. It incorporates the most recent data published by the U.S. Bureau of Economic Analysis on supply chains and economic multipliers.

[16] The analysis is based on available audited expenditure data.

Table 4.1
Entertainment Economic Enhancement Program Cost Profile

	Share of Budget		
	Rehearsal	Tour	Total
Total Expenses	**100.0%**	**100.0%**	**100.0%**
Qualified	94.1%	100.0%	96.1%
Non-Qualified	5.9%	0.0%	3.9%
Qualified Expenses	**100.0%**	**100.0%**	**100.0%**
Wages and Salaries	3.2%	10.4%	5.8%
PA Residents	0.2%	3.5%	1.4%
Non-PA Residents	3.0%	7.0%	4.4%
Non-Wage Expenses	96.8%	89.6%	94.2%
Hotel	2.0%	2.4%	2.2%
State & Local Taxes and Fees	0.1%	8.8%	3.2%
All Other	94.7%	78.4%	88.8%
Share of Qualified Spending that Remains in PA[1]	97.0%	93.0%	95.6%

1 Share of Qualified Spending that Remains in PA is equal to wages paid to PA residents plus qualified non-wage expenses divided by total qualified expenses.

Source: IFO calculations based on audited applications submitted to DCED from the last two years.

Economic Impact

A key parameter that drives the economic impact of any tax credit program is the amount of spending actually incentivized by the credit. To the extent that the spending would have occurred regardless of the program, the tax credit is a windfall and has negative economic implications because the state could have used the funds for another purpose.

In the case of the EEEP Tax Credit, the IFO was unable to determine the incentivized share of spending due to the limited program history (two years, 15 recipients and the COVID-19 pandemic) combined with a lack of applicable research from other states or academics. Concerts and tours are by nature highly mobile and it is likely that the tax credit has a material impact on location decisions. However, it is unclear how many of the events would have occurred in Pennsylvania without the credit. Due to the uncertainty regarding the amount of spending incentivized by the tax credit, this subsection estimates the economic impact under two scenarios: Scenario 1 (one-third of qualified spending is incentivized) and Scenario 2 (two-thirds).[17]

For ease of analysis, the computation assumes that all tax credits available for authorization are awarded and claimed in the same year. Adjusting for delay between authorizations, awards and utilization of tax credits would not change the overall results of this analysis.

[17] The amount of qualified spending that the tax credit effectively offsets varies widely due to the credit cap. For large productions, the credit might offset five percent or less of total qualified expenditures. For smaller productions, the credit could effectively offset 10 to 20 percent of qualified expenditures. For large productions, it is less clear that the subsidy incentivizes new activity.

Table 4.2 presents the computation and the following text describes adjustments based on line number:

Line 1 The analysis assumes that $8.0 million of tax credits are authorized, awarded and utilized.

Line 2 The limited data available show that nearly all tax credits are sold for a net of 84 cents on the dollar, with 6 cents generally flowing to the purchaser (as a discount) and 10 cents to the third party facilitator. Therefore, it is assumed that 84 percent of the amount awarded actually incentivizes the activities of the recipient.[18]

Line 3 The product of lines 1 and 2: the effective value of the tax credit to the recipient.

Line 4 Share of activity that occurs due to the credit. Concerts and tours are highly mobile activities and it is therefore reasonable to assume that the tax credit has a material impact on rehearsal and performance decisions. In addition, the credit could make tours for less established performers more financially viable. This analysis assumes that the tax credit incentivizes one-third of eligible spending under Scenario 1 and two-thirds under Scenario 2.

Line 5 The product of lines 3 and 4. This is the amount of tax credit that effectively leverages investment because it reflects (1) the true value to the firm after any sales discount and fees and (2) recognizes that a portion of rehearsals and concerts would have occurred in the state without the tax credit.

Line 6 The tax credit leverage factor. The base tax credit is equal to 25 percent of qualified spending (leverage factor of 4.0). However, the average effective tax credit rate (awarded credit / qualified expenditures) after imposition of the per tour cap is roughly 10 percent of qualified expenses. Therefore, every $1 of tax credit currently leverages or motivates an average of $10 of qualified spending at the base rate. The analysis uses a leverage factor of 10.0 to reflect the average effective credit rate.[19]

Line 7 Qualified spending due to the tax credit is equal to the product of lines 5 and 6. This is the direct spending by qualifying firms and includes payments for non-resident wages, resident wages and payments made to vendors for goods and services.

Lines 8 to 10 This breakdown is determined using detail from the cost profile established in Table 4.1. Based on that profile, 4.4 percent of qualified spending flows to non-residents in the form of labor compensation, 1.4 percent to Pennsylvania residents as wages and 94.2 percent to goods and services providers (e.g., rental of facilities, lodging, staging, lighting, and production and operation costs).

Line 11 For this analysis, payments to non-residents are not included because they flow out-of-state and have no implications for state economic growth.[20]

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[18] Although 10 percent of the tax credit ($0.8 million) flows to a third party facilitator, those monies might remain in the state economy. The work performed does not create any separate economic value and generally acts as an income transfer to the third party facilitator. That modest economic impact is included in the economic impact shown in lines 16 to 20.

[19] It is not possible to distinguish between recipients that were or were not incentivized by the tax credit. Therefore, an average effective tax credit rate across all recipients was used. The analysis recognizes that a higher effective credit rate is more likely to incentivize firms, and if those recipients were used, it would reduce the leverage factor. Nearly all recipients received the $0.8 million tax credit at the 25 percent base credit rate, but reported qualified expenses that far exceeded $3.2 million ($800,000 / 25 percent).

[20] However, the analysis assumes the state personal income tax (PIT) is paid on those wages. Moreover, the analysis assumes that wages or salaries earned by a performer are also subject to state PIT (includes incentivized performances only).

Line 12 Some portion of the economic activity generated by the credit is from ticket sales. Those sales largely represent redirected discretionary spending by Pennsylvania residents (not new spending). Nearly all recipients report two performances to qualify for the credit, typically both at a Category 1 venue. Depending on attendance and prices, ticket sales for those performances could total several million dollars. For Scenario 1, the analysis assumes the tax credit incentivizes three tours (two concerts each) with average ticket sales of $4.0 million per tour and state residents account for 75 percent of the purchases ($3.0 million). Therefore, $9.0 million is deducted under Scenario 1 and $18.0 million under Scenario 2.[21]

Line 13 Net new Pennsylvania spending: incentivized spending by the firm less ticket sales redirected from other purchases.

Line 14 An economic spending or output multiplier of 2.20 is computed for the Pennsylvania spending (line 13). The multiplier implies that every $1.00 of new spending attributable to the tax credit increases total output or sales by $2.20 in the state, as the original spending moves through the state economy and is respent. The original $1.00 is referred to as direct spending and the $1.20 is referred to as the induced and indirect effects.[22]

Lines 15 The product of program spending in Pennsylvania (line 13) and line 14: the total output or spending impact due to the tax credit.

Line 16 Net incremental spending is equal to the total output or spending resulting from the EEEP Tax Credit less the total output or spending under the alternative use of state funds (balanced budget adjustment).[23] This analysis assumes that state discretionary spending is reduced and those monies would have been spent on education and health care. This economic offset is also included in the next four lines.[24]

Line 17 A GDP (also referred to as value added) multiplier is applied to the new Pennsylvania spending (line 16) that results from the EEEP Tax Credit.

Line 18 An earnings multiplier is applied to the new Pennsylvania spending that results from the EEEP Tax Credit.[25]

Line 19 An employment multiplier is applied to the new Pennsylvania spending that results from the EEEP Tax Credit. The result is converted to full-time equivalent employees.[26]

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[21] The analysis also reduces net sales tax collections for this spending shift. Ticket sales are not subject to sales tax. However, it is likely that some sales tax would have been paid on shifted ticket purchases, which may have been used for other entertainment and recreational purposes such as dining out.

[22] The indirect effect represents the impact from other businesses that supply inputs to the concert rehearsal and tours (i.e., the supply chain). The induced effect represents the impact from employees that spend their wages and business owners that spend higher profits. The multiplier also includes the impact from the facilitator fees that are assumed to remain in the state but generate only modest economic activity.

[23] Under the balanced budget requirement, states must reduce spending or raise taxes to fund the tax credit. If the alternative use of the state spending is not incorporated into the analysis, then the net economic impact of the credit will be overstated.

[24] The state spending is reduced by 20 percent to reflect the fact that the portion used to pay state employee compensation includes pension contributions and employer and employee payroll taxes, which do not have immediate implications for the state economy.

[25] Earnings include employee compensation such as wages and salaries, employer contributions for health insurance and the net earnings of sole proprietorships and partnerships. It excludes personal contributions for social insurance programs (e.g., Social Security) and employee pension plans.

[26] It also excludes the short-term employment of non-residents while working in the state.

Line 20 Tax collections due to the EEEP Tax Credit less tax revenues from the alternative use of state spending. The analysis utilizes the cost profile (Table 4.1) to inform tax revenues resulting from the EEEP Tax Credit. The great majority of first round spending by the tax credit recipient is subject to state sales and use tax due to the rental of various equipment and the purchase of accommodations and food services.[27]

Line 21 The gross return on investment (ROI) for the tax credit. The gross ROI is 19 cents for every $1.00 spent under Scenario 1 and 39 cents for every $1.00 under Scenario 2. The gross return does not reflect other uses of the tax credit monies. A gross ROI less than 1.0 indicates that the tax credit does not "pay for itself". In this case, the gross ROI indicates that a portion of the tax credit is self-financed. (See the Appendix for a discussion of the factors that would allow a tax credit to be self-financed.)

Line 22 The net return on investment (ROI) for the tax credit. The net ROI is 15 cents for every $1.00 spent ($1.2 million in new tax collections divided by $8 million tax credits) under Scenario 1 and 35 cents under Scenario 2. This figure represents a net positive return, because it deducts the amount of tax revenues that would have been generated if the state funds had been used for other purposes.

[27] As noted in footnote 20, the analysis assumes that PIT is remitted by artists whose performances are incentivized by the tax credit.

Table 4.2
Net Economic Impact of EEEP Tax Credit

	Spending Category or Adjustment	Scenario 1	Scenario 2
1	Tax Credits Awarded and Used	$8.0	$8.0
2	Reduction for Sales Discount and Fee	84.0%	84.0%
3	Net Value to Firm	$6.7	$6.7
4	Share Spending Incentivized	33.3%	66.7%
5	Effective Amount of Tax Credit	$2.2	$4.5
6	Tax Credit Leverage Factor	10.0	10.0
7	Qualified Spending Due to Tax Credit	$22.4	$44.8
8	Non-Resident Wages	$1.0	$2.0
9	Resident Wages	$0.3	$0.6
10	Goods and Services	$21.1	$42.2
11	Spending in PA Only	$21.4	$42.8
12	Reduction for Ticket Sales	$9.0	$18.0
13	Net New PA Spending	$12.4	$24.8
14	Multiplier	2.20	2.20
15	Total Output or Spending	$27.2	$54.5
	Net Economic and Revenue Impact		
16	Total Output or Spending[1]	$13.8	$41.0
17	Gross Domestic Product	$7.1	$22.5
18	Labor Earnings	$4.1	$13.0
19	Full-Time Equivalent	53	203
20	Tax Revenues[2]	$1.2	$2.8
	Return on Investment		
21	Gross ROI[3]	$0.19	$0.39
22	Net ROI[4]	$0.15	$0.35

Note: Millions of dollars.

1 Total Spending reflects the net direct, indirect and induced effect of the tax credit (see text).

2 Tax revenues reflect state tax revenues only.

3 Gross ROI is cents per tax credit dollar spent and excludes the alternative use of tax credit monies.

4 Net ROI is cents per tax credit dollar spent and reflects the alternative use of tax credit monies (see text).

Source: IFO computations based on audited applications submitted to DCED from the last two years.

Section 5: Tax Credit Plan

Act 48 of 2017 directs the IFO to review tax credits and develop a tax credit plan for all tax credits subject to review. The act states that tax credit plans should include performance metrics for each credit. The act does not specify any other elements of the tax credit plan. For this review, the IFO has defined the tax credit plan more broadly to include the following elements: (1) the general findings of the review, (2) specific recommendations and (3) key decision points for policymakers to consider.

General Findings

For the purpose of this report, the IFO reviewed state and industry reports that relate to economic incentives for the entertainment industry and spoke with stakeholders, as well as the agencies that administer the tax credit. The following bullet points summarize the main findings of this research:

- Three other states offer a tax credit for rehearsal and/or live musical performances. Tax credit amounts vary by state, but Pennsylvania's tiered program offers the most generous credit percentages. Annual program caps also vary, with Pennsylvania's EEEP Tax Credit ranking third highest.
- There was limited program history available for the EEEP Tax Credit (two years and 15 recipients) and rehearsal/tour schedules for the most recent year (FY 2019-20) were significantly impacted by mitigation efforts related to the COVID-19 pandemic.
- All EEEP Tax Credit recipients received the maximum credit allowed for a single tour, yielding an average effective credit of roughly 10 percent. Nearly all EEEP Tax Credits are sold. Recipients generally pay a 10 percent facilitator fee and a 6 percent discount to the purchaser.
- The credit provides a substantial benefit to the only Pennsylvania qualified rehearsal facility. Stakeholders indicate that the availability of this facility limits the number of concerts/tours that are able to take advantage of the tax credit program.
- Tours and rehearsals are highly mobile and the credit likely has a material impact on location decisions.
- For less established performers, the tax credit may provide additional benefit by making a tour more financially viable.
- The analysis finds that the net return on investment (ROI) is 15 to 35 cents of state tax revenue for each tax credit dollar.

Specific Recommendations

Based on the general findings, the IFO submits the following recommendations to enhance the efficiency of the tax credit and improve its ability to achieve its goals and purpose.

Eliminate the requirement that a tour must rehearse at a qualified rehearsal studio and allow the rehearsal to occur at any Pennsylvania rehearsal studio.

Currently, there is only one qualified rehearsal studio in Pennsylvania. Stakeholders indicate that the availability of this facility limits the number of concerts/tours that are able to take advantage of the tax credit program. Expanding the credit to concerts/tours rehearsing at any Pennsylvania studio would ensure that economic activity isn't lost to other states due to scheduling conflicts and allow other studios to benefit from the credit.

The interaction of the maximum allowable credit for a single tour and credit rates should be re-evaluated for effectiveness.

The EEEP Tax Credit is offered at rates from 25 to 40 percent (based on the number and location of concerts) and maximum amounts that range from $0.8 million to $2.0 million (based on equipment rentals and purchases). Although the credit attempts to incentivize concerts at certain venues by offering higher credit rates, the incentive is ineffective because nearly all previous applicants have been subject to the cap for a single tour and a higher credit rate would not change the credit received. Either the maximum allowable credit for a single tour should be increased consistent with the higher credit rates, or the credit rates should be reduced consistent with the cap to incentivize more spending.

The tax credit should be made refundable. The fees and discounts charged by third parties represent leakage and do not contribute to the economic output of the industry.

Award data show that sellers of the EEEP Tax Credit receive roughly 84 cents on the dollar: the entity that facilitates the sales transaction generally receives a commission equal to 10 percent of the total credit sold, while the remaining 6 percent flows to the purchaser of the credit. The credit could be made fully refundable, or partially refundable, such as 95 cents on the dollar. A refundable tax credit ensures the full benefit of the tax credit flows to the intended firm. It also simplifies administration.[28]

Key Decision Points

In addition to the specific recommendations above, policymakers should also consider general issues that merit discussion if the EEEP Tax Credit is amended. These issues are strategic and will be related to the overall goals and purpose of the tax credit as envisioned by policymakers.

- Should touring expenses be decoupled from rehearsal expenses for purposes of the tax credit? It is likely that many performers would tour in the state regardless of the tax credit. Hence, those activities are less likely to be incentivized. Alternatively, should the tax credit require more than two performances to qualify for the credit? Nearly all recipients performed the minimum number

[28] A refundable tax credit or tax credit that is sold represents taxable income and firms would need to weigh tradeoffs if opting for that treatment.

of performances to qualify for the tax credit (two).

- The effective tax credit rate is what ultimately motivates behaviors. For very large productions, the effective rate will be substantially lower than the statutory credit rate (due to the maximum allowable credit for a single tour), and may be insufficient to affect location decisions. Instead of a tiered credit rate based on venue, policymakers might provide multiple tiers based on the level of qualified spending. For example, an X percent credit rate might apply to the first $10 million of rehearsal and tour expenditures, but a higher rate for amounts above that level.
- What is the policy objective for the restriction on rehearsal locations? Should this requirement be relaxed so that more rehearsal studios could benefit from the activity and more concerts/tours could qualify for the credit?
- How can the EEEP Tax Credit rate and the maximum allowable credit for a single tour be adjusted so that more concerts are incentivized at the locations specified by the authorizing legislation?

Conclusion

Act 48 requires that the IFO make a determination regarding whether the tax credit has achieved its goals and purpose. For this review, the analysis establishes the program goals as:

- Increase the number of rehearsals and concerts that take place in Pennsylvania.
- Encourage employment growth in the music and entertainment related industries.
- Expand Pennsylvania's market share of national employment in this industry.

The analysis establishes the program purpose as:

- Expand economic activity in the live entertainment and related sectors and bolster the purchase of local goods and services.

As noted, this program is relatively new and only two years of historical data are available for analysis. Based on existing research, conversations with stakeholders and reasonable assumptions, this review finds that the EEEP Tax Credit does help to expand economic activity in the live entertainment and related sectors. However, the General Assembly should consider the program revisions discussed in the recommendations section of this report to improve outcomes associated with the state spending.

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Appendix

Tax Credit Review Mandate

Act 48 of 2017 is the Performance-Based Budgeting and Tax Credit Efficiency Act. The act requires the Independent Fiscal Office (IFO) to review tax credits based on a five-year schedule determined jointly by the Secretary of the Budget and the Director of the IFO. The act specifies that the schedule must ensure that tax credits are subject to a review by the IFO at least once every five years. The IFO will submit reviews to the Performance-Based Budgeting (PBB) Board and the Chairs of the House and Senate Finance Committees and make the report available to the public through its website.

The act specifies that reviews shall contain the following content:

- The purpose for which the tax credit was created.
- Whether that tax credit is accomplishing the tax credit's legislative intent.
- Whether the tax credit could be more efficiently implemented through alternative methods.
- Any alternative methods which will make the tax credit more efficient if necessary.
- The costs of providing the tax credit, including the administrative costs to the Commonwealth and local government entities within this Commonwealth.

The act also specifies that the IFO shall develop a tax credit plan for all tax credits subject to a review. The plans should include performance measures, and where applicable, the measures should reflect outcome-based measures (including efficiency measures), measures of status improvements of recipient populations, and economic outcomes or performance benchmarks against similar State programs or similar programs of other states or jurisdictions.

Note on Return on Investment

An important metric used by many studies to assess the effectiveness of tax credits is the gross or net return on investment (ROI). The **gross ROI** is the ratio of all new tax revenues generated by the tax credit to the dollar amount of the tax credit. That metric does not consider alternative uses of state funds and is best used to determine the portion of the tax credit that is self-financed (i.e., "pays for itself"). The **net ROI** is a similar ratio, but the numerator deducts the tax revenues that would have been generated if the state funds had been used for a different purpose such as local education, road repairs or tax cuts. The gross and net ROI are useful metrics, but they are limited because the ultimate objective of most tax credits is to generate economic activity and jobs that would not otherwise exist, as opposed to generating a net profit for the state.

If a tax credit was fully self-financed or paid for itself, two strong conditions must generally hold. First, nearly all of the activity undertaken by firms that receive the credit must have been motivated by the credit and not other factors. That is, the tax credit must be the factor that tips the decision of a firm to locate or expand in the state. Second, the economic activity induced by the tax credit must generate sufficient new tax liability (through direct, indirect and induced effects) to offset the entire tax credit.

For example, assume that a new firm locates in a state and would not have done so without the tax credit. The firm qualifies for a $1 million tax credit, and all new activity attributable to the tax credit generates $500,000 of tax revenue, either from the firm and its employees or from others (firms in the supply chain, other secondary effects). The firm sells the residual tax credit that it cannot use to another firm that can use it. The net cost to the state of the new economic activity is then $500,000. Hence, even if it were true that all firms receiving a tax credit were fully incentivized by the credit and the new activity would not have otherwise occurred, they must still also generate or cause sufficient new tax liability (both directly and indirectly through supplier firms and induced spending by households) to offset the tax credit. If they do not, then there is a net cost to the state.

An illustrative computation demonstrates the amount of new activity that would need to be generated for a tax credit to be self-financed. In general, personal income tax and sales taxes are by far the main state taxes that will increase to offset the cost of a tax credit. Assume a $1 million tax credit that had an equal impact on both taxes in terms of new revenue. In order for the tax credit to be self-financed:

- Labor earnings would need to increase by $500,000 / 3.07% = $16.3 million if all earnings were subject to Pennsylvania personal income tax. An average wage of $55,000 implies 296 new full-time employees.
- Total purchases (sales or output) would need to increase by ($500,000 / 30%) / 6.0% = $27.8 million if 30 percent of any new spending was subject to state sales tax.[29] The computation may or may not include any "first round" spending by the firm that qualifies for the tax credit. Typically, most expenses that qualify for a credit are for labor or are not subject to state sales tax (i.e., various services, contractors).

[29] The 30 percent assumption is an average spend on goods and services subject to state sales tax based on data from the U.S. Bureau of Labor Statistics Consumer Expenditure Survey. The computation is based on consumer spending patterns, and the actual percentage could be different than 30 percent.

Performance-Based Budgeting and Tax Credit Review Schedule

Year	Performance-Based Budgets					
1	Corrections	Board of Probation and Parole	PA Commission on Crime & Delinquency	Juvenile Court Judges' Commission	Banking and Securities	General Services
2	Economic & Community Development	Human Services – Part 1	Health	Environmental Protection	PA Emergency Management Agency	State
3	PennDOT	Human Services – Part 2	State Police	Military & Veterans Affairs		
4	Education	Human Services – Part 3	Aging	PA Historical & Museum Commission	Agriculture	Labor and Industry
5	Drug and Alcohol Programs	Insurance	Revenue	Executive Offices	Environmental Hearing Board	Conservation and Natural Resources
Year	**Tax Credits**					
1	Film Production	New Jobs	Historic Preservation Incentive			
2	Research and Development	Keystone Innovation Zones	Mobile Telecom and Broadband	Organ and Bone Marrow		
3	Neighborhood Assistance	Resource Enhancement and Protection (REAP)	Entertainment Economic Enhancement Program	Video Game Production	Keystone Special Development Zones	
4	Educational Tax Credits	Coal Refuse and Reclamation	Mixed Use	Community-Based Services		
5	Resource Manufacturing	Brewers'	Computer Data Center	Manufacturing and Investment	Waterfront Development	Rural Jobs and Investment

IFO Independent Fiscal Office

Sources

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"Economic and Fiscal Impact: Kentucky's Film Incentive Program," Camoin Associates (March 2020).

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"Entertainment Economic Enhancement Program: Program Guidelines," Pennsylvania Department of Community & Economic Development (October 2020).

"Musical and Theatrical Tax Credit- Annual Report, Calendar Year 2019," Empire State Development (2019).

"State Film Production Incentives & Programs," National Conference of State Legislatures (2018).

"Tennessee Entertainment Commission Biannual Report," Department of Economic and Community Development (December 2019).

Agency and Stakeholder Feedback

CohnReznick
ADVISORY • ASSURANCE • TAX

October 5, 2020

Independent Fiscal Office
400 Market Street
Harrisburg, PA 17105

Attn: Robyn Toth (Revenue Analyst)

RE: Entertainment Economic Enhancement Program Review

Dear Ms. Toth:

Further to your e-mail dated on September 29, 2020, I write in respect of the Entertainment Economic Enhancement Program and the significant benefits of the program to our clients.

In no particular order, the program has:

- Encouraged our clients to build very close and fruitful relationship with many PA vendors, versus other non-PA vendors who also actively pursue a working relationship with our clients. Vendors include Tait Rentals LLC, and Clair Global Corp.
- Encouraged increased spend with PA vendors to maximize tax credit available.
- Encouraged our clients to rehearse in PA versus other states. The minor downside is that Rock Lititz Studios has limited availability. One client was unable to take advantage of this program, as there was insufficient availability at Rock Lititz at times that suited them.
- Encouraged our clients to have two or more shows in different PA cities. Previously they may have only considered Philadelphia, but with this program Pittsburgh, Allentown, Hershey, and other venues are now actively discussed and added to the itinerary.

If you would like to discuss any of the above, please feel free to contact me at sean.granat@cohnreznick.com / 646-254-7466 or my colleague Stuart Taylor at stuart.taylor@cohnreznick.com or 646-254-7464.

Very truly yours,

Sean Granat

Encs.

ROCK LITITZ

December 11, 2020

Ms. Robyn Toth
Revenue Analyst
Independent Fiscal Office
400 Market Street
Harrisburg, PA 17105

Re: Entertainment Economic Enhancement Program Review

Dear Ms. Toth,

Thank you for reaching out to us regarding the Pennsylvania Entertainment Economic Enhancement Program (EEEP).

Through the state's partnership with the Pennsylvania live events industry, we have become a driver of economic development, increased tourism and cultural engagement statewide, and a net exporter of manufactured goods and services for this industry to the global marketplace. As such, Pennsylvania has become the live events capital of the world.

One of the catalysts for this growth is the EEEP tax credit. Since its inception, this program has been a critical tool in helping us grow business at both the Rock Lititz Rehearsal Studio (The Studio) and the vendors of the of the Rock Lititz community. Further, it is incentivizing vendors to move their operations to Pennsylvania to be part of the growing live event manufacturing community already located here. In the last 5 years alone, our community of Live Event services has grown from 10 companies to 40 companies, raising employment from 800 to over 1,500.

The Studio, the largest rehearsal studio in the world, also brings top artists worldwide and hundreds of their crews here to rehearse. In doing so, we can provide something to our clients no one else in the industry can, a dedicated rehearsal space, centrally located to some of the largest urban markets in the United States situated on an industrial campus with some of the biggest names in the live events manufacturing community, providing a one-stop shop for our clients before they launch their international tours at nearby Pennsylvania venues. In 2019, the Studio was at 86% capacity and revenue has doubled the last three years driven primarily by increased bookings for tax credit applicants.

The end result is more demand for Pennsylvania live event vendor goods and services, additional activity at Pennsylvania concert venues, and more manufacturing jobs.

If you would like to discuss further, please contact me at 717-626-0338 or andrea@rocklititz.com.

Sincerely,

Andrea Shirk

General Manager
Rock Lititz