Commonwealth of Virginia
June 3, 2026

Report to the Governor and the General Assembly of Virginia

Film, Media, and Tourism Incentives

Economic Development Incentives Evaluation Series



COMMISSION DRAFT

JLARC
JOINT LEGISLATIVE AUDIT AND REVIEW COMMISSION

Joint Legislative Audit and Review Commission

Chair
Senator Mamie E. Locke

Vice-Chair
Delegate Betsy B. Carr

Senator R. Creigh Deeds
Delegate Charniele L. Herring
Senator Ryan T. McDougle
Senator Jeremy S. McPike
Senator Mark Obenshain
Delegate Cia Price
Delegate Sam Rasoul
Delegate David Reid
Delegate Marcus B. Simon
Delegate Josh Thomas
Delegate R. Lee Ware
Delegate Tony O. Wilt

Staci Henshaw, Auditor of Public Accounts

Director
Hal E. Greer

JLARC staff for this report
Kimberly Sarte, Associate Director for Ongoing Oversight and Fiscal Analysis
Ellen Miller, Chief Economic Development and Quantitative Analyst

Managing Eidtor: Jessica Sabbath
Information graphics: Nathan Skreslet

Economic analysis
Terance J. Rephann, Regional Economist
Weldon Cooper Center for Public Service

JLARC Report 618
©2026 Joint Legislative Audit and Review Commission
http://jlarc.virginia.gov

Contents

Summary i

Recommendations v

Film, Media, and Tourism Incentives 1

Virginia Film Incentives 3

Tourism Development Financing Program 15

Governor's New Airline Service Incentive Fund 27

Media Providers Equipment Exemption 37

Appendixes

A. Study mandate 43

B. Research methods and activities 45

C. Economic benefits and return in revenue for all Virginia incentives reviewed to date 51

D. Net value of Virginia's economic incentives 55

E. Film incentives in other states 57

F. Tourism development programs in other states 61

G. Airline service incentives in other states 66

H. Media provider equipment exemptions in other states 69

I. Research on film incentives 72

J. Tourism Development Financing Program project survey responses 77

K. References 79

L.. Agency responses 85

Appendixes – Online only

M. Economic impact modeling

N. Results of economic and revenue impact analysis

Summary: Film, Media, and Tourism Incentives

This report examines six incentives Virginia provides to encourage film, media, and tourism activity in the state. Spending on these incentives averaged $29 million annually between FY15 and FY24 and totaled $287 million over this period. The majority of spending was for three film incentives, though the largest spending commitment was for gap financing for the Tourism Development Financing Program. The six film, media, and tourism incentives comprised about 5 percent of total spending on state economic development incentives between FY15 and FY24.

WHY WE DID THIS STUDY

Through language in the Appropriation Act, the General Assembly directed the Joint Legislative Audit and Review Commission (JLARC) to review and evaluate economic development initiatives. Topics include spending on incentives and activity generated by businesses receiving incentives; the economic benefits of incentives; and the effectiveness of incentives.

JLARC releases two reports each year: a high-level summary report on overall spending and business activity and an in-depth report on the effectiveness of individual incentives. (See Appendix A: Study mandate.) JLARC contracts with the Weldon Cooper Center for Public Service to perform the analysis for both reports.

This report is the 10th in the series of in-depth reports on the effectiveness of individual incentives and focuses on Virginia's film, media, and tourism incentives.

WHAT WE FOUND

Incentivized film activity varied widely from year-to-year, making it difficult for state to develop a sustainable film industry

Virginia offers three incentives to attract film and television productions: a tax credit, a grant, and a sales and use tax exemption. The tax credit alone accounts for half of all film incentive spending. While film incentive funding has been relatively stable, incentivized film production activity has fluctuated significantly each year. Along with this fluctuation, tax credit awards have been uneven from year to year with several large tax credit awards in FY 19 constraining the Virginia Film Office's ability to award new credits in subsequent years.

Stakeholders indicate this volatility in film production makes it difficult to retain the experienced crews, specialized vendors, and soundstage infrastructure essential for growing and sustaining a film industry. Although film industry employment in Virginia has grown since 2015, the state still accounts for only about 1 percent of U.S. film employment and has a low concentration of film jobs relative to other states, further limiting its ability to develop a sustainable industry.

The film grant generates the highest economic benefits of the three film incentives. Compared to other incentives, the economic benefits of the film grant are moderate, while the benefits of the film tax credit and film exemption are low and negligible, respectively. However, the economic benefits of all three of the film incentives are temporary. Unlike programs that support long-term business location and expansion, the economic impacts of film incentives cease once production ends.

Tourism Development Financing Program addresses lodging deficiencies and has high economic benefits and returns in state revenue

The Tourism Development Financing Program provides gap financing for qualified, large-scale tourism projects that are unable to secure full private financing. Gap-financed debt is repaid over time by the state, the locality, and the developer. The state's repayment share is funded through a portion of the state retail sales and use tax revenues generated by the project, with the locality and developer each contributing matching shares.

The Tourism Development Financing Program is designed to address documented lodging deficiencies in the state, and local economic development staff report that it fills an important gap in tourism-related development. To date, supported projects have included higher-end lodging and recreation, conference, and wellness-oriented resort space, which are most closely associated with overnight visitation and higher visitor spending. The program generates high economic benefits and state revenue returns compared with other incentives; however, these estimates are based on projected investment and employment reported in applications rather than verified outcomes.

Governor's New Airline Service Incentive Fund has no influence on air service decisions and negligible economic benefits

The Governor's New Airline Service Incentive Fund (new airline service grant) provides small grants to airlines to support marketing and promotion of new passenger service at Virginia's commercial airports. However, the grants—ranging from $5,000 to $25,000—are too small to meaningfully offset the startup risks or large fixed costs associated with expanding air service, such as gate access and ground-handling fees. Airlines serving Virginia may also have access to larger subsidies from federal programs and the airports themselves, and stakeholders report that the application process for the grant is lengthy and burdensome relative to its size. Broader macroeconomic conditions, airline industry trends, and regional economic and demographic factors play a far greater role in air service decisions than this small grant. While the grant may not influence decisions on new routes, it may contribute to the success of new air service by supporting marketing and promotional efforts. The new airline service grant has negligible economic benefits and returns in state revenue compared with other incentives. When accounting for the cost to the state of providing the grant, the program has a negative impact on Virginia GDP and personal income.

Media provider equipment exemption generates negligible economic benefits for the state but may have other benefits

The media provider equipment sales tax exemption reduces the tax burden on radio and television broadcasting, cable television, and certain telecommunications services. The exemption was expanded in 2022 to include network-related equipment as part of the state's goal to provide universal broadband access, more than doubling spending

on the exemption (increasing from around $5 million annually in FY15 to $11.4 million in FY24). The exemption is now the fourth-largest economic development exemption reviewed in this series.

The exemption generates negligible economic benefits and state revenue returns and, when accounting for the forgone revenue to the state of providing the exemption, it results in negative economic activity. However, the exemption may encourage investment in broadband equipment, and expanded access to broadband may have meaningful economic and social benefits for underserved and rural areas.

Film, media, and tourism incentives have economic benefits ranging from high to negligible (FY15–FY24)

Program	Annual average spending	Incentive type	Economic benefit per $1M of spending
Tourism Development Financing Program	$9.5M	Gap financing	●●●●
Motion Picture Production Tax Credit	6.4	Tax credit	●●○○
Media provider equipment exemption	6.4	Exemption	●○○○
Governor's Motion Picture Opportunity Fund	4.4	Grant	●●●○
Film, TV, and Audio Production Input Exemption	2.0	Exemption	●○○○
Governor's New Airline Service Incentive Fund	0.1	Grant	●○○○
Total	**$28.7M**		

Negligible ●○○○ Low ●●○○ Moderate ●●●○ High ●●●●

SOURCE: Weldon Cooper Center economic impact analysis of incentives.
NOTE: The economic benefits of each incentive are assessed relative to the economic benefits of all other incentives evaluated in this series to date. Economic benefits can range from negligible to high. Economic benefits of Tourism Development Financing Program are based on expected performance at time of application rather than actual performance.

WHAT WE RECOMMEND

Legislative action

- Provide an additional 5 percent film tax credit for multi-season productions.
- Adopt a formal allocation award method for the film tax credit based on award size and target awards to productions that rely on unique Virginia characteristics.
- Direct a streamlined application process for the new airline service grant if it is maintained.
- Broaden the uses of the new airline service grant if it is maintained.
- Conduct a comprehensive review of the media provider equipment exemption to assess whether it advances worthwhile state goals and whether it could be better structured.

Executive action

- Review sales tax remittance process for the Tourism Development Financing Program to determine if it could be made less administratively burdensome.
- Require an interim review of Tourism Development Financing Program projects five years after each project award to improve project oversight and evaluation.

The complete list of recommendations is available on page v.

Recommendations: Film, Media, and Tourism Incentives

JLARC staff typically make recommendations to address findings during reviews. Staff also sometimes propose policy options rather than recommendations. The three most common reasons staff propose policy options rather than recommendations are: (1) the action proposed is a policy judgment best made by the General Assembly or other elected officials, (2) the evidence indicates that addressing a report finding is not necessarily required, but doing so could be beneficial, or (3) there are multiple ways in which a report finding could be addressed and there is insufficient evidence of a single best way to address the finding.

Recommendations

RECOMMENDATION 1

The General Assembly may wish to consider amending § 58.1-439.12:03 of the Code of Virginia to provide an additional 5 percent Motion Picture Production Tax Credit for the second and subsequent seasons of multi-season television productions that commit to filming in the Commonwealth.

RECOMMENDATION 2

The General Assembly may wish to consider amending § 58.1-439.12:03 of the Code of Virginia to adopt a formal allocation method for awarding Motion Picture Production Tax Credits and to target tax credits to productions that utilize Virginia's unique history and landscapes.

RECOMMENDATION 3

The Virginia Tourism Corporation (VTC), in coordination with the Department of Taxation and the Office of the Comptroller at the Department of Accounts, should review the quarterly tax remittance process of the Tourism Development Financing Program to identify potential opportunities to improve clarity, guidance, and administrative efficiency and report the findings and any recommended improvements that require legislative action to the chairs of the House Finance and Appropriations committees and Senate Finance and Appropriations Committee by November 1, 2027.

RECOMMENDATION 4

The Virginia Tourism Corporation should assess employment and capital investment goal attainment for each project five years after Tourism Development Financing Program awards are made and provide this information in a public report on its website.

RECOMMENDATION 5

The General Assembly may wish to consider amending Article 10 of Chapter 38 of Title 58.1 of the Code of Virginia to require that projects supported through the Tourism Development Financing Program demonstrate that they will meet a minimum percentage of out-of-state visitation.

RECOMMENDATION 6

The Virginia Tourism Corporation, with assistance from the Virginia Economic Development Partnership, should evaluate whether the Tourism Development Financing Program's statutory tiers established in Article 10 of Chapter 38 of Title 58.1 of the Code of Virginia should be based on factors such as return on investment rather than solely project size and report the findings and any recommended amendments to Article 10 to the House Finance and Appropriations committees and Senate Finance and Appropriations Committee by November 1, 2027.

RECOMMENDATION 7

If the General Assembly decides to maintain the Governor's New Airline Service Incentive Fund, the Department of Aviation (DOAV) should develop a streamlined approval process that aligns documentation requirements with award size and gives DOAV authority to approve smaller awards.

RECOMMENDATION 8

If the General Assembly decides to maintain the Governor's New Airline Service Incentive Fund, the Department of Aviation should (i) coordinate with the secretaries of transportation, commerce and trade, and finance, to revise the criteria for awarding grants from the Governor's New Airline Service Incentive Fund to emphasize measurable and meaningful criteria, such as demonstrated passenger leakage to other airports, quantified demand forecasts, alignment with state economic development priorities, and anticipated economic impacts, and (ii) clarify the specific documentary evidence that must be submitted through the application process.

RECOMMENDATION 9

The Joint Subcommittee to Evaluate Tax Preferences may wish to consider conducting a comprehensive review of the media provider equipment exemption to (i) assess whether the exemption advances state policy goals and (ii) evaluate potential changes to the broadband equipment portion of the exemption, including whether it should be separated from the traditional communication portion, targeted to underserved areas, and changed to a tax credit.

RECOMMENDATION 10

The Virginia Department of Taxation should develop a more accurate and updated estimate of business tax savings from the media provider equipment exemption.

RECOMMENDATION 11

The General Assembly may wish to consider amending § 58.1-609.6(2) of the Code of Virginia to establish an expiration date for the media provider equipment sales and use tax exemption.

Policy Options to Consider

POLICY OPTION 1

The General Assembly could consider eliminating the Governor's New Airline Service Incentive Fund.

POLICY OPTION 2

If the General Assembly decides to maintain the Governor's New Airline Service Incentive Fund, the General Assembly could consider amending § 2.2-2320.1 of the Code of Virginia to allow the Governor's New Airline Service Incentive Fund to be used to support, in addition to new routes, service retention, increased route frequency, higher capacity aircraft, and the transition from seasonal to year-round service, when justified by market analysis and subject to measurable performance benchmarks.

Film, Media, and Tourism Incentives

Economic Development Incentives Evaluation Series

Virginia provides economic development incentives to encourage business growth as part of its economic development strategy. To better understand the effectiveness of these incentives in stimulating business activity, the General Assembly directed the Joint Legislative Audit and Review Commission (JLARC) to conduct, on a continuing basis, an evaluation of the effectiveness and economic benefits of economic development incentives such as grants, tax preferences, and other assistance. (See Appendix A for the study mandate.) This report is part of a series of annual reports that provide comprehensive information about the effectiveness and economic benefits of individual economic development incentives offered by the state. JLARC contracted with the University of Virginia's Weldon Cooper Center for Public Service to perform the evaluation.

This report examines six economic development incentives designed to encourage film, media, and tourism activity in the state (Table). Some incentives are designed to attract new activity, such as film production and new passenger air service, while others reduce operating costs for established media and broadcast firms.

Three of the incentives are targeted at the motion picture industry: the Motion Picture Production Tax Credit (film tax credit), the Governor's Motion Picture Opportunity Fund (film grant), and the Film, TV, and Audio Production Input Exemption (film exemption). These incentives are designed to attract film and television productions to the state and were evaluated in the 2017 JLARC report, *Evaluation: Film Incentives*.

The other three incentives are designed to encourage media (television and radio broadcasting and broadband access) or tourism activity. (JLARC has not previously evaluated these programs.)

- The Tourism Development Financing Program is a gap financing program that assists locally sponsored tourism development projects that are unable to secure full private financing.
- The media provider equipment exemption is a sales and use tax exemption that reduces the tax burden for radio and television broadcasting, cable television, and telecommunications services for their purchase of equipment.
- The Governor's New Airline Service Incentive Fund (new airline service grant) supports the introduction of new commercial air passenger service at Virginia commercial airports.

Over the 10-year period from FY15 to FY24, Virginia spent approximately $287.5 million on these six incentives, which represents about 5.5 percent of the state's total spending on economic development incentives during this period (See *Economic Development Incentives 2024*, JLARC 2024.) Average annual spending was approximately $28.8

million during this time period, but actual annual spending varied considerably because some programs' annual spending varied significantly. For example, the film grant had several high spending years followed by sharply reduced spending reflecting the episodic nature of film production. In addition, the Tourism Development Financing Program made an unusually large award to a specific project, the Kalahari Resort, in one year. Spending on the media provider equipment exemption increased significantly when the exemption was expanded in 2022 to include broadband equipment.

TABLE: Six incentives to encourage film, media, and tourism industries are covered in this report

	Spending FY15–FY24	
Incentive	**Annual average**	**Total**
Film incentives		
Motion Picture Production Tax Credit	$6.4 M	$64.3 M
Governor's Motion Picture Opportunity Fund	4.4	44.2
Film, television, and audio production inputs exemption	2.0	20.1
Media and tourism incentives		
Tourism Development Financing Program	9.5	94.7
Media provider equipment exemption	6.4	63.9
Governor's New Airline Service Incentive Fund	<0.1	0.2
Total, film, media, and tourism incentives	**$28.8 M**	**$287.5 M**

SOURCE: Weldon Cooper Center analysis of incentive data.
NOTE: Spending on tax credits includes amounts claimed.

1. Virginia Film Incentives

Virginia offers three incentive programs to attract motion picture, television, and digital media productions to the Commonwealth (Table 1-1):

- Motion Picture Production Tax Credit (film tax credit),
- Governor's Motion Picture Opportunity Fund (film grant), and
- Film, TV, and Audio Production Input Exemption (film exemption).

These incentives are designed to increase film and television production spending in Virginia, create employment opportunities for residents, stimulate local economic development, and promote state tourism. The film tax credit is the largest of the incentives in terms of spending, followed by the film grant. Both the tax credit and grant are administered by the Virginia Film Office (VFO), which is part of the Virginia Tourism Corporation. The film exemption is a much smaller incentive and allows film production companies to purchase goods used on a filming set tax free. JLARC previously assessed these incentives in 2017 as part of its ongoing series evaluating the state's economic development incentives.

TABLE 1-1
Virginia offers three incentives to attract the film industry

	Motion Picture Production Tax Credit (film tax credit)
Purpose	Increase employment in the film production industry, enhance the state's film industry infrastructure, and improve the state economy.
Eligible projects	Feature films, documentaries, long-form specials, television mini-series, episodic television series, commercial advertisements, videos and music videos, interactive television, and digital interactive media productions. Must not be a political advertisement, news program, live sporting event, or reality television show; must not contain obscene material. Minimum film production expenditures in Virginia of $250,000. Qualifying expenditures include purchases of Virginia goods and services and wages paid to employees. Must be fully funded (with a multi-market distribution contract) without considering the value of the tax credit. Must make a good faith effort to film at least 50% of production in Virginia.
Program features	Base credit: 15% of qualifying expenditures, or 20% if filming takes place in an economically distressed area of Virginia. Two additional payroll credits 10% of Virginia payroll expenses (or 20% if production expenses > $1 million) 10% of payroll for Virginia first-time actors or crew Other features Refundable credit. VFO [a] can issue no more than $6.5 million credits per fiscal year. VFO can issue credits to future years, which allows projects to receive awards larger than the cap because they can be spread across multiple fiscal years.

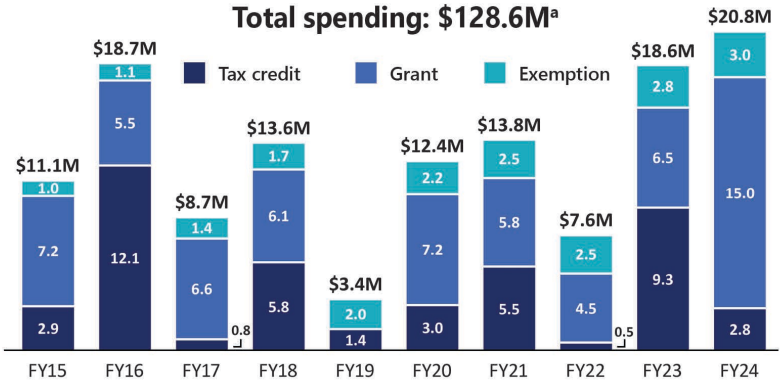
a

FILM INCENTIVES

Attract motion picture, television, and digital media productions to the Commonwealth

VALUE TO BENEFICIARIES FY15–FY24

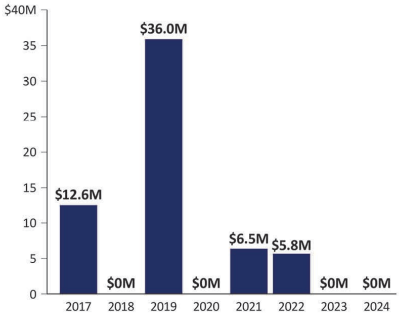
Total spending: $128.6M[a]



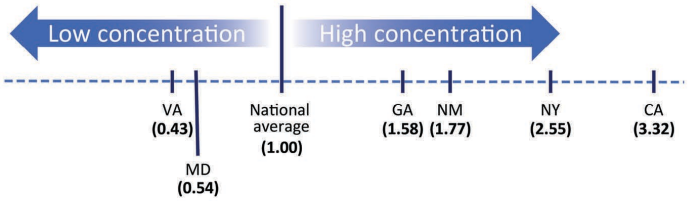
Beneficiaries
42 productions

ACHIEVEMENT OF PURPOSE

Inconsistent tax credit awards make it hard to maintain consistent production flow and retain experienced crew



Low concentration of film employment makes it difficult to develop a self-sustaining motion picture industry



IMPACT TO STATE ECONOMY FY15–FY24

Economic benefit per $1M in incentives
Jobs, state GDP, and personal income

Return in revenue
per $1 spent

●●●● High
●●●○ Moderate
●●○○ Low
●○○○ Negligible

●●●○	●●●○	Film grant
●●○○	●●○○	Film tax credit
●○○○	●●○○	Film exemption

Spending assigned to fiscal year grant awarded or tax credit claimed on tax return.

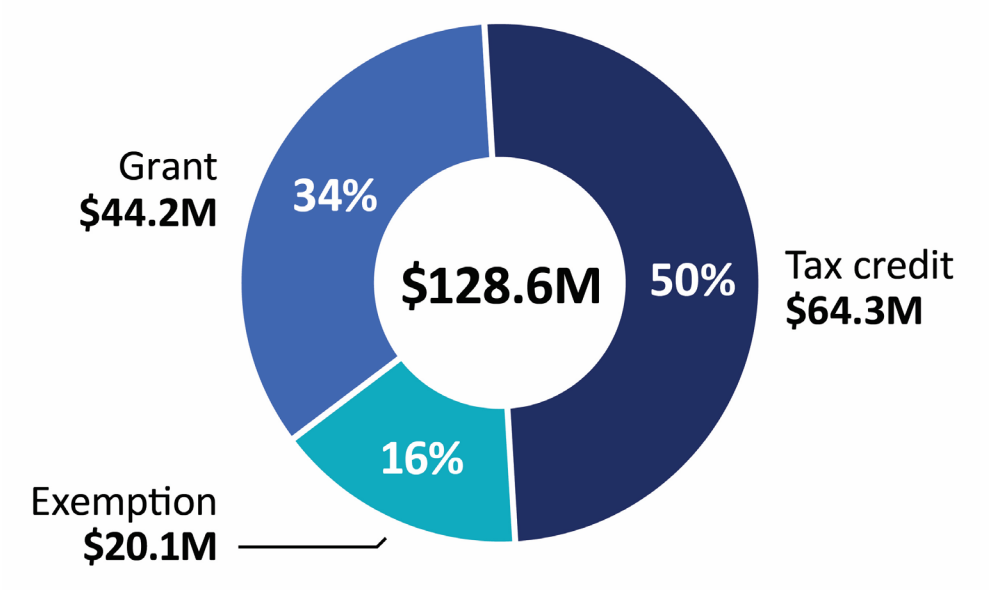
	Governor's Motion Picture Opportunity Fund (film grant)
Purpose	Support the film industry by "providing the means to attract production companies and producers to make their projects in the Commonwealth using Virginia employees, goods, and services."
Eligible projects	Feature films, children's programs, documentaries, television series or programs of 30 minutes or more. Uses same eligibility requirements as the tax credit.
Program features	Cash grant made at governor's discretion, based on VFO recommendations according to program guidelines, and subject to appropriations. VFO granted broad discretion to develop guidelines, including guidelines to ensure geographic diversity.
Use of grant	Often used in conjunction with the Motion Picture Production Tax Credit to provide a bonus financial incentive to attract high economic impact productions, to attract productions that have strong creative reasons for filming in the state to accurately depict historical events or fictional narratives, or to extract ancillary deliverables such as DVD clips and television commercials that promote Virginia travel and tourism. Also used to fund tax credit incentive projects if the amount of tax credits available has been exhausted.
	Film, TV, and Audio Production Input exemption (film exemption)
Purpose	Encourage film and other audiovisual production in Virginia and film, television, and other audiovisual producers to establish operations in Virginia. Extends tax treatment of production inputs to film and audiovisual producers similar to the treatment accorded to inputs used by manufacturers, farmers, and other goods-producing industries.
Exempt items	Applies to purchases in Virginia of audiovisual works and tapes; equipment and parts used in producing audiovisual content, such as light and sound equipment, sets, and props; and production services used to produce audiovisual works and tangible personal property, such as scripts, musical scores, and storyboards. It also exempts production inputs used by facilities that transfer a tangible product to companies to use in the final product. It does not apply to audiovisual works such as corporate in-house training that are not intended for commercial distribution.

SOURCE: Weldon Cooper Center review of agency documents.
NOTES: The film tax credit was adopted in 2011 (§58.1-439.12:03) and expires January 1, 2031; the film grant was adopted in 1999 (§2.2-2320); and the film exemption was adopted in 1995 (§58..1-609.6(6)) and expires July 1, 2027.
[a] The Virginia Tourism Authority is authorized to administer the film incentives. VFO is the division within the Virginia Tourism Authority that administers the film incentives.

Virginia spent $129 million on film incentives between FY15–FY24, but incentivized activity varied widely from year to year

Virginia spent $128.6 million on the three film incentives between FY15 and FY24, half of which was for the film tax credit and just over one-third of which was for the film grant (Figure 1-1). The film tax credit and grant supported 42 productions during that time, the majority of which were feature films (26 productions). Most of the film tax credit and grant *spending*, however, was for television series ($98 million). Feature films supported by the film tax credit or grant were mid-budget independent productions that were generally filmed within a single fiscal year (e.g., *Harriet* and *Raymond & Ray*). Television series supported by incentives were generally multi-year productions in Virginia (i.e., *Turn, Swagger*, and *The Walking Dead: World Beyond*), but a few had only one season (i.e., *Dopesick* and *The Good Lord Bird*). Nearly all the filming occurred in the Richmond metropolitan area, specifically Petersburg and Richmond. There is no detailed information available on the use of the tax exemption by productions.

FIGURE 1-1
Half of spending on film incentives is for the tax credit (FY15–FY24)



SOURCE: Weldon Cooper Center analysis of film incentive information.

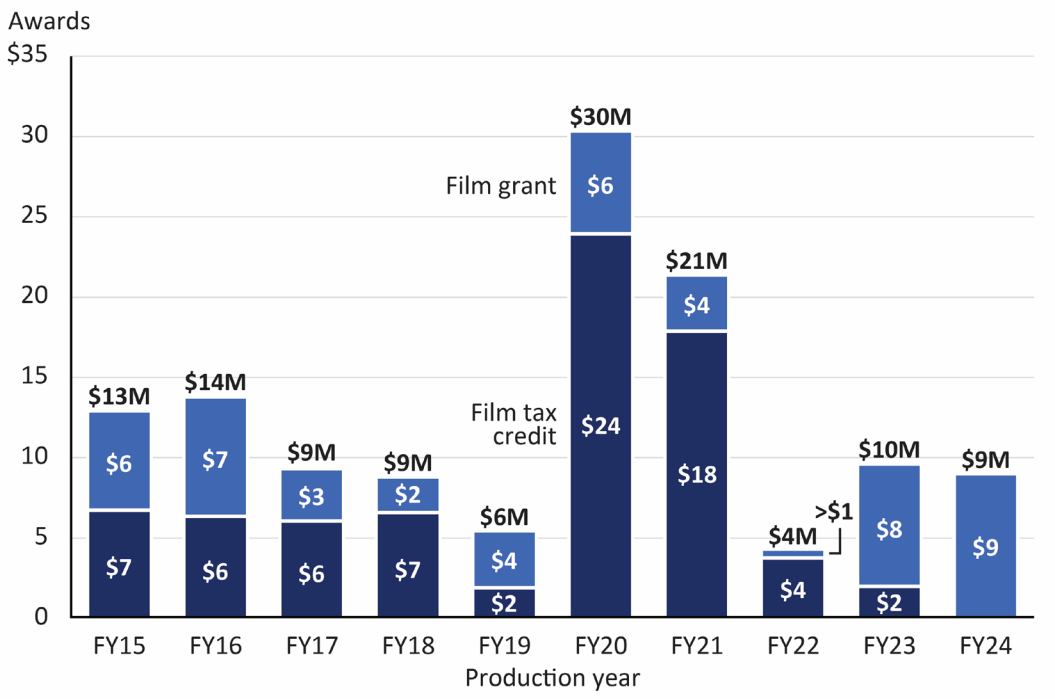
Funding for film incentives was relatively stable between FY15 and FY24. The annual program cap for the tax credit has been $6.5 million since 2015, though appropriations for the grant program have increased some. Grant appropriations were generally $2.4 million to $3 million between FY15 and FY21 (with the exception of FY17 when $6 million was appropriated) and then increased to $4 million in FY23 and $5 million in FY24.

While available funding for the film tax credit and grant programs remained relatively stable from FY15 to FY24—ranging from $8.9 million to $12.5 million—incentivized activity varied widely from year to year. Even though there was an annual $6.5 million program cap in place during this period, tax credit awards in a single year could exceed the annual limit and then be allocated across multiple years to stay within the cap requirements.

If incentive awards are assigned to the year film production activity occurred, annual awards during the 10-year period ranged from $4.3 million to $30.3 million (Figure 1-2). Awards by production year peaked in FY20, when several large projects were produced in Virginia, including *Swagger*, *The Walking Dead: World Beyond*, *The Good Lord Bird*, and *Dopesick*. Awards declined sharply in subsequent years as fewer large productions were filmed in Virginia. This uneven nature of film production in Virginia has made it difficult to build and sustain a film industry. VFO staff and industry stakeholders reported that it complicates efforts to retain experienced crews, specialized vendors, and soundstage infrastructure.

High awards in some years also affect VFO's ability to make new tax credit awards. For example, $36 million in tax credits were awarded in FY19 (for productions that primarily filmed in FY20), with several productions receiving credit allocations over multiple years. This limited VFO's ability to make awards in subsequent years. No awards were made in FY20, FY23, or FY24 because any new credit awards could not have been allocated for several years to remain within the program cap.

FIGURE 1-2
Film tax credit and grant awards varied widely by production year (FY15–FY24)



SOURCE: Weldon Cooper Center analysis of VFO data.
NOTE: Production year is the year in which most of the production was filmed. Totals may not sum because of rounding.

Virginia has not developed a sustainable motion picture industry despite some growth in film industry employment

Virginia's motion picture industry employment has grown 60 percent since 2015, faster than the national growth rate (16 percent). Despite this growth, Virginia's film industry remains relatively small, accounting for about 1 percent of total U.S. film employment (Table 1-3). Film employment is highly concentrated—over two-thirds of workers are located in just five states and half are in only two. Virginia ranks toward the middle of states in terms of total film production employment. Seventeen states had fewer than 1,000 film production employees in 2024. These employment figures are relatively unchanged from the previous evaluation of the film incentives (*Evaluation: Film Incentives*, JLARC, 2017).

Production of U.S. films was once more highly concentrated in California and New York, but film production has shifted to other locations—primarily Canada and overseas, but also to some other states. While Virginia saw some growth in film employment since 2015 (about 1,700 workers), several states saw sizable growth. (Florida, Georgia, and Texas grew by more than 6,000 workers each.) International locations, however, now outrank traditional U.S. hubs for film production because of competi-

tive exchange rates, less expensive labor and other input costs, and favorable production incentives. This trend makes it unlikely that Virginia's industry will grow substantially.

TABLE 1-2
Virginia has only a small portion of U.S. film industry employment (2024)

State	Film employment rank	Film employment	Percentage of U.S. film employment
California	1	128,404	38.8%
New York	2	51,506	15.6
Georgia	3	17,213	5.2
Florida	4	13,444	4.1
Texas	5	13,340	4.0
Utah	10	5,063	1.5
Virginia	**18**	**3,778**	**1.1**
New Mexico	22	3,172	1.0
Maryland	21	3,306	1.0
All other states		91,572	28.0

SOURCE: Weldon Cooper Center analysis of Lightcast data for the film industry.
NOTE: Only industries most associated with motion picture production were included. These include motion picture and video production (NAICS 512110), motion picture and video distribution (NAICS 512120), teleproduction and other postproduction services (NAICS 512191), and other motion picture and video industries (NAICS 512199).

A separate measure—industry concentration—shows an even clearer picture of Virginia's limited film industry presence. Virginia has a low concentration of film employment, making it difficult to develop a sustainable motion picture industry. Location quotients indicate how concentrated an industry or occupation is in a region compared to the national average, and Virginia's location quotient for film employment is 0.43, well below the national average (location quotient of 1.0). California and New York have a highly concentrated film industry (with location quotients of 3.3 and 2.5, respectively) and have established studio infrastructure and sustained production activity. Other states like Georgia (1.6), Utah (1.4), and New Mexico (1.8) also have high concentrations of film employment because of large incentives (Georgia and New Mexico) or unique landscapes (New Mexico and Utah) that helped them develop their industry.

Virginia's film incentives are uncompetitive with film incentives in other states

Virginia's film incentive funding has averaged about $10 million per year since FY15 and was lower in previous years. In contrast, competing states have significantly expanded their incentive offerings, which has limited Virginia's competitiveness in attracting productions, according to VFO staff and stakeholders. In 2016, only four states (California, Georgia, Louisiana, and New York) had annual caps above $100 million. By 2025, four additional states (Arizona, Illinois, New Jersey, and New Mexico) had reached or exceeded that level. (See Appendix E for more information on

states with film tax incentives.) Virginia's neighboring states also have higher film incentive funding levels than Virginia. West Virginia has no stated annual cap; Maryland's previous cap of $15 million was raised to $20 million in FY26; and North Carolina's annual cap is $31 million.

Economic benefits of film incentives vary, with film grant having moderate benefits and film tax credit having low benefits

Virginia's film incentives are estimated to generate some additional economic activity for the state. When assessed per $1 million spent on the incentives, the economic benefits and return in state revenue generated by the film grant are moderate (Table 1-3). These economic benefits are in line with the average state incentive and are the highest of the three film incentives. The return in state revenue for every $1 spent on the film grant is 39¢, which is similar to the return in revenue for the average incentive and is also the highest return generated by the three film incentives. (See Appendix C for more detail on the comparison of economic benefits and return in revenue generated by Virginia incentives.)

Incentives, on average, are estimated to generate an additional 58 jobs, $9 million in GDP, and $5 million on personal income per $1 million spent and have a return in revenue of 41¢ per $1 spent. (See *Economic Development Incentives 2024,* JLARC 2024.)

The economic benefits and return in state revenue generated by the film tax credit are low. The film tax credit generates benefits that are slightly less than the average across all incentives but higher than most tax credits and exemptions. The return in state revenue for every $1 spent on the film tax credit is 29¢, which is less than the average incentive.

The return in state revenue for every $1 spent on the film exemption is low, and the economic benefits generated by the exemption are negligible. (If the impact of raising taxes to pay for the exemption is considered, the exemption results in a small decrease in Virginia GDP.) (See Appendix D for the gross and net economic activity generated by the program.) Most tax exemptions generate negligible or low economic benefits and returns in state revenue.

While the film grant produces moderate economic benefits and state revenue relative to other incentives, and the film tax credit performs better than most tax incentive programs, these benefits cease once production ends. In contrast, other incentive programs encourage the long-term location or expansion of manufacturers or other businesses that often maintain operations and employment after the incentive period ends.

This impact analysis does not incorporate potential increased tourism spending related to filming locations in Virginia. JLARC's 2017 evaluation suggested that these effects could range from minimal to substantial, but there has been no coordinated or ongoing effort by the Virginia Tourism Corporation or VFO to track tourism metrics related to motion picture production, so a more precise estimate was not possible.

TABLE 1-3
Economic benefits and return in revenue vary by film incentive

	Annual average (FY15–FY24)		
	Film grant	**Film tax credit**	**Film exemption**
Gross impact to Virginia economy per $1 million of spending			
Private employment	62 jobs	44 jobs	8 jobs
Virginia GDP	$12.5 M	$8.8 M	$0.9 M
Personal income	$6.7 M	$4.8 M	$0.9 M
Impact on state revenue			
Total revenue	$2.0 M	$2.1 M	$0.1 M
Spending on incentives	$5.0 M	$7.5 M	$2.0 M
Net revenue	-$3.0 M	-$5.4 M	-$1.9 M
Return in revenue per $1 spent	39¢	29¢	7¢

SOURCE: Weldon Cooper Center economic impact analysis of business activity induced by Virginia's film incentive programs between FY15 and FY24 using economic modeling software developed by REMI, Inc. (See Appendix M [online only] for the economic impact analysis used in this study.)
NOTE: Includes direct, indirect, and induced impacts of completed projects. The gross impact on Virginia's economy is used to calculate the impact per $1 million per incentive awards and the impact to state revenue. This is consistent with how the economic development research literature typically calculates these impacts.

Several changes to Virginia's film tax credit could help the state develop a stronger film production industry

JLARC's 2017 evaluation of film incentives suggested the General Assembly consider eliminating the film tax credit and grant or creating a more effective film grant in place of the two incentives. The General Assembly has taken no action to eliminate or modify the incentives. Therefore, the recommendations in this report focus on changes that would help the state maintain a stable pipeline of production activity to develop and maintain a stronger film production industry. The recommendations are targeted to the tax credit because VFO staff indicate it is the industry's preferred incentive because of its certainty, transparency, and predictability. For example, tax credit eligibility is specified in statute, and funding up to the cap is not dependent on annual appropriations.

Many states have increased funding for film incentives, but Virginia's funding has remained unchanged, and recent legislative efforts to raise the tax credit cap have been unsuccessful. Increasing Virginia's film tax credit cap could help attract additional film productions, as research shows that incentives influence location decisions—estimates suggest that 80 to 95 percent of productions would not have filmed in their chosen locations without an incentive. If the cap had kept pace with inflation, it would be about $9 million in 2025 rather than the current $6.5 million. However, a larger in-

crease does not appear warranted. Research indicates that film incentives can temporarily boost film-related employment, but they are unlikely to generate sizable or long-term economic gains. Virginia's film industry is also unlikely to grow substantially because of larger industry trends.

Adopt bonus tax credit for multi-year productions, such as television series

Virginia should consider adopting a "bonus" tax credit for television series that commit to filming multiple seasons in Virginia. Multi-season television series offer greater potential to stabilize production activity because they involve recurring employment, repeat use of facilities, and longer-term relationships with local vendors. Virginia's current incentive structure does not explicitly reward or prioritize projects that commit to multiple seasons or long-term production in the state. The tax credit could be modified to provide an additional 5 percent credit for productions that film additional seasons in Virginia. For example, a television series with four seasons would be eligible for the base credit (15 percent of eligible expenses) in season 1 and the base credit and multi-season bonus credit (20 percent of eligible expenses) in seasons 2 through 4.

This bonus could be in addition to the existing bonus credits (for distressed locations [5 percent], Virginia payroll [10–20 percent], and first-time Virginia hires [10 percent]) or could replace one or more of them. For example, this new bonus could replace the first-time hire bonus particularly if the first-time hire bonus is still used primarily for extras, as found in the 2017 report. Eligibility for the multi-season bonus could also be tied to a minimum employment threshold.

RECOMMENDATION 1

The General Assembly may wish to consider amending § 58.1-439.12:03 of the Code of Virginia to provide an additional 5 percent Motion Picture Production Tax Credit for the second and subsequent seasons of multi-season television productions that commit to filming in the Commonwealth.

Adopt a formal method to allocate tax credit awards across fiscal years and better target incentives to projects that maximize the benefit to Virginia

Virginia could make changes to ensure tax credit awards are more predictable and transparent, capacity remains for new awards in future years, and that films which will most benefit the state are targeted. A more formal allocation structure and better targeting would have enabled Virginia to make film incentive awards in FY20, FY23, and FY24, when no awards were made.

Virginia should consider adopting a formal method to allocate tax credit awards for large productions across fiscal years, such as television series filming multiple seasons in Virginia and feature films with substantial production in Virginia. As noted previously, multi-season television series offer greater potential to create a stable production industry in the state. The production of feature films can take months and create a substantial amount of in-state spending. Both types of productions tend to be eligible

for film tax credits worth several million dollars, some even nearing or exceeding the $6.5 million annual program cap. Virginia's film tax credit awards can be allocated over several years, and VFO has often allocated credits for sizable projects to future years so that credit allocations remain at or under the annual program cap. However, in some cases, credits have not been allocated until several years after production. For example, one production that mostly filmed in FY22 did not receive its tax credits until FY25 and FY26.

Adopting a more formal allocation method would also increase the transparency and predictability of the credit. The allocation of funding is currently at VFO's discretion. For example, credits could be allocated across one or multiple years depending on the award amount.

- **Awards less than $1 million**: allocated to the year of production.
- **Awards between $1 million and $5 million**: allocated in equal installments to the year of production and the following year.
- **Awards greater than $5 million**: allocated in equal installments to the year of production and the two subsequent years.

This method could ensure credit allocations begin during the production year. It may also reduce the need to use the film grant to fund tax credit allocations above the annual cap, as is currently done, which would free up film grant funds to target high economic impact productions.

Because the film tax credit has an expiration date, the formal allocation method should allow credits awarded prior to the program's expiration to be allocated and claimed after it expires. (No new awards should be made after the program expires.) The program expires January 1, 2031, so if VFO staff award $7 million in film tax credits for a film production in 2030, for example, the production company could receive credit allocations in 2030, 2031, and 2032.

In addition, the allocation method should reserve a portion of each year's annual program cap for projects actually filming during that year. Setting aside a defined percentage of the annual cap would help ensure that funding is not fully committed to projects approved in prior years, particularly in the final years before the program's expiration.

New York used a similar allocation method to award film tax credits prior to 2025. The state changed its award allocation because film producers preferred to receive all their credits at once, which could be accommodated because New York's annual credit cap is $700 million. However, this allocation method may be particularly useful for Virginia because of its low annual program cap.

To maintain some flexibility in granting tax credit awards, the secretary of commerce and trade could be allowed to waive the formal allocation method upon request of the Virginia Tourism Corporation in certain circumstances. For example, the formal allocation method may not be needed in years when there are only one or two productions seeking credits and the amounts requested are beneath the annual credit cap.

In addition to a formal allocation method, tax credit awards could be targeted to productions that rely on and feature unique Virginia characteristics, and which tend to provide more benefit to the state. Virginia has had success in attracting productions that have drawn on the Commonwealth's history and been filmed in recognizable locations, including projects set in the Revolutionary War (*Turn*), the Civil War (*Mercy Street, Point of Honor*), and the Civil Rights era (*Loving*). Because these productions are both set and filmed in Virginia, they are more likely to generate tourism spending and contribute to branding historic locations in the state than productions that could be filmed in any location. Virginia has also been successful at attracting productions that rely on the state's landscapes and rural-urban mix. Had this targeting, in addition to the formal credit allocation method, been required for film tax credit awards during the study period, award allocations would have exceeded the credit cap in three years, but only slightly.

RECOMMENDATION 2

The General Assembly may wish to consider amending § 58.1-439.12:03 of the Code of Virginia to adopt a formal allocation method for awarding Motion Picture Production Tax Credits and to target tax credits to productions that utilize Virginia's unique history and landscapes.

Film exemption could be allowed to expire

VFO staff indicated that the film sales tax exemption was not important in film location decisions, and the exemption is estimated to generate negligible economic benefits and a low return in revenue for the state. The exemption is scheduled to expire on July 1, 2027, and for these reasons, it could be allowed to expire.

The film exemption, like many industry exemptions, was not adopted exclusively to increase economic activity. Many sales tax exemptions for specific industries are adopted to address good tax policy principles, such as not taxing business inputs. The Joint Subcommittee to Evaluate Tax Preferences could evaluate the film exemption before it expires and recommend whether it should be maintained, eliminated, or revised. The subcommittee could weigh its revenue and economic impacts with the exemption's other potential benefits, such as exempting business inputs to provide tax parity with other industries. Because the film grant is a more effective and efficient incentive and the film tax credit is preferred by industry and its cap has not kept pace with inflation, the subcommittee could also consider whether funding for the exemption should be allocated instead to the film grant or film tax credit.

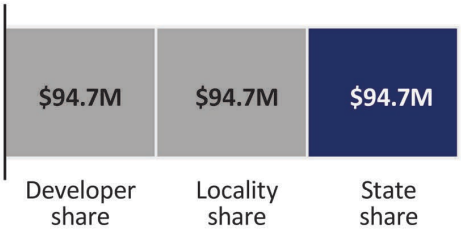
TOURISM DEVELOPMENT FINANCING PROGRAM

Promote the development of lodging and other tourism infrastructure in Virginia

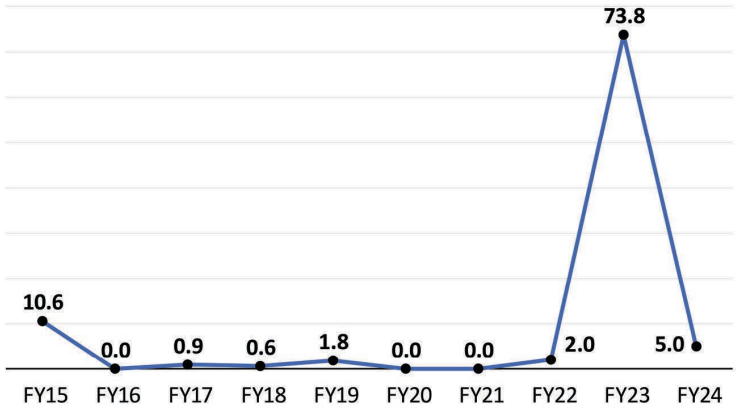
VALUE TO BENEFICIARIES FY15–FY24

Total gap financing $284.1M through program

shared by state, locality, and developer



State share of gap financing over time



ACHIEVEMENT OF PURPOSE

Projects vary widely, indicating program is flexible enough to address diverse local tourism gaps

- **Small boutique hotel** (Weyanoke Hotel in Farmville)
- **Destination resort** (Kalahari Resort, Spotsylvania)
- **High-end conference and lodging** (The Main || Norfolk)
- **Wellness and nature resort** (Simply Shenandoah)

Some projects provide broader community benefits

- renovation or reuse of historic properties
- redevelopment of underutilized sites
- contributed to downtown revitalization and preservation efforts

IMPACT TO STATE ECONOMY

FY15–FY24

Economic benefit per $1M in grants

Jobs, state GDP, and personal income

●●●●

Return in revenue

per $1 spent

●●●●

●●●● High
●●●○ Moderate
●●○○ Low
●○○○ Negligible

2. Tourism Development Financing Program

The Tourism Development Financing Program provides gap financing for qualified, large-scale tourism projects that are unable to secure full private financing (Table 2-1). The program was adopted in 2011 following a recommendation from Governor McDonnell's Commission on Economic Development and Job Creation, which found that many Virginia communities lacked sufficient tourism infrastructure—particularly lodging—to meet growing visitor demand. Gap-financed debt is repaid over a 20-year period using a tier-based percentage of state retail sales and use tax collections generated by the project, with the percentage tied to the project's capital investment. The debt service is split equally among the state, locality, and the developer.

For this program, **gap financing** must be secured by the developer, usually in the form of a bank loan. The debt is repaid by the state, locality, and the developer in equal shares (each pays one-third). Payments are made quarterly, and the amount of each share is determined by a percentage of the retail sales and use tax generated by the project.

While nine states offer similar programs, Virginia's model focuses more heavily on lodging. (See Appendix F for more information about programs in other states.) According to Virginia Tourism Corporation (VTC) staff, the Tourism Development Financing Program is a core component of VTC's strategy to grow Virginia's tourism economy and increase visitor spending to more than $100 million per day, a key agency performance metric. A 2023 VTC analysis for its strategic tourism planning efforts indicated that Virginia's slower pace of lodging development has limited tourism growth relative to peer states.

State supported nine Tourism Development Financing projects with $94.7 million in debt service between FY15 and FY24

The state supported nine projects through the Tourism Development Financing Program between FY15 and FY24, committing approximately $94.7 million in debt service repayment. Combined, these projects generated more than $1.6 billion in total capital investment and created approximately 2,100 new jobs. The projects vary substantially in scale, location, and development type, ranging from boutique hotels in small downtowns (Hotel Weyanoke in Farmville) to large destination resorts (Kalahari Resort and Convention Center in Spotsylvania County) (Figure 2-1). The $94.7 million represents only the state's one-third share of the financing; when including the shares contributed by localities and developers, total gap debt financing across the projects is $284.1 million.

Gap financing for the **Heron Hotel** was provided through a bond issued by the Alexandria Economic Development Partnership.

As of January 2026, the hotel is part of the Curio collection by Hilton, which is expected to boost hotel revenue and enable the developer to resume debt payments.

Even if the developer does not resume debt payments, the state is not legally or financially responsible for the developer's debt; nor is the state responsible for continuing its payments if the project ceases operation and stops generating sales taxes.

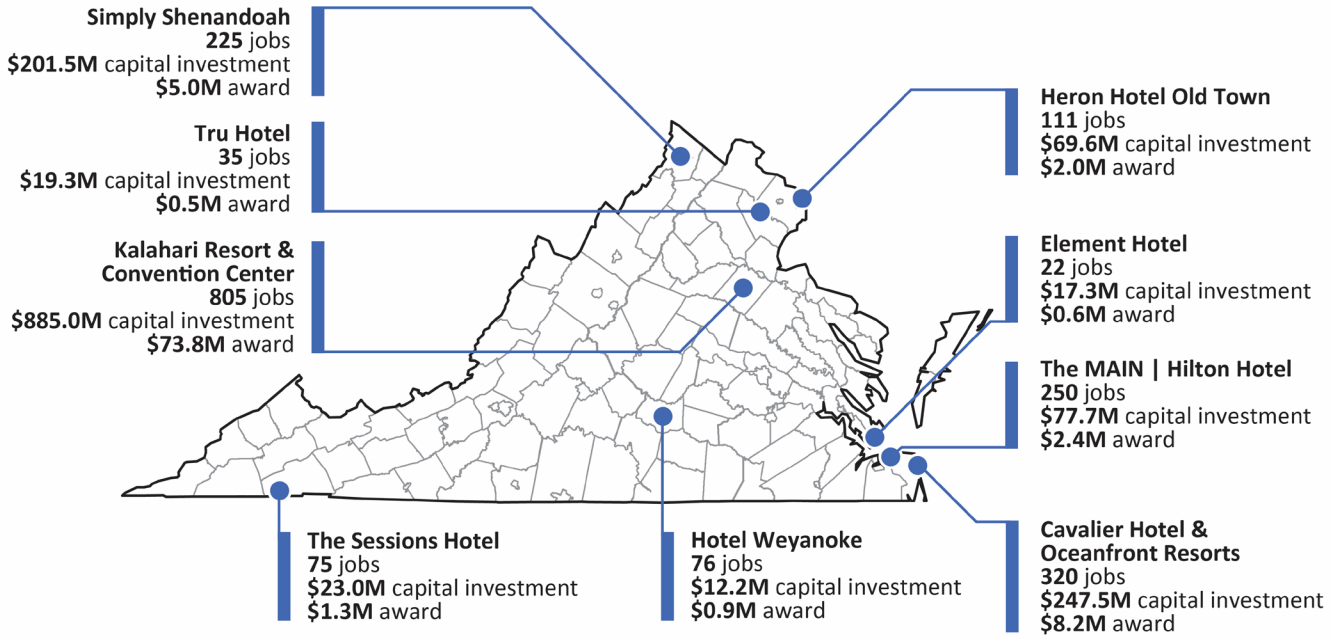
Seven of the nine projects approved through FY24 are operating and are currently making debt service payments. (The Hotel Weyanoke fulfilled its debt payment requirements early, and the developer of the Heron Hotel in Alexandria defaulted on its bond obligations, at least temporarily). As of FY25, the state has paid $7.6 million in state sales and use tax collections to repay its share of debt service for participating projects.

TABLE 2-1
Tourism Development Financing Program provides gap financing for large-scale tourism projects that are unable to secure full private financing

Purpose	Promote the development of tourism infrastructure in Virginia
Eligible projects	Revenue-generating tourism projects (e.g., large-scale hotels, restaurants, and mixed-use developments) that drive overnight visitation and generate Virginia sales and use tax. Projects collecting only admissions tax (which is not a state-level tax) are not eligible. Must address documented tourism deficiencies identified in a locality's comprehensive community plan, local tourism development plan, and independent market studies. Project not viable without additional financing, like gap financing (developer must have secured up to 70 percent or 80 percent of project financing through traditional debt or equity financing).
Program features	Gap financing structure provides gap financing to help developers cover debt service for project costs not fully supported by traditional private financing. Tiered financing framework: three-tier structure that aligns the amount of public financing with total project capital investment: - Tier 1: Projects with capital investments under $100 million. Gap financing may cover up to 30 percent of total project costs; repayment equals 1.0 percent of project-generated state sales tax revenue collections. - Tier 2: Projects with capital investments of $100 million or more. Gap financing may cover up to 20 percent of total project costs; repayment equals 1.5 percent of project-generated sales tax revenue. - Tier 3: Transformative projects with capital investments of $500 million or more that create at least 500 jobs and are endorsed by the Major Employment and Investment Project Approval Commission. Gap financing may cover up to 30 percent of total project costs; repayment equals 2.0 percent of project-generated sales tax revenue. Locality–developer partnership. The locality initiates the project, applies to the program, documents a tourism deficiency, creates a tourism development zone, and endorses the project. The developer secures all project financing—including the debt supported by the program—and bears full repayment risk. The debt supported by the program is often provided through a bank loan. Repayment terms: Once a project is operational and generating revenue, gap-financed debt is repaid through quarterly payments over a 20-year period. Payments are shared equally by the state, locality, and developer, and the 'share' amount is determined based on a percentage (according to tier) of captured state sales tax revenue generated by the project. The program is low risk for the state and locality because their payments are made only if the project is operating and generating revenue. The developer bears full risk for repayment, so the state and locality do not cover any portion of the developer's payments. Program administration: The Virginia Tourism Corporation administers the program (ensures tourism deficiency requirements are met) in coordination with the Virginia Resources Authority (reviews and verifies financing), the Virginia Department of Taxation (assesses quarterly sales tax collections), and the State Comptroller (project certification).

SOURCE: Weldon Cooper Center review of agency documents.
NOTES: The program was adopted in 2011 (§58.1-3851.1 et seq). The tier structure has changed over time. Originally the program required that gap financing could cover 20 percent of the cost, and repayment was based on 1 percent of state sales tax revenue collections. Legislative changes in 2015 created a two-tiered structure (tier 1 = gap financing may cover up to 30 percent and repayment based on 1 percent of sales tax collections; tier 2= gap financing may cover up to 20 percent and repayment based on 1.5 percent of sales tax collections). Legislative changes in 2022 added the third tier.

FIGURE 2-1
Tourism development financing projects vary in location, scale, and development type



SOURCE: Virginia Tourism Corporation.
NOTE: Number of jobs for the Cavalier Hotel project is the amended number. The original application projected 495 jobs.

All projects address lodging deficiencies, and some have other benefits

The Tourism Development Financing Program is designed to address documented lodging deficiencies in Virginia. Having sufficient lodging—both capacity and quality—is vital for a tourism market because overnight accommodation enables visitors to stay longer, attend multi-day events, and spend money across a wider range of local businesses. According to VTC staff, Virginia lodging deficiencies are most pronounced in markets with outdated, insufficient, or poorly aligned accommodations relative to current visitor demand for certain locations, quality, or amenities. In recent years, demand for the program has increased as rising construction costs, labor shortages, and higher interest rates have made traditional private financing more difficult to secure—particularly for large-scale or complex tourism projects.

Local economic development staff report that the program fills an important gap for tourism-related development, particularly for projects with speculative financial profiles, limited brand affiliation, or historic rehabilitation requirements. Gap financing, combined with historic rehabilitation tax credits, was described as essential for one project that redeveloped a blighted industrial structure into a hotel and event venue.

For a project to be approved, it must demonstrate through evidence (e.g., data on current inventory of similar product, visitor demand, etc.) that the project would meet a **deficiency**. A deficiency is defined as the existence of a local experience(s) and attraction(s) that creates a *high* visitor demand but there is a lack of "product' (usually lodging) to meet the demand.

To date, program-supported projects have primarily focused on incentivizing higher-end lodging and in recreation-, conference-, and wellness-oriented resort space (Table 2-2). These segments are most closely associated with overnight visitation and higher visitor spending. Since projects have ranged from boutique hotels in small downtowns to large-scale destination resorts, the program is flexible enough to address diverse local tourism gaps. While most projects are lodging-centered, several incorporate restaurants, meeting space, or attractions as part of mixed-use developments.

Some projects provide broader community benefits. Several projects have renovated or reused historic properties or redeveloped underutilized sites, contributing to downtown revitalization and preservation efforts. Because projects are centered on overnight visitation, they also generate spillover economic effects by increasing spending at nearby restaurants, retail establishments, and local attractions. VTC staff noted that program participation has also contributed to stronger local tourism planning and improved tourism amenities, suggesting that benefits extend beyond individual projects to the wider community.

TABLE 2-2
Tourism Development Financing Program projects incentivize high end lodging and recreation, conference, or wellness-focused resort space

Project	Description	Rationale for project
Cavalier Hotel & Oceanfront Resorts	Landmark hotel renovated into a 90-100 room 5-star hotel complemented with a new 300 room contemporary hotel across Atlantic Avenue with numerous amenities.	Revitalize historic property and meet demand for luxury accommodations in Virginia Beach.
The MAIN | Hilton Hotel	23-floor hotel development with 300 luxury rooms, three restaurants, and a 50,000-square-foot conference center.	Fill deficiency in high-end lodging for Norfolk conventions and urban tourism.
Hotel Weyanoke	Boutique hotel with 70 rooms with full-service restaurant, coffee and deli shop, roof-top eatery, and banquet facilities.	Introduce upscale lodging and dining to historic downtown Farmville.
Element Hotel	120 room, eco-friendly, Element branded hotel on site of former Macy's department store, including 1,000 square feet of meeting space and rooftop terrace.	Address loss of room nights and provide quality lodging near Hampton Coliseum and Convention Center.
Tru Hotel	98 room hotel located on 40-acre mixed use development known as the Landing at Cannon Branch.	Meet long-standing deficit of lodging in Manassas and support mixed-use development.
The Sessions Hotel	Boutique hotel with 70 luxury boutique rooms, two unique restaurant concepts, rooftop bar and patio, outdoor dining and music venue, private dining and small meeting space, and spa/boutique.	Revitalize downtown Bristol and leverage cultural music heritage for tourism growth.

Project	Description	Rationale for project
Heron Hotel Old Town	Boutique hotel with 134 luxury rooms, 30,000 square feet of amenity and meeting space as well as ground floor retail, including full-service restaurant, speakeasy bar, rooftop restaurant, and bar.	Restore historic property and increase lodging capacity in Old Town Alexandria.
Kalahari Resort & Convention Center	Nine-hundred room hotel adjoining a 173,000-square-foot indoor water park with a conference center and restaurants.	Create destination attraction and fill lodging/convention gap between Richmond and Northern Virginia.
Simply Shenandoah	640-acre wellness and nature resort offering an adult-only, immersive wilderness experience combining wellness and experiential travel.	Provide wellness-focused lodging and experiential travel in Shenandoah Valley to meet growing demand.

SOURCE: Weldon Cooper Center review of project application materials.
NOTE: Includes projects approved FY15–FY24.

Tourism Development Financing Program is estimated to have high economic benefits and returns in state revenue compared with other incentives

Incentives, on average, are estimated to generate an additional 58 jobs, $9 million in GDP, and $5 million on personal income per $1 million spent and have a return in revenue of 41¢ per $1 spent. (See *Economic Development Incentives 2024,* JLARC 2024.)

Virginia's Tourism Development Financing Program is estimated to generate additional economic activity for the state, and its economic benefits and return in state revenue are estimated to be high compared with other incentives. (See Appendix D for the gross and net economic activity generated by the program.) When assessed per $1 million spent on the program, the program generates 121 additional jobs, $20 million in additional Virginia GDP, and $12 million in additional income, which is larger than the economic benefits generated by the average incentive (Table 2-3). The return in state revenue for every $1 spent on the Tourism Development Financing Program is 90¢, which is higher than the 41¢ return in revenue for the average incentive. (See Appendix C for more detail on the comparison of economic benefits and return in revenue generated by Virginia incentives.) These estimates assume only a portion of the activity generated by the projects is a result of the program and account for displacement effects that may occur because the project may attract some guests who otherwise would have stayed at existing nearby hotels.

TABLE 2-3
Tourism Development Financing Program is estimated to have high economic benefits and return in revenue between FY15 and FY24

	Annual average FY15–FY24
Gross impact to Virginia economy per $1 million of spending on incentive	
Private employment	121 jobs
Virginia GDP	$20.1 M
Personal income	$12.5 M
Impact on state revenue	
Total revenue	$8.5 M
Spending on incentive	$9.5 M
Net revenue	-$1.0M
Return in revenue per $1 spent	90¢

SOURCE: Weldon Cooper Center economic analysis of business activity induced by the Tourism Development Financing Program between FY15 and FY24 using economic modeling software developed by REMI, Inc. (See Appendix M [online only] for the economic impact analysis used in this study.)
NOTE: Includes direct, indirect, and induced impacts according to project projections at time of application. The gross impact on Virginia's economy is used to calculate the impact per $1 million per incentive awards and the impact to state revenue. This is consistent with how the economic development research literature typically calculates these impacts.

These estimates, however, may not be wholly accurate for at least two reasons. Estimates may be *overstated* because they are based on projected investments and jobs submitted in applications, not on verified results after projects were completed. While most projects are still ongoing (only one has completed), early evidence suggests that initial projections can change. For example, the Cavalier Hotel project in Virginia Beach initially projected 485 full-time jobs, but that estimate was later reduced twice—to 350 jobs and then to 320 jobs. (Unlike some incentive programs, there is no penalty for reductions in job creation or capital investment levels.) Conversely, estimates may be *understated* because they do not include most of the types of spending made by out-of-state visitors. According to VTC's 2024 leisure visitor profile, about two-thirds of tourist spending occurs for items other than lodging, including food and beverage, retail, transportation, and entertainment. Given that these are countervailing reasons that the estimates may not be fully accurate, the extent to which the estimates do not reflect actual benefits may be somewhat reduced.

Several minor changes could improve the Tourism Development Financing Program

The Tourism Development Financing Program is generally performing as intended and does not currently appear to require major changes. The program has supported a range of tourism projects that document the lodging and tourism deficiencies they

will meet. Many projects have contributed to community revitalization through reuse of historic assets, redevelopment of vacant sites, and increased downstream spending at local businesses. Projects funded through the program are estimated to generate relatively high economic benefits and returns in revenue compared with other incentives, and the program's repayment structure helps manage fiscal risk. These results indicate the program's core structure is sound. Several changes, however, could strengthen program administration, oversight, and fiscal effectiveness.

Sales tax remittance process should be reviewed to determine if it could be made less administratively burdensome

VTC, in coordination with the Virginia Department of Taxation (Virginia Tax) and the Department of Accounts (DOA), should review the quarterly state retail sales tax payment process to identify opportunities for improving clarity, guidance, and administrative efficiency. Currently, sales tax collections for program debt payments are certified and distributed quarterly for up to 20 years. While quarterly payments ensure state participation is tied to realized state tax collections, localities and lenders report that the repayment process is administratively burdensome. According to stakeholders, challenges include reconciling quarterly state payments with project-level financial records, the involvement of multiple entities (multiple state agencies, multiple local departments, and the developer), and limited program documentation explaining the process. The administrative burden is exacerbated by staff turnover at local governments and financial institutions over time because of the long duration of reimbursement periods. Localities indicated that substantial staff time is required to verify state payments and allocate revenues correctly. Hotel developers also noted that the program's complex application process and extensive documentation required a team of attorneys and accountants to understand.

A joint review by VTC, Virginia Tax, and DOA should evaluate the program's administrative burden and recommend opportunities to reduce it. The review should assess the benefits of developing standardized reporting templates, providing written guidance describing the timing and calculation of payments, clarifying reconciliation procedures, and outlining documentation expectations for localities and lenders. The agencies should also assess whether adjustments to the quarterly payment timing or reporting formats could reduce the administrative burden while preserving fiscal safeguards.

RECOMMENDATION 3

The Virginia Tourism Corporation (VTC), in coordination with the Department of Taxation and the Office of the Comptroller at the Department of Accounts, should review the quarterly tax remittance process of the Tourism Development Financing Program to identify potential opportunities to improve clarity, guidance, and administrative efficiency and report the findings and any recommended improvements that require legislative action to the chairs of the House Finance and Appropriations committees and Senate Finance and Appropriations Committee by November 1, 2027.

VTC should require an interim performance review to improve project oversight, accountability, and evaluation

VTC staff should require an interim project review five years after project awards to improve project oversight and evaluation. Currently, project-level data collection is limited to expected outcomes reported on the application. The program currently lacks actual performance information about job creation and capital investment because few projects have completed their performance period, which is unusually long for incentive programs (up to 20 years).

Establishing an interim performance review five years after an award—during which project performance data is collected and evaluated—would allow projects' economic benefits to be assessed earlier in the project lifecycle. By this point, project construction should be complete and operations fully underway. An interim review would enable VTC staff to evaluate progress toward employment and capital investment commitments sooner and compare actual performance against initial projections. This review would also strengthen the program's return-on-investment analysis, which is currently based on application information, by allowing VTC staff to perform additional analysis reflecting actual operating performance. This review would be informational only and would not alter the statutory 20-year performance period for repayment.

To conduct the review, VTC should collect relevant documentation from participating localities and project developers, verify reported information to the extent feasible with external records (e.g., VEC confidential establishment-level employment records), and summarize findings in a public report posted on its website similar to the annual reports Virginia Economic Development Partnership provides for its incentive programs (i.e., *Status and Progress Reports on VEDP Incentive Programs*).

RECOMMENDATION 4

The Virginia Tourism Corporation should assess employment and capital investment goal attainment for each project five years after Tourism Development Financing Program awards are made and provide this information in a public report on its website.

Projects should be required to demonstrate that they will meet a minimum level of out-of-state visitation to improve program's economic impact

Projects seeking support through the Tourism Development Financing Program should be required by statute to demonstrate that they will meet a minimum level of out-of-state visitation. From an economic development standpoint, state incentives are most effective when they generate new spending in Virginia rather than recirculate existing spending. Many economic development programs, such as the grants administered by the Virginia Economic Development Partnership, target 'tradable' business sectors that sell the majority of their goods or services outside of the state. For tourism-related programs, it means that projects need to attract non-Virginia visitors to bring in new spending.

Program applicants should be required to project out-of-state visitation as part of the application process, supported by market studies or other credible analytical documentation. Statute could either establish a minimum percentage threshold for out-of-state visitors or authorize VTC to set and adjust a threshold through program guidelines. The threshold should be informed by an analysis of prior project performance and associated market demand studies.

Comparable programs in other states typically require a minimum out-of-state visitation threshold of approximately 25 percent. This level appears reasonable; projects participating in Virginia's program reported that an average of 43 percent of their visitors were from out of state on a Weldon Cooper survey. Program guidelines could also allow for the threshold to be reduced or waived when a project meets specific criteria that advance broader tourism or economic development objectives but may not meet the threshold.

RECOMMENDATION 5

The General Assembly may wish to consider amending Article 10 of Chapter 38 of Title 58.1 of the Code of Virginia to require that projects supported through the Tourism Development Financing Program demonstrate that they will meet a minimum percentage of out-of-state visitation.

VTC should review program's tier structures to ensure maximum economic impact

VTC, with assistance from the Virginia Economic Development Partnership (VEDP), should review the tier structure for the Tourism Development Financing Program to determine whether it maximizes the program's economic impact. With more than a decade of experience and a growing portfolio of projects, the program is sufficiently mature to re-examine whether the tier structure reflects economic development priorities (i.e., incentivizing projects with higher expected returns on investment) or needs to be modified.

The program's three statutory tiers are based on total project investment and determine the allowable share of gap financing and required rate of sales tax repayment:

- **Tier 1:** Projects with capital investments under $100 million may receive gap financing of up to 30 percent of total project costs; repayment is based on 1.0 percent of project-generated state sales tax revenues.
- **Tier 2:** Projects with capital investments of $100 million or more may receive gap financing of up to 20 percent; repayment is based on 1.5 percent of project-generated sales tax revenues.
- **Tier 3:** Transformative projects with capital investments of $500 million or more may receive gap financing of up to 30 percent; repayment is based on 2.0 percent of project-generated sales tax revenues.

In practice, projects have been fairly similar in size and financing need but have had substantially different projected fiscal returns on investment. Six of the nine projects supported by the program between FY15 and FY24 are in Tier 1 because their capital investment was under $100 million, and five have gap financing percentages below 11 percent (even though the program allows for a higher proportion of gap financing). Despite these similarities, analysis of project application data shows wide variation in projected returns on investment, with benefit-to-cost ratios ranging from 1.4 to 7.0, and average annual returns ranging from about 2 percent to 10 percent (Table 2-4).

Some variation across projects is expected. Smaller select-service and boutique hotels tend to have higher benefit-to-cost ratios, reflecting lower capital investment requirements, while larger destination-style projects, such as the Cavalier Hotel and Kalahari Resort, generate lower ratios because of their higher upfront costs. However, there is no consistent relationship between the share of gap financing and benefit-to-cost or project return. Projects with similar gap financing shares—such as Kalahari (25 percent) and Hotel Weyanoke (22.5 percent)—have produced very different returns, indicating that project-specific factors—such as market demand, visitor mix, location, and operating model—play a larger role in determining outcomes than financing structure alone.

TABLE 2-4
Lack of relationship exists between proportion of project gap financed through Tourism Development Financing Program and return on investment

Project Name	Capital investment	% Gap financed	Benefit-to-cost ratio	Average annual return
Kalahari Resort & Convention Center	$885.0M	25.0%	2.5	5.0%
Hotel Weyanoke	12.2	22.5	4.7	8.0
The Sessions Hotel	23.0	19.8	1.4	2.0
Tru Hotel	13.9	10.8	7.0	10.0
Element Hotel	17.3	10.0	4.3	8.0
Cavalier Hotel & Oceanfront Resorts	247.5	9.5	2.9	5.0
The MAIN | Hilton Hotel	77.7	9.0	3.4	6.0
Heron Hotel Old Town	69.6	9.0	4.0	7.0
Simply Shenandoah	201.5	7.5	1.9	5.0
Average, all projects	**$172.0M**	**18.3%**	**2.7**	**5.2%**

SOURCE: VTC analysis using VEDP ROI model.
NOTE: VTC evaluated proposed program-funded projects using a standardized return-on-investment assessment framework developed by VEDP. The model estimates the economic activity and fiscal revenues generated over a 20-year period and compares these benefits to the level of state and local gap financing provided through the program.

VTC staff should evaluate the program's statutory tier structure to determine whether it should be modified. The current structure is based solely on project size, providing larger projects with a greater incentive, but project size is only one factor relevant to

economic impact. This evaluation should examine variation in projected and realized benefit-to-cost ratios and average annual returns; differences in performance by project size, project type, and market segment; and whether the tier thresholds should be based on factors other than project size, such as return on investment, to most effectively target projects with the strongest potential economic impacts.

RECOMMENDATION 6

The Virginia Tourism Corporation, with assistance from the Virginia Economic Development Partnership, should evaluate whether the Tourism Development Financing Program's statutory tiers established in Article 10 of Chapter 38 of Title 58.1 of the Code of Virginia should be based on factors such as return on investment rather than solely project size and report the findings and any recommended amendments to Article 10 to the House Finance and Appropriations committees and Senate Finance and Appropriations Committee by November 1, 2027.

Clearer guidance would improve the application process

A review of available documentation and information from stakeholders indicates that the program application process requires the submission of technical documents that require research and analysis. Applicants must develop tourism plans, complete market feasibility studies, and adopt local ordinances. VTC staff and other stakeholders reported the application process requires extensive back-and-forth between multiple state agencies and local governing bodies regarding these submissions.

VTC staff could provide standardized application guidance on their website to improve consistency and reduce the administrative burden for localities pursuing project approval. This guidance should include a model tourism development zone ordinance that satisfies statutory requirements and reflects common approval conditions and a sample tourism plan illustrating the level of analysis and documentation expected for the program. VTC staff can use existing ordinances and project tourism plans to help guide development of these model documents. Documents should also be updated periodically, particularly if program changes occur.

GOVERNOR'S NEW AIRLINE SERVICE INCENTIVE FUND

Promote new airline routes in Virginia by providing funds for marketing and promotional services

VALUE TO BENEFICIARIES FY22–FY24

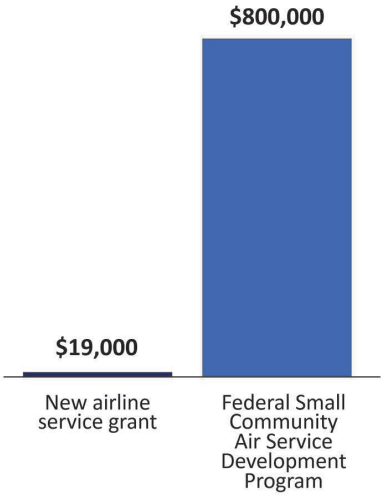
$340,000
Total awarded

18
Routes

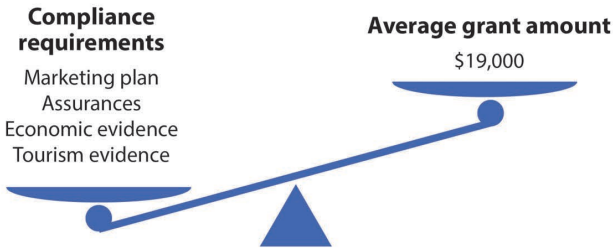
$19,000
Average per route

ACHIEVEMENT OF PURPOSE

Grant is too small to influence airline decisions and much smaller than other available grants



Compliance burden exceeds grant value



DOAV director, three secretariats, and the governor

Approval process may take more than 140 days

IMPACT TO STATE ECONOMY FY22–FY24

Economic benefit per $1M in incentives
Jobs, state GDP, and personal income

●○○○

Return in revenue
per $1 spent

●○○○

●●●● High
●●●○ Moderate
●●○○ Low
●○○○ Negligible

NOTE: DOAV, Department of Aviation.

3. Governor's New Airline Service Incentive Fund

The Governor's New Airline Service Incentive Fund (new airline service grant), adopted in 2020, promotes the development of new passenger air service at Virginia's commercial airports by supporting airline marketing and promotional efforts for new routes. By reducing marketing-related startup costs, the program attempts to help mitigate financial risk and encourage airlines to serve underserved markets, restore routes lost during the COVID-19 pandemic, and introduce service by new carriers (Table 3-1). The program is also intended to help strengthen Virginia airport connections with other state, national, and international airports.

Virginia is one of 10 states that offer airline service incentives, and incentives are also provided by the federal government and localities. Most of these incentives aim to attract, retain, or enhance scheduled passenger air service, improve regional connectivity, and strengthen the competitiveness of local economies. Research suggests air service is positively linked to economic growth, particularly for larger airports in metropolitan areas. Limited evidence documents small airports' economic impacts, but policymakers believe these incentives can help prevent the loss of air service and preserve connectivity for communities. (See Appendix G for more information about air service incentives in other states.)

Virginia has **nine commercial airports.**

Two large hub airports: Washington Dulles International Airport and Ronald Reagan Washington National Airport.

Two small hub airports: Norfolk International Airport and Richmond International Airport.

Five nonhub airports: Roanoke-Blacksburg Regional Airport, Lynchburg Regional Airport, Shenandoah Valley Regional Airport, Charlottesville Albemarle Airport, and Newport News-Williamsburg International Airport.

New airline service grant awarded $340,000 for 18 new routes at four Virginia airports between FY22 and FY24

A total of $340,000 in new airline service grants was awarded to 18 routes between FY22 and FY24, making this grant one of the smallest incentives reviewed in this evaluation series. The new routes were operated by Breeze Airways, American Airlines, and United Airlines at four Virginia airports—primarily Richmond and Norfolk with some participation from Washington Dulles and Reagan National (Figure 3-1). The routes were projected to serve an estimated 447,000 passengers, 1 percent of total passengers departing from Virginia airports in FY24.

The largest number of awards occurred in FY22, when Breeze Airways received grants totaling $250,000 for 13 new routes originating from Norfolk International Airport and Richmond International Airport. These included routes to connect travelers to destinations such as Las Vegas; Tampa, Florida, White Plains, New York; New Haven, Connecticut; Providence, Rhode Island; Hartford, Connecticut; Palm Beach, Florida; Sarasota, Florida; and New Orleans. [Not all routes materialized.] In FY23, two additional awards totaling $40,000 supported United Airlines' new international seasonal service from Washington Dulles International Airport to Berlin, Germany, and Calgary, Canada. In FY24, American Airlines received two awards totaling $50,000 ($25,000 each) to launch daily service from Reagan National to Baton Rouge, Louisiana, and Cedar Rapids, Iowa.

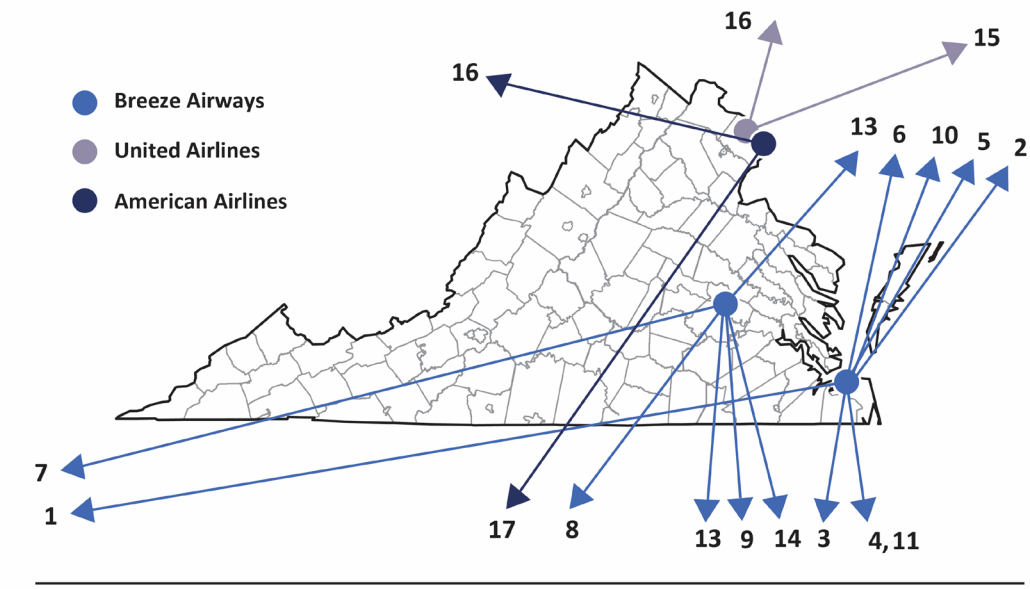
TABLE 3-1
Governor's New Airline Service Incentive Fund (new airline service grant) supports airline marketing and promotional efforts for new airline routes at Virginia airports

Purpose	Promote new airline routes in Virginia by providing funds for marketing and promotional services.
Eligible projects	Proposed nonstop passenger routes from one of Virginia's nine commercial airports not yet operating. New routes that would shift passengers from one Virginia airport to another are not eligible to ensure the program expands rather than redistributes air access. Airlines must demonstrate compliance with federal operating requirements and provide evidence of financial capacity to sustain proposed service.
Program features	Grant funding to support marketing activities for new routes such as promotional events, print and multimedia ads, and online campaigns; marketing materials must prominently feature Virginia. Amount awarded varies by route type and frequency and can only be awarded once for each new route. - Year-round domestic service: up to $25,000 for daily flights and up to $15,000 for less-than-daily. - Year-round international service: up to $50,000 for daily flights and up to $20,000 for less-than-daily. - Seasonal domestic service: up to $5,000 for daily flights and less-than-daily. - Seasonal international service: up to $15,000 for daily and $10,000 for less-than-daily. Airlines may apply for grants for multiple proposed routes simultaneously, up to a total of $250,000 per year. Application process - Must submit application 45 days before route begins. - Must include detailed marketing plan outlining promotional activities, media channels, budgets, and timelines. - Assessed on 10 eligibility criteria on pass/fail basis. Criteria include operational readiness, economic impact, tourism potential, regional support, and return on incentive for the state. ROI analysis considers job creation, wage levels, capital investment, and fiscal stress indicators. - Reviewed by advisory committee comprising secretaries of transportation, commerce and trade, and finance, and the director of the Department of Aviation. - Recommendations are reviewed by the governor, who makes the final funding decision. Approved airlines must enter into a performance agreement specifying minimum service levels or passenger load factors, with provisions for repayment if conditions are not met. Approved funds are reimbursed after execution of approved marketing activities, such as billboards, signage, advertising, or route launch events, which must prominently feature Virginia.

SOURCE: Weldon Cooper Center review of agency documents.
NOTES: The grant was adopted in 2020 (§ 2.2-2320.1).

Program expenditures between FY22 and FY24 ($231,262) are lower than the awarded amount for two reasons. Awards are reimbursed, and some routes that received awards for Breeze Airlines failed to materialize. One of the airlines that met the performance criteria for reimbursement (United Airlines) elected not to apply for full reimbursement of project expenses and received only $16,000. This may have occurred because of the administrative costs of identifying eligible expenditures.

FIGURE 3-1
A total of $340,000 in new airline service grants was awarded to 18 routes between FY22 and FY24



1 Norfolk - Las Vegas	$15K grant	10 Norfolk - New Haven	$15K grant
2 Norfolk - Providence	$15K grant	11 Norfolk - Palm Beach	$15K grant
3 Norfolk - Tampa	$25K grant	12 Richmond - New Haven	$15K grant
4 Norfolk - Palm Beach	$5K grant	13 Richmond - Sarasota	$51K grant
5 Norfolk - Hartford	$15K grant	14 Richmond - Palm Beach	$15K grant
6 Norfolk - White Plains	$25K grant	15 Dulles - Berlin	$20K grant
7 Richmond - Las Vegas	$25K grant	16 Dulles - Calgary	$20K grant
8 Richmond - New Orleans	$25K grant	17 Reagan - Baton Rouge	$25K grant
9 Richmond - Tampa	$25K grant	18 Reagan - Cedar Rapids	$25K grant

SOURCE: Department of Aviation.

New airline service grant has no influence on Virginia air service decisions

Interviews with commercial airport staff and Department of Aviation (DOAV) staff who administer the program indicate the new airline service grant plays virtually no role in airline route decisions. A key reason is that available funding is too small to meaningfully offset air service startup risks or high fixed costs, particularly when considering the extensive application process and the availability of larger airline subsidies. Strong national airline consolidation trends and demand influence air service decisions in Virginia much more than the new airline service grant. Even if incentive programs help recruit new services initially, studies consistently find they do not guarantee long-term service growth unless it is aligned with strong underlying market demand. While the new airline service grant may not influence decisions on new routes, it may

assist in new route success by raising awareness through marketing and promotional efforts.

New airline service grant is small relative to other air service subsidies and hindered by administrative complexity

Stakeholders report that the new airline service incentive grant is too small to influence air service decisions for several reasons. The grant is too small to offset airline startup risks or high fixed costs, such as gate access and ground handling fees. For example, gate fees alone can reach $600,000, whereas new air service grants have ranged from $5,000 to $25,000 per new route. All stakeholders interviewed also reported a lengthy and burdensome application process. Applications must go through several administrative approval levels starting with DOAV, then the offices of three secretaries (finance, commerce and trade, and transportation), then the governor's office where they are reviewed by the chief of staff and then the governor. As part of the application, airlines must submit a detailed marketing plan, evidence of economic and tourism benefits, return on investment information, performance assurances, and repayment provisions. Airlines and airports report the paperwork and internal compliance effort are not worth the limited reimbursement available. In some cases, airlines declined to seek full reimbursement because documenting eligible expenses would cost more time and effort than the grant's value.

Airlines serving Virginia may have access to larger subsidies that are more likely to affect airline decisions. The federal Small Community Air Service Development Program (SCASDP) provides awards of $500,000 to $1 million to help small and mid-size communities attract or retain air service at small and nonhub airports through marketing or risk-sharing initiatives. Virginia airports received $3.2 million in SCASDP grants between FY15 and FY24. Many Virginia airports also provide their own incentives to attract new routes. Airports are not allowed to offer cash-based subsidies or operating support, but they can offer fee-based incentives, such as reductions or waivers of landing fees, terminal rents, gate charges, or certain airport facility fees, as well as marketing or promotional assistance. Virginia airports report offering more of these types of services than commercial airports nationally. While these incentives are temporary (limited to one or two years), they can provide meaningful reductions in some costs. For example, airports may waive the full landing fee, which can be sizable especially for daily service.

Economic trends and regional economic and demographic factors have greater influence on air service than incentives

Virginia's air service is primarily driven by broad macroeconomic trends and structural shifts in the U.S. airline industry. Since the 1970s deregulation and the 2008 recession, airlines have prioritized hub-and-spoke networks and route-level profitability over flight frequency. This "capacity discipline" has led to fewer but fuller flights—a trend

reflected in Virginia, where passenger counts have recovered more quickly than number of departures post-pandemic. Consequently, air service remains concentrated at Dulles and Reagan National, which account for over 90 percent of Virginia passenger traffic, while smaller regional airports such as Lynchburg, Shenandoah, and Newport News show flat or declining flight options.

Research also indicates that regional economic and demographic factors have more influence over airport service levels and passenger volumes than incentives. Research has found that population, income, industrial composition, remoteness, and proximity to major hubs and competing airports are all important factors affecting air service. Passengers frequently substitute nearby large hubs for smaller airports, contributing to reduced service and higher fares at smaller airports.

New airline service grant has negligible economic benefits

Virginia's new airline service grant generates negligible economic benefits compared with other incentives. When assessed per $1 million spent on the incentive, the grant generates four additional jobs and less than $0.5 million in Virginia GDP and personal income, benefits that are well below the average state incentive (Table 3-2). When accounting for the cost to the state of providing the grant, the program has a negative impact on Virginia GDP and personal income. (See Appendix D for the gross and net economic activity generated by the program.)

Similarly, the returns in state revenue generated by the grant are negligible compared with other incentives. The return in state revenue for every $1 spent on the new airline service grant is 3¢, which is well below the return for the average incentive, and is one of the smallest returns across all incentives. (See Appendix C for more detail on the comparison of economic benefits and return in revenue generated by Virginia incentives.)

Incentives, on average, are estimated to generate an additional 58 jobs, $9 million in GDP, and $5 million on personal income per $1 million spent and have a return in revenue of 41¢ per $1 spent. (See *Economic Development Incentives 2024,* JLARC 2024.)

TABLE 3-2
Governor's New Airline Service Incentive Fund has negligible impacts on the state economy and return in revenue

	Annual average (FY15–FY24)
Impact to Virginia economy per $1 million of spending on incentive	
Private employment	4 jobs
Virginia GDP	$353,017
Personal income	$521,290
Impact on state revenue	
Total revenue	$781
Spending on grant	$23,106
Net revenue	-$22,325
Return in revenue per $1 spent	3¢

SOURCE: Weldon Cooper Center economic impact analysis of business activity induced by the Governor's New Airline Service Incentive Fund between FY15 and FY24 using economic modeling software developed by REMI, Inc. (See Appendix M [online only] for the economic impact analysis used in this study.)
NOTE: Includes direct, indirect, and induced impacts of completed projects. The gross impact on Virginia's economy is used to calculate the impact per $1 million per incentive awards and the impact to state revenue. This is consistent with how the economic development research literature typically calculates these impacts.

New airline service grant could be eliminated

The General Assembly could consider eliminating the new airline service grant because it has negligible economic benefits and limited influence on airlines' decisions to establish new routes. Macroeconomic and airline industry trends have a much greater influence on air service trends than a small grant. Only nine other states offer a similar incentive, so Virginia would not be put at a competitive disadvantage by discontinuing the grant.

Although the new airline service grant has limited benefit, stakeholders indicate that by offering the grant, even though it is small, the state shows its support for commercial air service, which has symbolic and strategic value. In addition, the grant may assist in new route success by raising awareness through marketing and promotional efforts, and it can also complement other subsidies that do not provide marketing assistance.

POLICY OPTION 1
The General Assembly could consider eliminating the Governor's New Airline Service Incentive Fund.

If the grant is maintained, it should be improved

If the grant is maintained, the program's administrative efficiency and usability, accountability, and to some extent, its effectiveness, could be improved. However, materially improving the program's effectiveness would require a fundamentally different incentive structure and substantially greater resources.

Streamline the grant approval process to improve administrative efficiency

The process for approving new airline service grants should be streamlined to improve administrative efficiency, particularly given the grants' small size. Applications require multiple reviews, which may take longer than the program's intended review timeframe (140-plus days versus the intended 45 days). This delayed timeframe does not align with airline planning cycles, which are often under narrow scheduling windows, undermines the program's credibility with carriers, and limits the program's usefulness.

DOAV staff should review the current approval process and identify opportunities to delegate approval authority for smaller awards to DOAV, subject to defined thresholds and reporting requirements. Statutory or administrative guidance could establish award-size tiers that determine required review levels, documentation standards, and approval timelines. For example, smaller awards could be approved by the DOAV director with periodic reporting to the secretary of transportation, while larger or higher-risk awards would continue to be approved by the secretary of transportation. DOAV should also assess documentation requirements to ensure they are proportionate to award size and risk, which may also improve airline participation.

RECOMMENDATION 7

If the General Assembly decides to maintain the Governor's New Airline Service Incentive Fund, the Department of Aviation (DOAV) should develop a streamlined approval process that aligns documentation requirements with award size and gives DOAV authority to approve smaller awards.

Make award criteria better targeted and performance-oriented

The criteria used to award new airline service grant funds should be clarified and better targeted to ensure the program supports routes with a clear market or strategic rationale. These changes would provide better direction for applicants and help program staff with award decisions, particularly if demand exceeds available funding. These changes could include eliminating some criteria. For example, one criterion—demonstrating a general community benefit—could likely be demonstrated by nearly any new route, regardless of whether it meets an identifiable demand or strategic justification. Research on airline route development highlights the value of tying incentives to clearly defined conditions, such as documented passenger leakage to other airports, identifiable unmet demand, underserved markets, or strategic connectivity needs.

The criteria could also specify the types of information applicants should submit to demonstrate the new route meets program criteria. For example, criteria could specify that standardized, readily available data be submitted—such as passenger leakage estimates, origin-destination demand analyses, forecasted load factors, or documentation of alignment with state economic development strategies. Clarifying application expectations would improve transparency, reduce ambiguity for applicants, and help ensure that the state's small grants are awarded where they can be most effective. DOAV staff should work with the secretaries of transportation, commerce and trade, and finance to revise the application requirements and award criteria.

RECOMMENDATION 8

If the General Assembly decides to maintain the Governor's New Airline Service Incentive Fund, the Department of Aviation should (i) coordinate with the secretaries of transportation, commerce and trade, and finance, to revise the criteria for awarding grants from the Governor's New Airline Service Incentive Fund to emphasize measurable and meaningful criteria, such as demonstrated passenger leakage to other airports, quantified demand forecasts, alignment with state economic development priorities, and anticipated economic impacts, and (ii) clarify the specific documentary evidence that must be submitted through the application process.

Broaden eligible uses to include service retention and capacity increases

The General Assembly could consider expanding eligible use of the new airline service grant to incentivize air service retention, route frequency increases, higher capacity airplanes, and the transition from seasonal to year-round service. Research on airline trends suggests that modest air service incentives are more effective at maintaining existing routes with demonstrated demand—where they can mitigate short-term risk, support frequency retention, or enable incremental capacity increases—than inducing new service in structurally constrained small-market environments. Broadening eligibility would allow the program to support incremental but meaningful improvements in air connectivity, which may be more achievable and cost-effective than pursuing entirely new routes.

Using the grant to retain or enhance existing routes should be supported by documented market need and performance benchmarks. DOAV could require applicants to demonstrate risk of service reduction, evidence of suppressed demand, or quantified benefits of increased capacity or year-round operations. Funding agreements should specify measurable benchmarks such as minimum seat capacity, frequency levels, or duration commitments to ensure that incentives are tied to clearly defined service outcomes.

POLICY OPTION 2

If the General Assembly decides to maintain the Governor's New Airline Service Incentive Fund, the General Assembly could consider amending § 2.2-2320.1 of the Code of Virginia to allow the Governor's New Airline Service Incentive Fund to be used to support, in addition to new routes, service retention, increased route frequency, higher capacity aircraft, and the transition from seasonal to year-round service, when justified by market analysis and subject to measurable performance benchmarks.

Report performance metrics on new routes

DOAV should publish an annual report summarizing information and outcomes on new routes supported by the new airline service grant. Program staff indicated that some funded routes persist while others are discontinued or seasonal, but public reporting on outcomes is limited. Research finds that programs with structured performance measurements are better positioned to justify continued funding and improve program design.

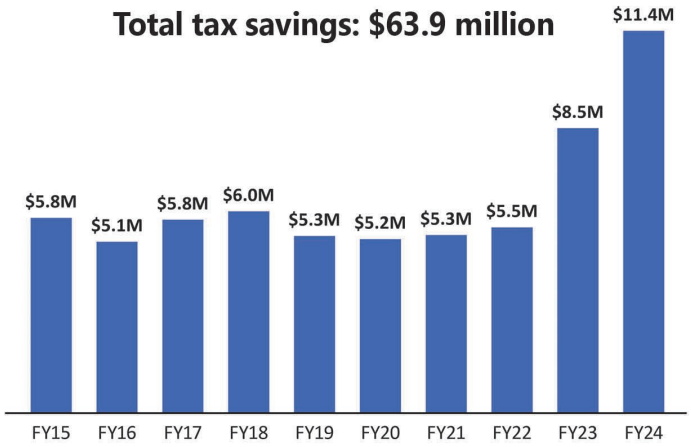
At a minimum, the annual report should identify the airport and carrier receiving funds, route endpoints, incentive amounts awarded and disbursed, duration of support, and selected performance indicators such as passenger enplanements, seat capacity, load factors (if available), flight frequency, and service continuation beyond the incentive period. Reporting should distinguish between active, discontinued, and seasonal routes. Regular publication of this information would strengthen program accountability and help policymakers assess return on investment over time.

MEDIA PROVIDER EQUIPMENT EXEMPTION

Promote radio and television broadcasting, cable television, and selected telecommunications industries, including broadband

VALUE TO BENEFICIARIES FY15–FY24

Total tax savings: $63.9 million



Beneficiaries



ACHIEVEMENT OF PURPOSE

Exemption supports strategic infrastructure

- ✓ Promotes investment in broadcasting and telecommunications equipment
- ✓ Supports essential public functions like emergency alerts
- ✓ Decreasing sales tax on broadband equipment can encourage broadband investment

Exemption lacks strategic targeting

- ✗ Benefits all broadband investment, not just underserved areas
- ✗ Not included in state's overall broadband expansion planning

IMPACT TO STATE ECONOMY FY15–FY24

Economic benefit per $1M in incentives

Jobs, state GDP, and personal income



●○○○

Return in revenue

per $1 spent



●○○○

●●●● High
●●●○ Moderate
●●○○ Low
●○○○ Negligible

4. Media Provider Equipment Exemption

The media provider equipment exemption reduces the tax burden on radio and television broadcasting, cable television, and certain telecommunications services. These are all capital-intensive industries that must make ongoing investments in equipment upgrades, system modernization, and network expansion to deliver their services. By allowing companies to make eligible equipment purchases tax free, the exemption may help facilitate service expansion, including into new or underserved areas (Table 4-1). Because these services support essential public functions—such as news dissemination, emergency alerts, and public information—the exemption also serves a public purpose. Virginia is among 24 states offering a full or partial exemption for equipment used directly for broadcast services and among 21 states that offer full or partial telecommunications equipment exemptions. (See Appendix H for more information about media provider equipment exemptions in other states.)

TABLE 4-1
Media provider exemption supports radio and television broadcasting, cable television, and certain telecommunications services

Purpose	Encourage radio and television broadcasting, cable television, and certain telecommunications industries to establish infrastructure and provide services in Virginia.
Eligible expenses	Broadcasting equipment; parts and accessories; towers; and amplification, transmission, distribution, and network equipment used by commercial radio and television broadcasters, cable television systems (including wired and land-based wireless systems), common carriers, or video programmers using an open video system or other video platform provided by telephone common carriers (e.g., Verizon or AT&T), and other entities regulated by the Federal Communications Commission. Since 2022, network equipment used to provide Internet services, such as fiber optic cables, servers, routers, modems, antennas, and associated software, regardless of whether the provider is a telephone common carrier or the network.

SOURCE: Weldon Cooper Center review of agency documents.
NOTES: The exemption was adopted in 1966 § 58.1-609.6(2). This exemption is one of the original exemptions to the retail sales and use tax. The exemption was originally enacted for broadcast television and radio providers and later expanded to include cable television (1980) and broadband providers (2022).

Annual spending on media provider equipment exemption nearly doubled to $11.4 million after expansion to broadband providers

Total spending on the media provider equipment exemption is estimated to be $64.3 million between FY15 and FY24. Annual costs increased significantly following the 2022 expansion of the exemption to broadband providers. From FY15 through FY22, annual spending was relatively stable and estimated to range between $5 million and $6 million. After the expansion, estimated costs rose to $8.5 million in FY23 and $11.4 million in FY24—nearly doubling over the period. As of FY24, the media provider exemption ranks as the fourth-largest economic development exemption reviewed in this series, exceeded only by the data center exemption ($1.0 billion), airline common

carriers exemption ($21.3 million), and railroad common carriers exemption ($19.0 million).

The exemption was expanded in 2022 as part of Virginia's goal to extend broadband access, especially to rural and underserved areas. The expansion covered network equipment purchased by internet broadband providers, such as fiber optic and coaxial cables, servers, routers, switches, modems, antennas, transmitters, power and storage equipment, multiplexers, and associated software. Prior to 2022, the exemption applied only to equipment purchased by more traditional broadcasting and video providers, such as commercial broadcast television, radio, and cable television companies. (See Appendix B for the methodology used to estimate forgone revenue because of the exemption.)

Sales tax exemptions for broadband equipment may increase investment and generate economic benefits

Research mainly focuses on the effect of taxes on **broadband equipment**. Research on the effects of taxes on broadcast television and radio investment is limited, but these industries are more mature, and their investments tend to be driven by audience size, spectrum constraints, and advertising markets.

Research indicates that sales and use tax exemptions for broadband equipment can influence investment decisions and generate broader economic effects. Communications companies require large capital investments, and an international study found that sales and use taxes can increase the cost of equipment, influencing when and how much companies invest in network upgrades.

Another study found that reducing sales taxes can influence decisions to invest in broadband equipment. Specifically, the study found that a 1 percentage point reduction in the average state and local sales tax rate on communications equipment is associated with a 2.1 percent increase in investment. The study also found that investment sensitivity has increased over time, and lowering upfront capital costs can improve project returns, particularly in high-cost or rural areas.

Research has also found that high-speed broadband provides important economic and social benefits, particularly in underserved or rural areas. The biggest gains occur when communities first gain broadband access; additional speed upgrades deliver smaller returns. However, benefits depend on actual use by households and businesses, and broadband does not always lead to more jobs. Impacts also vary by location (urban versus rural) and worker skill level.

Media provider sales tax exemption generates negligible economic benefits

Incentives, on average, are estimated to generate an additional 58 jobs, $9 million in GDP, and $5 million on personal income per $1 million spent and have a return in revenue of 41¢ per $1 spent. (See *Economic Development Incentives 2024,* JLARC 2024.)

When assessed per $1 million spent on the incentive, the exemption generates negligible benefits compared with other incentives (Table 4-2). For every $1 million spent, the exemption generates five jobs and less than $1 million in Virginia GDP and personal income. These economic benefits are well below the average state incentive. When accounting for the forgone revenue to the state of providing the exemption, it results in negative economic activity. (See Appendix D for the gross and net economic activity generated by the program.)

Similarly, the return in state revenue generated by the exemption is negligible compared with other incentives. The return in state revenue for every $1 spent on the exemption is 4¢, which is well below the return for the average incentive and among the smallest returns across all incentives. (See Appendix C for more detail on the comparison of economic benefits and return in revenue generated by Virginia incentives.) Even when assuming the research study's estimate that a 1-percentage-point reduction in the sales tax rate increases investment by 2.1 percent, the economic benefit and return in state revenue estimates would not meaningfully increase.

TABLE 4-2
Media provider equipment exemption has negligible economic benefits and return in revenue

	Annual average (FY15-FY24)
Impact to Virginia economy per $1 million of spending on incentive	
Private employment	5 jobs
Virginia GDP	$0.4 M
Personal income	$0.6 M
Impact on state revenue	
Total revenue	$0.3 M
Spending on incentive	$6.4 M
Net revenue	-$6.1 M
Return in revenue per $1 spent	4¢

SOURCE: Weldon Cooper Center economic impact analysis of business activity induced by the media providers equipment exemption between FY15 and FY24 using economic modeling software developed by REMI, Inc. (See Appendix M [online only] for the economic impact analysis used in this study.)
NOTE: Includes direct, indirect, and induced impacts of completed projects. The gross impact on Virginia's economy is used to calculate the impact per $1 million per incentive awards and the impact to state revenue. This is consistent with how the economic development research literature typically calculates these impacts.

Comprehensive review could assess the media provider exemption's broader public benefits and structure

Virginia's media provider equipment exemption has existed since 1966 and has expanded over time in response to changes in technology, media markets, and public policy priorities. Given its most recent expansion to broadband and other internet infrastructure, the exemption's broad categories should be reviewed to ensure the exemption advances worthwhile state objectives, particularly because of its limited economic benefits and return in state revenue. The review should also assess whether the exemption could be structured more effectively.

The Joint Subcommittee to Evaluate Tax Preferences should conduct a comprehensive review of the exemption's broader public benefits, including support for essential public services (such as emergency alert systems); promotion of broadband deployment; and tax parity across communications and media industries in comparison to its fiscal impact. The review should also address three key structural considerations related to the broadband portion of the exemption, including

- separating it from the traditional communication portion of the exemption,
- targeting it to underserved areas, and
- changing it to a tax credit.

To inform its review, the joint subcommittee should seek input from affected industries, broadband providers, local governments, and relevant agencies.

Joint subcommittee should consider separating the media provider exemption into two exemptions

The joint subcommittee should consider separating the media provider equipment exemption into distinct components—one for traditional television and radio broadcasting equipment and infrastructure and another for broadband network equipment. This separation would allow each component to be evaluated (including for economic impact), modified, extended, or allowed to expire independently as technologies, markets, and policy objectives change.

Separating the broadband-related portion would also increase its visibility as a tool for supporting broadband deployment, which is consistent with the Commonwealth's emphasis on universal broadband access and the increasing reliance on state and federal broadband grant programs. The broadband portion of the exemption is not explicitly integrated into Virginia's broadband planning, grant administration, or reporting frameworks. As a result, it is largely absent from discussions of how the Commonwealth supports broadband deployment, even when Virginia must demonstrate financial participation in federally funded broadband initiatives. This lack of integration

- limits the Commonwealth's ability to document and communicate the full range of state resources supporting broadband deployment, particularly in federal grant applications and reporting, and
- obscures the extent to which grant funding and the tax exemption are applied to the same equipment purchases. Without explicit reporting, policymakers may not see how these programs interact and their combined fiscal impact.

Key **statewide broadband policy documents** and programs (such as the Virginia Telecommunication Initiative [VATI], planning materials related to the federal Broadband Equity, Access, and Deployment [BEAD] program, and other broadband strategy documents) do not explicitly acknowledge the media provider exemption as a complementary policy instrument.

Consider better targeting the broadband equipment portion to unserved or underserved areas

The joint subcommittee should consider whether the broadband equipment portion of the exemption should better target deployment in unserved or underserved areas, which are the primary focus of Virginia's broadband policy. As currently structured,

the exemption applies regardless of project location, service area, or whether an investment expands access to unserved or underserved communities. Consequently, the exemption provides the same tax benefit for routine network upgrades in large metropolitan areas as it does for high-cost rural or last-mile deployments. This broad applicability means it is not a targeted policy tool and does not align with the Commonwealth's broadband-related equity and access goals. Several states—such as Colorado, Oklahoma, and Washington—restrict telecommunications equipment exemptions to rural, underserved, or tribal areas.

Consider changing the broadband equipment portion to a tax credit

The joint subcommittee should evaluate whether the broadband portion of the exemption should be changed to a broadband investment tax credit. The 2022 exemption expansion extended an industry-based exemption into a policy area where Virginia relies on targeted initiatives, particularly grants, to improve broadband access. A tax credit could be designed to complement grant programs such as VATI or BEAD by reducing required local matches, incentivizing private co-investment, or avoiding overlap with publicly funded expenditures. Tax credits also generate auditable records through tax filings, allow for more accurate estimation of forgone revenue, and enable reporting by geography and project type.

However, tax credits impose higher administrative and compliance burdens on both taxpayers and the state, requiring certification, documentation, and oversight. Therefore, any consideration to replace the broadband portion of the exemption with a tax credit would need to weigh the increased complexity against improved targeting, transparency, and fiscal control.

Several states, including Georgia and Mississippi, use broadband tax credits to support broadband deployment to underserved or high-cost areas. The credits are typically tracked in tax expenditure budgets and are often subject to caps or sunset provisions, making their fiscal impact more visible and manageable.

RECOMMENDATION 9

The Joint Subcommittee to Evaluate Tax Preferences may wish to consider conducting a comprehensive review of the media provider equipment exemption to (i) assess whether the exemption advances state policy goals and (ii) evaluate potential changes to the broadband equipment portion of the exemption, including whether it should be separated from the traditional communication portion, targeted to underserved areas, and changed to a tax credit.

Two additional actions would improve legislative oversight and review of the exemption

Virginia Tax should develop a more accurate and updated estimate of the forgone revenue attributable to the media provider exemption. This estimate would enable the

joint subcommittee and other researchers to better assess the exemption's revenue impacts against its benefits. Available estimates of the exemption's revenue impact are outdated (broadcast television, radio, and cable equipment) or based on secondary data (broadband equipment). Virginia Tax should conduct a comprehensive survey of businesses using the exemption to obtain a more accurate estimate with assistance from the trade associations for these businesses.

RECOMMENDATION 10

The Virginia Department of Taxation should develop a more accurate and updated estimate of business tax savings from the media provider equipment exemption.

The tax exemption for media providers, whether it remains one exemption or becomes multiple incentives, should have an expiration date, consistent with the policy applied to other Virginia tax incentives. Currently, the exemption does not have an expiration date despite its size or recent expansion. Expiration dates are a best practice because they promote periodic legislative evaluation, improve transparency, and help ensure incentives remain aligned with current policy goals. Aligning the expiration date with existing tax preference review cycles would allow for coordinated evaluation and trigger routine reporting by Virginia Tax on the exemption's fiscal and policy impacts.

RECOMMENDATION 11

The General Assembly may wish to consider amending § 58.1-609.6(2) of the Code of Virginia to establish an expiration date for the media provider equipment sales and use tax exemption.

Appendix A: Study mandate

2024–2026 Appropriation Act
Passed as Chapter 725 of the Acts of Assembly, May 2, 2025

§ 1-11 Item 25 E

E.1. The General Assembly hereby designates the Joint Legislative Audit and Review Commission (JLARC) to conduct, on a continuing basis, a review and evaluation of economic development initiatives and policies and to make such special studies and reports as may be requested by the General Assembly, the House Appropriations Committee, or the Senate Finance Committee.

2. The areas of review and evaluation to be conducted by the Commission shall include, but are not limited to, the following: (i) spending on and performance of individual economic development incentives, including grants, tax preferences, and other assistance; (ii) economic benefits to Virginia of total spending on economic development initiatives at least biennially; (iii) effectiveness, value to taxpayers, and economic benefits to Virginia of individual economic development initiatives on a cycle approved by the Commission; and (iv) design, oversight, and accountability of economic development entities, initiatives, and policies as needed.

3. For the purpose of carrying out its duties under this authority and notwithstanding any contrary provision of law, JLARC shall have the legal authority to access the facilities, employees, information, and records, including confidential information, and the public and executive session meetings and records of the board of VEDP, involved in economic development initiatives and policies for the purpose of carrying out such duties in accordance with the established standards, processes, and practices exercised by JLARC pursuant to its statutory authority. Access shall include the right to attend such meetings for the purpose of carrying out such duties. Any non-disclosure agreement that VEDP enters into on or after July 1, 2016, for the provision of confidential and proprietary information to VEDP by a third party shall require that JLARC also be allowed access to such information for the purposes of carrying out its duties.

4. Notwithstanding the provisions of subsection A or B of § 58.1-3 or any other provision of law, unless prohibited by federal law, an agreement with a federal entity, or a court decree, the Tax Commissioner is authorized to provide to JLARC such tax information as may be necessary to conduct oversight of economic development initiatives and policies.

5. The following records shall be excluded from the provisions of the Virginia Freedom of Information Act (§ 2.2-3700 et seq.), and shall not be disclosed by JLARC:

(a) records provided by a public body as defined in § 2.2-3701, Code of Virginia, to JLARC in connection with its oversight of economic development initiatives and policies, where the records would not be subject to disclosure by the public body providing the records. The public body providing the records to JLARC shall identify the specific portion of the records to be protected and the applicable provision of the Freedom of Information Act or other provision of law that excludes the record or portions thereof from mandatory disclosure.

(b) confidential proprietary records provided by private entities pursuant to a promise of confidentiality from JLARC, used by JLARC in connection with its oversight of economic development initiatives and policies where, if such records are made public, the financial interest of the private entity would be adversely affected.

6. By August 15 of each year, the Secretary of Commerce and Trade shall provide to JLARC all information collected pursuant to § 2.2-206.2, Code of Virginia, in a format and manner specified by JLARC to ensure that the final report to be submitted by the Secretary fulfills the intent of the General Assembly and provides the data and evaluation in a meaningful manner for decision-makers.

7. JLARC shall assist the agencies submitting information to the Secretary of Commerce and Trade pursuant to the provisions of § 2.2-206.2, Code of Virginia, to ensure that the agencies work together to effectively develop standard definitions and measures for the data required to be reported and facilitate the development of appropriate unique project identifiers to be used by the impacted agencies.

8. The Chairman of JLARC may appoint a permanent subcommittee to provide guidance and direction for ongoing review and evaluation activities, subject to the full Commission's supervision and such guidelines as the Commission itself may provide.

9. JLARC may employ on a consulting basis such professional or technical experts as may be reasonably necessary for the Commission to fulfill its responsibilities under this authority.

10. All agencies of the Commonwealth shall cooperate as requested by JLARC in the performance of its duties under this authority.

Appendix B: Research methods and activities

JLARC contracted with the University of Virginia's Weldon Cooper Center for Public Service (Weldon Cooper Center) for this review. Key research activities performed by Weldon Cooper Center for this study included

- data collection and analysis,
- estimation of business tax savings from sales and use tax exemptions,
- agency staff and stakeholder interviews,
- survey,
- quantitative analysis of the economic and fiscal impacts of Virginia incentives using a dynamic economic model (Appendix M [online only]);
- analysis of similar incentives in other states, and
- review of documents and research.

Data collection and analysis

Several data sources were used to evaluate Virginia's motion picture, media, tourism, and new airline service grant (Table B-1). Data was from a combination of national statistical agencies, proprietary economic databases, Virginia state agencies, and survey data.

Industry-level employment, output, and income data were obtained from national and state economic data sources, including Lightcast, the U.S. Department of Transportation, and the Bureau of Transportation Statistics. This data was used to assess changes in industry activity over time, benchmark Virginia outcomes against national patterns, and support state tax revenue impact analyses of the two sales and use tax exemptions.

Program-specific administrative data was provided by Virginia agencies, including the Virginia Film Office, Virginia Tourism Corporation, and Virginia Department of Aviation. These records included information on award amounts, project characteristics, locations, qualified expenditures, and performance outcomes. This data supported economic impact analysis, state ROI calculations, comparisons across projects, and assessments of program utilization and performance.

Additional contextual and comparative information was drawn from national research and surveys, including airport incentive data from Airport Cooperative Research Program (ACRP) Research Report 218 and a Weldon Cooper Center survey of firms receiving economic development incentives. Finally, data from economic modeling platforms (REMI PI+ and IMPLAN) and the Census of Governments were used to compute input data and estimate program state tax revenue impacts.

TABLE B-1
Data used for this study

Data source	Description of data	Analysis
National and state employment and economic data		
Lightcast	Average annual number of employees by industry and state	Determine changes to state motion picture industry and hotel employment; computation of sales and use tax exemption fiscal impact.
Airport survey data from ACRP Research Report 218: Building and Maintaining Air Service Through Incentive Programs (Rex et al. 2022)	Air service incentive offered by airport by type	Compare Virginia airport and community incentive offerings to national airports.
U.S. Department of Transportation, Essential Air Service and Small Community Air Service Development Program	Award amount by airline, route, and Virginia airport for federal air service development programs	Determine usage and size of financial support provided by federal air service programs for comparison to the Governor's New Airline Service Incentive Fund (new airline service grant).
Bureau of Transportation Statistics, Form 41 Traffic T-100 Segment (All Carriers)	Commercial passenger traffic (departures, passengers, seats, destinations) by airline and airport	Determine changes in passenger service at Virginia commercial airports.
Virginia incentive programs		
VFO award records	Award amount, date, shooting locations	Economic impact analysis and film location analysis.
Location Expenditure Report	Production company documentation of qualified expenditures by category of employment and Virginia goods and services	Economic impact analysis.
Virginia Tourism Corporation	Return on investment (ROI) reports for funded project	Compile and analyze variation in project reward metrics such as funding ratio and return on investment analysis.
Virginia Department of Aviation	New airline service grant award and expenditure amounts by airline, route, type of air service, number of projected passengers	Determine status of grant-supported air service route by airline project award.
Weldon Cooper Center for Public Service	Data from survey of firms receiving economic development incentives (FY12-FY21)	Determine usefulness and satisfaction with Tourism Development Financing Program by firms that utilized program.

Data source	Description of data	Analysis
Other		
Annual State Tax Revenue, Census of Government	State tax revenue by tax category and fiscal year	Tax revenue impact analysis.
REMI PI+	Demand by industry, GDP, personal income, and transfer receipts by year	Tax revenue impact analysis.
IMPLAN	Social accounts industry balance sheets commodity demand	Computation of sales and use tax exemption fiscal impact.

Estimation of business tax savings from sales and use tax exemptions

Sales and use tax exemptions provide relief from sales and use taxes on selected taxable goods and services for businesses in targeted industries. For most exemptions, eligible businesses obtain a sales and use exemption certificate from Virginia Tax (available online) and present it to merchants at the point of sale to claim the exemption. Neither the merchant nor the purchaser is required to report the tax savings to Virginia Tax outside of an audit process. Therefore, the size of these tax savings to businesses must be estimated by other means.

For quantifying forgone revenue because of sales and use tax exemptions, Weldon Cooper Center relied on estimates based on IMPLAN and other data sources (e.g., Lightcast). IMPLAN is a commercial economic impact model produced by IMPLAN, LLC. It is based on input-output analysis, which requires estimates of the value of intermediate input purchases for each industry to calculate economic impacts. The intermediate input purchase estimates for Virginia formed the basis of the relevant sales tax base for sales and use tax revenue impact calculations. These estimates differ slightly from recent Virginia Tax fiscal impact estimates as described below.

Film, television and audio production inputs exemption

This exemption estimate quantified the sales value of industry inputs using IMPLAN sectors 411 (Motion picture and video industries) and 412 (Sound recording industries) for model years 2014–2024. Spending on durable and leased good inputs (i.e., industry output multiplied by gross absorption coefficients for IMPLAN commodity sectors 3105-3374, 3432-3436) was counted. Since the motion picture and video industry includes motion picture theaters (NAICS 512131) and Drive-In Motion Picture Theaters (NAICS 512132), input expenditures for the narrower production sectors were estimated by multiplying motion picture and video industries input expenditures (subtracting these two sectors) by motion picture production employment as a proportion of total motion picture industry (NAICS 5121) employment using Lightcast 6-digit industry employment data. This procedure created calendar year revenue estimates for 2014–2024. Fiscal year estimates were calculated by averaging two calendar years (e.g., FY20 is the average of CY19 and CY20). This method resulted in fiscal impact estimates of $2.99 million for FY24.

Virginia Tax computes the tax revenue impact differently. Staff estimate the revenue impact of the exemption using expense data from the U.S. Census Bureau's Service Annual Survey for the motion picture and sound recording industries. National industry expenses are apportioned to Virginia based on the Commonwealth's share of U.S. sound recording firms and its share of U.S. box office receipts

for film. The Virginia sales and use tax rate is applied to compute the revenue impact, which was estimated at $0.99 million for FY24, one-third of the estimate used in the Weldon Cooper Center analysis.

Media provider equipment exemption

The media provider equipment exemption tax revenue impact was calculated in a manner similar to the film, television and audio production inputs exemption. The following IMPLAN sectors were used to characterize users of the exemption from 2014 to 2022:

- 413 (Radio and television broadcasting),
- 414 (Cable and other subscription programming),
- 415 (Wired telecommunications carriers), and
- 416 (Wireless telecommunications carriers (except satellite) for model years 2014–2024.

The communications and broadcasting equipment inputs that were eligible for the exemption were characterized as commodity codes

- 3290 (Telephone apparatus),
- 3291 (Broadcast and wireless communications equipment),
- 3292 (Other communications equipment),
- 3293 (Audio and video equipment),
- 3294 (Printed circuit assemblies (electronic assemblies)),
- 3297 (Capacitors, resistors, coils, transformers, and other inductors),
- 3299 (Other electronic components),
- 3319 (Fiber optic cables),
- 3320 (Other communication and energy wires), and
- 3407 (Newly constructed power and communication structures).

After 2022, additional IMPLAN sectors were included because the exemption was broadened to include network equipment and Internet service providers. The additional IMPLAN sectors include

- 418 (Data processing, hosting, and related services) and
- 420 (Internet publishing and broadcasting and web search portals) to capture internet-based content distribution networks.

The input commodities covered by the exemption were expanded to include newly eligible network equipment

- 3289 (Computer terminals and other computer peripheral equipment) and
- 3323 (All other miscellaneous electrical equipment and components).

These expansions were applied to years 2023 and 2024 and added to the previous 2014–2024 estimates that reflected the more limited eligibility. This procedure created calendar year revenue estimates for 2014–2024. Fiscal year estimates were calculated by averaging two calendar years (e.g., FY20 is the average of CY19 and CY20). This method resulted in fiscal impact estimate of $5.5 million for FY22 that more than doubled to $11.4 million in FY24 because of the broadening of the exemption.

Virginia Tax uses a different method to estimate the revenue impact of the media provider exemption, producing different estimates after the broadband expansion. Staff uses equipment expense data from the Census Bureau's Service Annual Survey (2019 and 2022) and the Annual Business Survey (2017 and 2021). The estimate reflects forgone sales and use tax on expensed equipment purchased by radio and television stations, cable and subscription programming providers, and wired telecommunications firms. National equipment expenses are apportioned to Virginia based on the Commonwealth's share of employer firms in each industry. Where data are suppressed or unavailable, values are imputed using industry averages, prior-year data, or price index adjustments. Virginia Tax produced a FY24 estimate of $7.2 million. An alternative Virginia Tax estimate produced for internal purposes that accounts for wireless providers using the exemption is much larger ($64.1 million) but is likely much less precise because of data limitations.

JLARC has also estimated the tax revenue impact of the traditional media provider exemption. This prior estimate was based primarily on survey data and industry association information. Data was collected from the Virginia Association of Broadcasters, the Virginia Cable Telecommunications Association, individual media and telecommunications firms, and Virginia Tax. Broadcasters were surveyed through their trade association, while cable and other identified providers were contacted directly. Reported exemption amounts were supplemented with imputations for non-responding firms based on averages for similarly sized companies. The estimate excluded nonprofit broadcasters and did not account for potential internet-only providers whose eligibility was uncertain. The last tax revenue estimate was $5.3 million in CY10 and $5.2 million in CY11.

Interviews with agencies and stakeholders

Interviews were held with agency staff and other stakeholders to discuss programs. Staff from Virginia Tax, the Virginia Film Office, the Virginia Tourism Corporation, and the Virginia Department of Aviation were interviewed. In addition, staff from two Virginia commercial airports, three local economic developers (for the Tourism Development Financing Program), and one film production industry member were interviewed.

Firm survey

Weldon Cooper Center's Center for Survey Research surveyed recipients of eight state economic development incentive programs and 14 custom grants in 2022–2023 to assess the importance of incentives in their location decisions, the effect of the incentives on their business performance, and challenges the firms experienced in receiving grants. The survey included 628 incentive projects that were awarded funding over the FY12–FY21 period. The Tourism Development Financing Program was among the programs surveyed. Nine recipients were included in the sample, and six usable responses were received. [See Appendix J for summary information on survey responses from Tourism Development Financing Program recipients and Appendix B in *Business Location & Expansion Incentives* (JLARC, 2023) for more information about the survey.]

Review of similar incentive programs in other states

Weldon Cooper Center staff reviewed several sources of information to obtain historical and current information on state motion picture incentive programs (i.e., motion picture grants, tax credits, and

sales and use tax exemptions). The *TIP* Guide published by Cast & Crew Financial Services is widely considered the most current and accurate industry source. This information was supplemented with information from internet research of film office, department of taxation, and state legislative websites for selected states, and AI chatboxes identification of film incentive statutes and program information.

Information for the media provider exemption started with an older Virginia Tax sales and use tax expenditure study for the broadcasting television and radio portions of the exemption and relied on a manual search of CCH (Wolters Kluwer), Google search engine, and AI chat box identification of similar equipment exemptions for those industries. Other more recent studies, including Lipsmann (2005) and Katz, Callorda, and Jung (2025), were used for comparison purposes and to update information for cable and other telecom providers. The existence and provisions of these exemptions were corroborated by examining state legislative information and department of revenue websites and information identified through internet search engines (Google) and AI chatboxes (ChatGPT, Microsoft Copilot, and Grok).

Information for building an inventory of tourism development programs similar to Virginia's Tourism Development Financing Program was obtained from VTC agency staff interviews, Hansen (2012), and the C2ER Incentives Database. This information was supplemented with information from internet search engines and AI chatboxes and reviewing state economic development and department of tourism websites to determine the features of their programs.

Comparable air service development programs were identified using information from an earlier Virginia Department of Aviation sponsored study (InterVISTAS 2015) and a more recent Georgia air service study (Delta Airport consultants, Inc. 2020) that provided state incentive benchmarking information, information provided in department of aviation and airport staff interviews, and internet search/AI chatbox identification of similar programs.

Review of documents and literature

During this study, several sources of information, including documents, reports, and published or unpublished research were examined. The purpose of this literature review was to understand the purpose and goals of Virginia incentive programs, industry locational factors, the role and importance of incentives, and methodological approaches for quantifying the economic and tax revenue impacts of incentives. Sources consulted included:

- Virginia legislative information system documents describing grant and sales and use exemption statutes and Virginia Tax fiscal impact estimates;
- evaluations and economic impact studies of state economic incentives published by state agencies or their consultants; and
- scholarly books and articles that examine the motion picture, telecommunications, tourism, and airline industries, changes in the industries, and the firm-level and economy-wide economic effects of such incentives.

Appendix C: Economic benefits and return in revenue for all Virginia incentives reviewed to date

Economic development incentives vary in their economic benefit and return in revenue to the state. To provide context to the economic benefits and return in revenue generated by each incentive, incentives have been categorized as having a negligible, low, moderate, or high economic benefit and return in revenue. To determine the category, each incentive is scored from 0 to three on four measures: the amount of jobs, Virginia GDP, and personal income generated per $1 million spent on the incentive and the return in revenue generated per $1 spent on the incentive. The scoring is based on the distribution of all 85 incentives reviewed to date for each of the four measures, with a score of '0' meaning the incentive fell below the 25th percentile (or first quartile) of the distribution for the measure and a score of 'three' meaning the incentive was in the highest quartile (above the 75th percentile) for the measure.

The scores for the three measures of economic benefits (jobs, Virginia GDP, and personal income) were averaged to arrive at an overall average score for economic benefits for each incentive. Incentives with average scores for the three measures near '0' were categorized as having negligible economic benefits relative to other incentives. Incentives with average scores near '1', '2', or '3' were categorized as having low, moderate, or high economic benefits, respectively, relative to other incentives. For return in revenue, an incentive with a '0' score on that measure was categorized as having a negligible return in revenue relative to other incentives. An incentive with a score of '1', '2', or '3' was categorized as having a low, moderate, or high return in revenue, respectively, relative to other incentives.

An incentive's category may change over time. Because incentives are categorized relative to other incentives evaluated, incentives may change categories as additional incentives are evaluated each year. Once all incentives are evaluated, the incentives will be re-evaluated. The category may change for re-evaluated incentives because of new or improved outcomes data, program changes, and changes to the state economy and industry mix.

Of the incentives evaluated through the first half of 2026, grants tend to generate moderate or relatively high economic benefits and returns in revenue. Tax incentives tend to generate low or negligible economic benefits and returns in revenue (Table C-1). Grant programs have higher economic benefits than other types of incentives because a higher percentage of grant funding is directed to corporate headquarters or businesses in manufacturing industries, which generally have high economic multipliers and pay higher wages. In addition, businesses that receive grants must agree to create jobs and make capital investments and usually make above minimum job creation and capital investment levels, but other incentives may not have similar requirements for businesses to receive an award.

TABLE C-1
Grants tend to generate higher economic benefits and returns in revenue than tax incentives

Incentive	Incentive type	Economic benefits	Return in state revenue
Aircraft parts, engines, and supplies exemption	Exemption	●○○○	●○○○
Airline common carrier exemption	Exemption	●○○○	●○○○
Coal Employment and Production Incentive Tax Credit[a]	Tax credit	●○○○	●○○○
Coalfield Employment Enhancement Tax Credit[a]	Tax credit	●○○○	●○○○
Farm Wineries and Vineyard Tax Credit	Tax credit	●○○○	●○○○
Governor's New Airline Services Incentive Fund	Grant	●○○○	●○○○
Major Research and Development Tax Credit[a]	Tax Credit	●○○○	●○○○
Media provider equipment exemption	Exemption	●○○○	●○○○
Qualified Business Long-Term Capital Gains Subtraction	Subtraction	●○○○	●○○○
Qualified Equity and Subordinated Debt Investment Tax Credit (angel investment tax credit)[a]	Tax credit	●○○○	●○○○
R&D exemption	Exemption	●○○○	●○○○
Railroad rolling stock exemption	Exemption	●○○○	●○○○
Recyclable Materials Tax Credit	Tax credit	●○○○	●○○○
Ships and vessels exemption	Exemption	●○○○	●○○○
Spaceport users exemption	Exemption	●○○○	●○○○
Telework Tax Credit[a]	Tax credit	●○○○	●○○○
Worker Training Tax Credit[a]	Tax credit	●○○○	●○○○
Zero G Zero Tax resupply subtraction	Subtraction	●○○○	●○○○
Biodiesel and Green Diesel Tax Credit	Tax credit	●○○○	●●○○
Blue Star	Grant	●○○○	●●○○
Certain printed materials for out-of-state distribution	Exemption	●○○○	●●○○
Contractor temporary storage exemption	Exemption	●○○○	●●○○
Film exemption	Exemption	●○○○	●●○○
Green Job Tax Credit	Tax credit	●○○○	●●○○
High-speed electrostatic duplicators exemption	Exemption	●○○○	●●○○
Out-of-state nuclear facility repair exemption	Exemption	●○○○	●●○○
R&D expenses tax credit[a]	Tax Credit	●○○○	●●○○
Barge and Rail Usage Tax Credit[a]	Tax credit	●●○○	●●○○

Incentive	Incentive type	Economic benefits	Return in state revenue
Commonwealth Research Commercialization Program	Grant	●●○○	●●○○
Economic Development Access Program	Grant	●●○○	●●○○
Motion Picture Production Tax Credit	Tax credit	●●○○	●●○○
Pollution control equipment exemption	Exemption	●●○○	●●○○
Railroad common carrier exemption	Exemption	●●○○	●●○○
Semiconductor manufacturing exemption	Exemption	●●○○	●●○○
SRI International	Grant	●●○○	●●○○
Taxi parts and radios exemption	Exemption	●●○○	●●○○
Tobacco Commission Megasite Grant	Grant	●●○○	●●○○
Transportation Partnership Opportunity Fund	Grant	●●○○	●●○○
Uniform rental and laundry exemption	Exemption	●●○○	●●○○
Agriculture and Forestry Industries Development Grant	Grant	●●○○	●●●○
International Trade Facility Tax Credit[a]	Tax credit	●●○○	●●●○
Real Property Investment Grant	Grant	●●○○	●●●○
Virginia Investment Partnership Grant	Grant	●●○○	●●●●
Major Business Facility Jobs Tax Credit[a]	Tax credit	●●●○	●●○○
Semiconductor wafer exemption	Exemption	●●●○	●●○○
CMA CGM	Grant	●●●○	●●●○
CoStar	Grant	●●●○	●●●○
Data center exemption	Exemption	●●●○	●●●○
Governor's Motion Picture Opportunity Fund	Grant	●●●○	●●●○
Huntington Ingalls-Production	Grant	●●●○	●●●○
Job Creation Grant	Grant	●●●○	●●●○
LEGO Group	Grant	●●●○	●●●○
Microsoft	Grant	●●●○	●●●○
Port of Virginia Economic and Infrastructure Grant	Grant	●●●○	●●●○
Port Volume Increase Tax Credit[a]	Tax credit	●●●○	●●●○
Qimonda (semiconductor) grant	Grant	●●●○	●●●○
Rail Industrial Access Program	Grant	●●●○	●●●○
Rocket Lab	Grant	●●●○	●●●○

Incentive	Incentive type	Economic benefits	Return in state revenue
Rolls-Royce[b]	Grant	●●●○	●●●○
Tobacco Region Opportunity Fund	Grant	●●●○	●●●○
Virginia Jobs Investment Program	Grant	●●●○	●●●○
Morgan Olson[b]	Grant	●●●○	●●●●
Virginia Talent Accelerator Program	Grant	●●●○	●●●●
Small Business Investment Grant	Grant	●●●●	●●●○
Amazon HQ2	Grant	●●●●	●●●●
Amazon Web Services	Grant	●●●●	●●●●
Cash Collateral Program	Loan	●●●●	●●●●
Commonwealth's Development Opportunity Fund Grant	Grant	●●●●	●●●●
Economic Development Loan Fund	Loan	●●●●	●●●●
Huntington Ingalls-Training	Grant	●●●●	●●●●
Loan Guaranty Program	Loan	●●●●	●●●●
Major Eligible Employer Grant	Grant	●●●●	●●●●
Manufacturers SSF apportionment	Other	●●●●	●●●●
Merck	Grant	●●●●	●●●●
Micron (2005 grant)	Grant	●●●●	●●●●
Micron (2018 custom grant)[b]	Grant	●●●●	●●●●
Small Business Jobs Grant[a]	Grant	●●●●	●●●●
SWaM Loan Fund	Loan	●●●●	●●●●
Tourism Development Financing Program	Other	●●●●	●●●●
Trade Show Assistance Program	Grant[c]	●●●●	●●●●
Virginia Economic Development Incentive Grant	Grant	●●●●	●●●●
Virginia Leaders in Export Trade (VALET)	Grant[c]	●●●●	●●●●
Virginia Venture Partners	Other	●●●●	●●●●
Volvo[b]	Grant	●●●●	●●●●
Virginia Business Ready Sites Program	Grant	n.a.	n.a.

SOURCE: JLARC staff analysis of economic impact and return in revenue estimates generated by the Weldon Cooper Center.
NOTE: Includes incentives evaluated as of the first half of 2026. Time period for which incentives are evaluated varies. Estimates are sensitive to the assumptions used to determine the percentage of economic activity that can be attributed to the incentive.
[a] Programs have been eliminated. [b] Grants terminated or are expected to terminate before completing performance. [c] Not technically grants but categorized with grants for this analysis.

Appendix D: Net value of Virginia's economic incentives

While all programs evaluated in this report generate some level of positive gross economic activity, their true value to the Commonwealth is best understood through their net economic impact (Table D-1). By accounting for the cost of funding these incentives—such as direct grants or forgone tax revenue—the efficiency of the programs that grow the economy (even if by only small amounts) can be distinguished from those where the cost of the incentive outweighs the private sector activity produced.

The Tourism Development Financing Program is the largest program in this report and generates the most economic impact. This program is estimated to increase private employment by more than 1,100 jobs, Virginia GDP by $191 million, and personal income by $118 million each year between FY15 and FY24 (gross economic impact). After accounting for the opportunity cost of raising taxes to pay for the program, the program's net impact is reduced slightly (to less than 1,100 jobs, $180 million in Virginia GDP, and $111 million in personal income added to the economy each year). This narrow margin between gross and net impacts indicates the program is a relatively efficient use of state economic development funding. Further supporting this conclusion, the economic benefits for every $1 million spent and the return in state revenue for every $1 spent on the program are high compared with other incentives.

For other incentives evaluated in this report, the net economic activity is negative, meaning that the opportunity cost of funding the incentive outweighs the activity the incentives generate. Specifically, the media provider equipment exemption yields negative net results across all three measures (employment, Virginia GDP, and personal income), while the film exemption and the Governor's New Airline Service Incentive Fund produce negative net results across some metrics. These negative results suggest that these three incentives are inefficient uses of state economic development funding. The economic benefits for every $1 million spent and returns in state revenue for every $1 spent on these three incentives are also negligible compared with other incentives. (See Appendix C for more detail on the comparison of economic benefits and return in revenue generated by Virginia incentives. See Appendix N [online only] for information on the annual economic impact and the opportunity cost of increasing taxes for each incentive evaluated in this report.)

TABLE D-1
Economic benefits and returns in state revenue of incentives evaluated in this report

	Annual average (FY15–FY24)					
	Film grant	**Film tax credit**	**Film exemption**	**Tourism Development Financing Program**	**Governor's New Airline Service Incentive Fund**	**Media providers equipment exemption**
Gross impact to Virginia economy						
Private employment	309 jobs	328 jobs	16 jobs	1,148 jobs	0 jobs	31 jobs
Virginia GDP	$62.4 M	$66.3 M	$1.7 M	$190.6 M	$27,190	$2.6 M
Personal income	$33.4 M	$36.3 M	$1.8 M	$118.0 M	$40150	$3.8 M
Net impact to Virginia economy						
Private employment	277 jobs	275 jobs	3 jobs	1,088 jobs	0 jobs	-11 jobs
Virginia GDP	$57.1 M	$57.7 M	-$0.5 M	$180.3 M	-$61,508	-$4.3 M
Personal income	$29.3 M	$29.5 M	$0.1 M	$110.7 M	-$62,486	-$1.5 M
Gross impact to Virginia economy per $1 million of spending						
Private employment	62 jobs	44 jobs	8 jobs	121 jobs	4 jobs	5 jobs
Virginia GDP	$12.5 M	$8.8 M	$0.9 M	$20.1 M	$353,017	$0.4 M
Personal income	$6.7 M	$4.8 M	$0.9 M	$12.5 M	$521,290	$0.6 M
Impact on state revenue						
Total revenue	$2.0 M	$2.1 M	$0.1 M	$8.5 M	$781	$0.3 M
Spending on incentives	$5.0 M	$7.5 M	$2.0 M	$9.5 M	$23,106	$6.4 M
Net revenue	-$3.0 M	-$5.4 M	-$1.9 M	-$1.0 M	-$22,325	-$6.1 M
Return in revenue per $1 spent	39¢	29¢	7¢	90¢	3¢	4¢

SOURCE: Weldon Cooper Center economic impact analysis of business activity induced by Virginia's incentive programs between FY15 and FY24 (FY21-FY24 for the Governor's New Airline Incentive Fund) using economic modeling software developed by REMI, Inc. (See Appendix N [online only] for the economic impact analysis used in this study.)
NOTE: Includes direct, indirect, and induced impacts of completed projects. Net impact is the increase in economic activity induced by the incentive, adjusted for the opportunity cost of increasing taxes to pay for the incentive. The gross impact on Virginia's economy is used to calculate the impact per $1 million per incentive awards and the impact to state revenue. This is consistent with how the economic development research literature typically calculates these impacts.

Appendix E: Film incentives in other states

As of FY25, 35 states and D.C. offered some form of film production incentive (Table E-1), up from about 32 states and D.C. in FY16 (*Evaluation: Film Incentives*, JLARC, 2017). The most common incentive types are now refundable tax credits and rebate/grant programs, which have increasingly replaced transferable-only credits. The average effective credit rate is now 23 percent (up from about 20 percent). At least seven states have annual caps of $100 million or more. States also offer more bonuses than in 2016. Incentive bonuses for in-state employees are now offered in more than 20 states (up from about 15), while rural or distressed area bonuses have nearly doubled. A few more programs now include first-time employee incentives, reflecting a focus on workforce development and equity.

About half of states providing an incentive offer full or partial sales tax exemptions compared with 40 percent in 2016. These exemptions typically apply to tangible items directly used in film production, such as machinery, technical equipment, and supplies, and in many states extend to rentals of such equipment. Some states also include electricity consumed during production, lodging and meals for cast and crew under certain conditions, and services to property or construction and renovation of media production facilities.

TABLE E-1
Film tax incentives in other states

State	Incentive status	Sales tax exemption	Base credit rate	Effective credit rate	Minimum spend	Funding cap[a]	In-state employment	Distressed/ rural area	First-time employee
Alabama	Refundable tax credit	✓	25%	27.0%	$500,000	$20,000,000	✓		
Alaska		No sales tax							
Arizona	Refundable tax credit		20	20.4	0	100,000,000	✓		
Arkansas	Rebate/Grant		25	26.8	200,000	4,000,000	✓	✓	
California	Refundable tax credit	✓[a]	20	14.6	1,000,000	330,000,000	✓	✓	
Colorado	Rebate/Grant		20	20.0		5,750,000			
Connecticut	Transferable tax credit	✓[a]	30	24.0	100,000	55,000,000			
Delaware	Rebate	No sales tax	30		500,000	1,000,000			
District of Columbia	Rebate/Grant		35	23.5	250,000	Discretionary			
Florida		✓							
Georgia	Transferable tax credit		20	24.0	500,000				
Hawaii	Refundable tax credit		22	17.6	200,000	50,000,000		✓	
Idaho	Incentive not funded								
Illinois	Transferable tax credit		30	14.0	100,000	142,200,000	✓	✓	
Indiana	Transferable tax credit		20	18.8	0	5,000,000	✓		
Iowa									
Kansas		✓							
Kentucky	Refundable tax credit	✓	30	31.0	125,000	75,000,000	✓	✓	
Louisiana	Refundable tax credit		30	33.0	300,000	180,000,000	✓		
Maine	Rebate/Nonrefundable and nontransferable tax credit		10	6.6	75,000	175,354	✓		

State	Incentive status	Sales tax exemption	Base credit rate	Effective credit rate	Minimum spend	Funding cap[a]	In-state employment	Distressed/ rural area	First-time employee
Maryland	Refundable tax credit	✓	28	28.0	250,000	15,000,000			
Massachusetts	Refundable/Transferable tax credit	✓	25	22.5	50,000	76,000,000			
Michigan									
Minnesota	Rebate/Transferable tax credit	✓[a]	25	22.5	100,000	25,450,000	✓	✓	
Mississippi	Rebate	✓[a]	25	26.0	50,000	20,000,000	✓		
Missouri	Transferable tax credit		20	29.2	50,000	16,000,000	✓	✓	✓
Montana	Transferable tax credit/Grant	No sales tax	20	26.9	300,000	10,000,000	✓	✓	
Nebraska	Grant		20	11.6	1,000,000	0			
Nevada	Transferable tax credit		15	10.4	500,000	10,000,000	✓	✓	
New Hamp-shire		No sales tax							
New Jersey	Transferable tax credit	✓	30	26.5	1,000,000	100,000,000		✓	
New Mexico	Refundable or transferable	✓[a]	25	19.6	0	120,000,000	✓	✓	
New York	Refundable tax credit	✓	30	30.0	250,000	700,000,000	✓	✓	
North Carolina	Rebate		25	25.0	250,000	31,000,000			
North Dakota									
Ohio	Refundable		30	30.0	300,000	50,000,000			
Oklahoma	Rebate	✓	20	21.2	50,000	30,000,000	✓	✓	
Oregon	Rebate	No sales tax	25	21.1	1,000,000	20,000,000		✓	
Pennsylvania	Transferable tax credit		30	24.0	1,500,000	100,000,000			
Rhode Island	Transferable tax credit		30	24.0	100,000	40,000,000			
South Carolina	Rebate	✓	30	26.6	1,000,000	15,000,000	✓		
South Dakota									

State	Incentive status	Sales tax exemption	Base credit rate	Effective credit rate	Minimum spend	Funding cap[a]	In-state employment	Distressed/ rural area	First-time employee
Tennessee	Grant/Nonrefundable and nontransferable tax credit	✓	25	20.0	200,000	8,000,000			
Texas	Grant	✓	20	11.6	3,500,000	200,000,000		✓	
Utah	Rebate/Refundable tax credit	✓	20	20.0	200,000	8,290,000		✓	
Vermont	No Incentive								
Virginia	Refundable tax credit/Grant	✓	15	19.0	250,000	11,500,000 [b]		✓	✓
Washington	Rebate	✓[a]	30	14.0	500,000	15,000,000	✓	✓	
West Virginia	Transferable tax credit	✓	27	21.6	50,000		✓		
Wisconsin	Refundable tax credit		30	30	100,000	$10,000,000			
Wyoming	No Incentive								

[a] Restricted exemption. [b] Reflects tax credit cap ($6.5 million) and FY24 appropriation for grant ($5 million). Total funding in Virginia varies some year to year because of variation in the grant appropriation.

Appendix F: Tourism development programs in other states

Virginia's Tourism Development Financing Program is part of a relatively small group of state-administered tourism incentives that rely on performance-based recapture of project-generated state sales tax. Under Virginia's program, a defined share of incremental state sales and use tax generated by a certified tourism project is returned to the project for a limited term (up to 20 years), subject to a tiered reimbursement formula tied to total capital investment. Eligibility requires project certification, consistency with a local tourism plan, and demonstration of a local lodging deficiency. The program operates post-construction and functions as gap financing, with payments contingent on actual tax generation rather than upfront appropriation.

Only eight other states employ a similar approach (Table F-1). Programs such as Alabama's Sweet Home Alabama Tourism Incentive Act, Arkansas's Tourism Development Act, Colorado's Regional Tourism Act, Georgia's Tourism Development Act, Kentucky's Tourism Development Act, Mississippi's Tourism Rebate Program, Oklahoma's Tourism Development Act, and West Virginia's Tourism Development Tax Credit tie incentive payments to project-generated state sales tax over a defined term. The incentives in all of these programs are performance-based, dependent on actual tax generation, and directed specifically toward tourism or destination development. Relative to its peers, Virginia's program is more lodging-focused than most and less generous in recovery percentage than Kentucky or Mississippi. Many of these states also stipulate that a minimum percentage of project-supported visitors (typically 25 percent) must be from out of state to be eligible for funding, which would ensure that some of the activity is tradable. Neither Virginia statute nor the Tourism Development Financing Program's official guidelines require that a project have a minimum percentage of out-of-state visitors to be eligible for funding. However, survey results suggest that projects funded to date would derive a significant number of visitors from out of state (43 percent).

Several states employ closely related district-based models that capture incremental state sales tax within a designated geographic area to finance major tourism destinations. Tennessee's Tourism Development Zone program authorizes the capture of state and local sales tax increments within a zone for extended periods (though it is a local tax recapture not a state-administered one). Kansas and Nevada operate STAR bond programs, under which bonds are supported by future sales tax revenues generated within a designated district. Although these programs differ in structure from Virginia's project-based formula (most notably by using bond financing and geographic districts), they share the core feature of using state sales tax generated by a tourism project to support development financing.

Some other states support tourism development through other incentives such as income tax credits (e.g., Arkansas), grant programs (e.g., Kansas Tourism Grant Program, Illinois Tourism Incentive Grant Program), general tax increment financing statutes, or local hotel occupancy tax recovery. These tools may help hotel or attraction projects, but they do not replicate the defining characteristic of Virginia's Tourism Development Financing Program: the statutory return of project-generated state sales tax over time as performance-based gap financing.

In addition to these economic development incentive programs, many states also support tourism in other ways. Nearly every state engages in tourism promotion and attraction development. Several state tourism offices, often located within departments of commerce or economic development, administer

marketing grant programs that fund cooperative advertising, promotional campaigns, and event marketing led by regional tourism councils or convention and visitors' bureaus. These programs, exemplified by initiatives like *Pure Michigan* or *Virginia is for Lovers*, are designed to enhance market visibility rather than to finance construction or capital investment. Many states also support public-sector tourism infrastructure development. Capital grants, matching funds, and infrastructure aid are frequently available for the development of parks, trails, museums, and heritage attractions.

TABLE F-1
Tourism destination/hotel development gap funding incentives by state

State	Program name	Program type / mechanism	State & local share or cap	Eligibility / minimum investment	Term (years)	Admin agency
Alabama	Sweet Home Alabama Tourism Incentive Act	Sales & use, lodging, and rental tax rebate	Up to 25% of project costs; max $5M per year for 10 years	$35 million minimum investment, $50 million for tourism destination attraction, and $75 million for mega project; must attract out-of-state visitors.	Up to 10	Alabama Tourism Department
Arkansas	Tourism Development Act	Sales and use tax credits and income tax credit	The sales tax credits are calculated based upon 15% of eligible project cost for projects spending more than $1 million; credits are 25% of eligible project cost for the projects in high unemployment counties. Income tax credit is 4% of new employee payroll for 5 years.	$250,000 min to $1 million investment, depending on whether located in high unemployment area or Natural State Initiative Opportunity Zone. Funded projects must target at least 25% out-of-state visitors.	Up to 10 for sales and use tax credit; 5 years for income tax credit	Arkansas Economic Development Commission
Colorado	Regional Tourism Act	Sales tax capture	Projects receive a percentage of the incremental state sales tax revenue every year for a set number of years (30-50). The percentage of the tax revenue awarded is set at the time of the award.	Must attract significant out-of-state visitors; regional scale.	30	Colorado Office of Economic Development

State	Program name	Program type / mechanism	State & local share or cap	Eligibility / minimum investment	Term (years)	Admin agency
Georgia	Georgia Tourism Development Act (GTDA)	Sales & use tax refund / rebate	Developer may recover, over 10 years, the lesser of (a) the incremental sales & use taxes generated by the project over prior use, or (b) up to 2.5% of the project's development costs	New or expanding tourism attractions with project costs > $1M; must demonstrate market and attract ≥25% out-of-state visitors; renovation costs are generally ineligible; project must be approved by local government.	10	Georgia Department of Community Affairs (DCA)
Kentucky	Tourism Development Act	Sales tax rebate	Up to 25% of approved costs	$1M minimum; must attract substantial out-of-state visitors.	10	Kentucky Department of Tourism
Mississippi	Tourism Rebate Program	Sales tax rebate	Up to 30% of approved project costs (80% of sales tax revenues)	Thresholds vary by type of project (e.g., $10M min. investment, $15M for full-service hotel; $40M for hotel with lesser amenities).	15	Mississippi Development Authority
Oklahoma	Tourism Development Act	Sales tax rebate	Up to 25% of eligible costs; must be revenue-neutral to state	$500,000 min. investment; 25% out-of-state visitor requirement.	Up to 10	Oklahoma Department of Commerce
Virginia	Tourism Development Financing Program (TDFP)	Sales & use tax capture	Tier 1: 1% (<$100M) • Tier 2: 1.5% (≥$100M) • Tier 3: 2% (≥$500M and approval by MEI commission)	Must show local lodging deficiency, tourism plan, and project certification	Up to 20	Virginia Tourism Corporation

State	Program name	Program type / mechanism	State & local share or cap	Eligibility / minimum investment	Term (years)	Admin agency
West Virginia	Tourism Development Tax Credit	Sales tax credit	25–35% of eligible project costs	Lodging represents less than 50% of the project's approved costs; $1M min. investment; 25% out-of-state visitor requirement.	10–15	West Virginia Department of Tourism

Appendix G: Airline service incentives in other states

A handful of states have established dedicated programs to support and expand commercial air service to their communities (Table G-1). These initiatives are generally modeled after the federal Essential Air Service (EAS) and Small Community Air Service Development Program (SCASDP), but they vary widely in scope, funding stability, and administrative design. Like Virginia's Governor's New Airline Service Incentive Fund (new airline service grant), most aim to attract, retain, or enhance scheduled passenger air service, improve regional connectivity, and strengthen the competitiveness of local economies. However, Virginia's new airline service grants are modest compared to programs in other states. Some states offer revenue guarantees in the millions of dollars.

As of 2025, 10 states operate or have recently operated a statewide air service development or marketing assistance program. State programs typically offer two types of assistance: (1) marketing and promotion programs, which offer modest grants for airline or community marketing, advertising, and route promotion (e.g., Minnesota, Virginia); (2) revenue guarantee or risk-sharing programs, which provide financial support directly to air carriers, often through minimum revenue guarantees (MRGs) (e.g., Kansas, Wyoming, Oklahoma). In addition, a few states (e.g., Maryland, Rhode Island) offer state-funded programs that target a single large commercial airport.

Among the programs inventoried, there is considerable variation in funding levels, matching requirements, and administrative structure. Wyoming's Air Service Enhancement Program (ASEP) is the most comprehensive, with long-term legislative authorization, stable annual appropriations, and the ability to contract directly with airlines. Since 2004, the program has provided more than $60 million in air service initiatives. Ohio's Air Service Restoration Program (ASRP), managed through JobsOhio, links air service development with broader state economic development and business recruitment strategies. Kansas, New Mexico, and Oklahoma focus primarily on revenue guarantees, typically requiring local financial participation. Iowa and Michigan operate hybrid programs that blend marketing and limited startup assistance, generally with 20 to 25 percent local matches. Minnesota administers a small-scale marketing-only program designed to promote route awareness rather than provide direct financial incentives, and it is the most similar to Virginia's in scale and type of assistance. While all of these programs exist in statute, some of them (e.g., Mississippi) do not appear to receive a regular legislative appropriation and may be dormant for periods of time.

TABLE G-1
Air service incentive programs by state

State	Program name	Administering agency	Type of assistance	Match requirement	Max funding / scale	Funding source / status
Iowa	Air Service Development Program	Iowa DOT, Office of Aviation	Marketing assistance, risk-sharing, and route promotion	20% local match	Up to 80% of eligible costs	Aviation trust fund (appropriated)
Kansas	Kansas Air Service Development Initiative (KASDI)	Kansas DOT	Minimum revenue guarantees, marketing	20% local match; escrow required	Not specified	Legislative appropriation

State	Program name	Administering agency	Type of assistance	Match requirement	Max funding / scale	Funding source / status
Michigan	Air Service Program (via Office of Aeronautics)	Michigan DOT	Marketing, risk-sharing, and startup assistance	Tier 2 (50k-1.5M passengers) requires 50% local match and Tier 3 less than 50k passengers) requires 10% local match	Variable	Aeronautics Fund (appropriated)
Minnesota	Air Service Marketing Program	Minnesota DOT Aeronautics	Marketing and promotional assistance only	None	$300,000 total annually	Biennial appropriation
Mississippi	Air Service Development Grant Program	Mississippi Development Authority (MDA)	Minimum revenue guarantees, marketing, route recruitment	40% local/private match	$500,000 per project limit based on $10/seat/day formula.	State general funds (as available)
New Mexico	Rural Air Service Enhancement Program	New Mexico Department of Transportation Aviation Division	Funds used primarily for minimum revenue guarantees. Some geographical and air route restrictions apply	10% if no existing air service and 20% if existing service available	$2.25-$2.75M maximum grant	State general funds
Ohio	Air Service Restoration Program (ASRP)	JobsOhio / Ohio DOT	Revenue guarantees, marketing, business attraction-oriented air service support	20% for non-hub/small hubs and 30% for medium/large hubs	$1 million per route	JobsOhio economic development funds
Oklahoma	Air Service Development Grant Program	Oklahoma Aeronautics Commission	Revenue guarantees, marketing, route planning	20% local match	Not specified	State aviation fund

State	Program name	Administering agency	Type of assistance	Match requirement	Max funding / scale	Funding source / status
Virginia	Governor's New Airline Service Incentive Fund (GNASIF)	Virginia Department of Aviation (DOAV)	Airline service development marketing grants	None	$250,000 cap per project with $5k–$25k per route depending on route type	State aviation funds (biennial appropriation)
Wyoming	Air Service Enhancement Program (ASEP)	Wyoming DOT Aeronautics Division	Minimum revenue guarantees, direct airline contracts, marketing	40% for primary markets and 60% for growth markets	Approximately $1.4 million awarded in FY25	Dedicated statutory program; stable annual funding

Appendix H: Media provider equipment exemptions in other states

State sales and use tax treatment of broadcasting and telecommunications equipment has evolved considerably over the past several decades. A 1991 review by Virginia Tax that examined state broadcast television and radio and cable television equipment exemptions found that, among the 45 other states levying a sales and use tax at the time, only four provided an exemption similar to Virginia's for broadcasting equipment, and four offered a variation on the exemption.

Today, exemptions for equipment used directly in the provision of broadcast services are far more common, with 24 states offering full or partial exemptions (Table H-1). While the structure and scope of these exemptions vary, many states now exempt sales and use tax on machinery and equipment that is used for transmitting, processing, or producing broadcast signals.

A similar evolution can be observed in telecommunications. The 2005 Federation of Tax Administrators study, *Taxing Telecommunications Service Inputs,* by Michael A. Lipsman, documented that 17 states at that time offered some form of sales tax exemption for telecommunications providers. These exemptions typically applied to equipment used directly in furnishing telecommunications service, such as towers, poles, wires, conduits, central office equipment, switching systems, and certain broadband infrastructure.

Since 2005, both industry structure and state policy have changed substantially. The transition from copper-based landline networks to fiber optics, wireless broadband, 4G and 5G systems, fixed wireless access, and satellite technologies has transformed the composition and geographic distribution of telecommunications capital investment. Infrastructure has become more distributed and data-driven, with greater reliance on advanced networking hardware. As telecommunications and digital services have become foundational to economic development, education, health care, and commerce, many states have increasingly viewed broadband infrastructure as essential economic infrastructure. A current inventory indicates that 21 states offer full or partial telecommunications equipment exemptions covering wired, wireless, and internet communications services, though the industry coverage varies. It should be noted, however, that many states structure sales tax exemptions for communications and media infrastructure in a more modular fashion than Virginia, maintaining separate provisions for broadcasting equipment, cable or video service infrastructure, and broadband or internet network equipment.

States also offer targeted telecommunications infrastructure incentives through income tax credits and related mechanisms. Several states now offer broadband and telecommunications-specific tax credits to encourage network deployment and modernization. Examples include Georgia's investment-related tax credits that can apply to telecommunications infrastructure investment, the Idaho Broadband Telecommunications Income Tax Credit, the Kansas Telecommunications Credit, and the Mississippi Broadband Technology Tax Credit. Other states have implemented property tax incentives or grant-linked tax relief programs aimed at broadband expansion, particularly in rural or underserved areas. These incentives operate alongside, and sometimes in lieu of, sales tax exemptions for equipment.

TABLE H-1
About half of states provide a similar media provider equipment exemption as Virginia

	Broadcasting equipment			
State	Radio and TV stations	Cable TV	Telecommunications equipment	Telecommunications restrictions
Alabama	R	R		
Alaska	No sales tax			
Arizona				
Arkansas				
California				
Colorado			R	Rebate for equipment serving rural areas
Connecticut		E	E	
Delaware	No sales tax			
District of Columbia			E	
Florida				
Georgia	E	E		
Hawaii				
Idaho	E	E		
Illinois				
Indiana	E	E	E	
Iowa		E	E	
Kansas	E	E	E	
Kentucky				
Louisiana				
Maine	E			
Maryland				
Massachusetts	E			
Michigan	E		R	Wireless and selected office
Minnesota	E	E	E	
Mississippi			E	
Missouri	E	E	E	
Montana	No sales tax			
Nebraska				
Nevada				
New Hampshire	No sales tax			
New Jersey	E	E	E	

State	Broadcasting equipment: Radio and TV stations	Broadcasting equipment: Cable TV	Telecommunications equipment	Telecommunications restrictions
New Mexico				
New York	E		E	
North Carolina	R	R	R	Direct to home satellite service
North Dakota	E	E	E	
Ohio		E	E	
Oklahoma	E	E	R	Offered as rebate program for un-derserved areas only
Oregon	No sales tax			
Pennsylvania	E	E	R	Public utility type service only
Rhode Island				
South Carolina	E	E		
South Dakota				
Tennessee	E	E	E	
Texas				
Utah			E	
Vermont				
Virginia	E	E	E	
Washington			R	Must be in Indian tribal areas
West Virginia	E	E		
Wisconsin				
Wyoming				

Legend: E=Exemption, R=Reduced rate or restrictions

Appendix I: Research on film incentives

Over the past decade, empirical research on state-level film production incentives has expanded significantly, allowing for several general conclusions to be drawn. Research indicates that film incentives can influence the geographic location of film and television production; however, evidence of broader economic impacts remains limited (Table I-1).

The adoption of incentives is typically associated with increases in production activity, though the measures affected (e.g., production, employment, wages), type of production (e.g., television, films), and type of incentive (e.g., refundable, transferable credits) sometimes vary by study (Rickman and Wang 2022; Button 2021; Owens and Renhoff 2020; Button 2019). Synthetic control analyses, such as Button's (2021) comparison of Louisiana and New Mexico and Rickman and Wang's (2022) analysis of states adopting and repealing incentives, show that enactment can produce bumps in production employment and repeal can depress it, but these changes are temporary and do not appear to create self-sustaining clusters. Studies also tend to find that film incentives do not produce measurable gains in overall state employment, wages, or gross product.

Several studies also suggest that film incentives have relatively high "but for" percentages, which means that a high percentage of the activity is attracted by the incentive rather than merely reimbursing film companies for production activity that would have occurred anyway. Patrick et al. (2023) estimated it at 85 percent of employment for Georgia. Workman (2021) estimates it as 81 percent for film productions that received incentives in California. These econometrically derived estimates are not far from the interview-based estimates used in a previous JLARC film incentive analysis (95 percent) and survey-based estimates for Georgia (82 percent) and New Mexico (92 percent) done by Olsberg SPI (Olsberg SPI 2024).

This result may stem from features of both the incentives and the industry. Film incentives typically form a relatively high percentage of production expenses (15 to 25 percent) compared to conventional economic incentives. Using Bartik's elasticity-based formula for computing "but for" percentages, this translates into a range from 80 percent to 94 percent of incentivized film activity. The second reason is that film productions are very "footloose" and usually shoot in multiple locations for single productions. They do not depend on fixed capital and immobile labor but are itinerant compared to much industrial activity (e.g., manufacturing, professional services) that operates from permanent fixed locations (Rickman and Wang 2022).

These studies also shed light on other program design features that can have the most impact. More generous incentives, including ones offered as refundable or transferable credits and unrestricted cash rebates, are probably more effective at attracting productions, but they also increase costs. Some studies suggest that pre-existing film industry agglomeration (Button 2019) and earlier adoption (Rickman and Wang 2023) are important factors in incentive success.

TABLE I-1
Summary of film incentive research

Paper	Dependent variables	Units of analysis	Method	Data source	Findings
Button (2019)	Production counts, motion picture and related industry employment, wages, establishment counts	States	Panel difference-in-differences/event study.	QCEW, County Business Patterns, film production databases (1976-2017)	Finds some increases in TV series filming after adoption, but no meaningful, consistent effects on feature films, overall industry employment, wages or establishments or effects on related industries.
Button (2021)	Filming activity (production days and counts), employment, establishment counts	States (case-Louisiana and New Mexico/synthetic control)	Synthetic control case-study analysis.	QCEW, film production databases, other state covariates (1988-2008).	Finds evidence that incentives increased some feature film production in these cases but no effects for employment or establishments. Incentives helped attract productions but didn't reliably build a broader, sustained local industry.
Bradbury (2020)	Gross state product, income per capita, film industry gross state product per capita and as percent of total GSP	U.S. states	Panel data estimation with instrumental variables.	Bureau of Economic Analysis, various state control variables (2000–2015).	Concludes that although incentives raise production activity in some measures, there is little evidence that incentives generate net economic development (jobs, wages, GSP).

Paper	Dependent variables	Units of analysis	Method	Data source	Findings
Owens & Rennhoff (2020)	Location choices of each film/TV production	Filming-project location choice set	Structural discrete choice model (location choice) with machine-learning to define choice sets.	IMDb/production-level filming location data, location characteristics (amenities, population/metro area) (1993–2013).	Finds that incentives can influence filming location choices. However, incentive effect depends on the size of the film studio and type of incentive offered.
Rickman & Wang (2023)	Filming activity, employment, establishment counts	States (case / synthetic control).	Synthetic control method (treatment = enactment or repeal).	State employment, wages and salaries (QCEW/unsuppressed CBP from Upjohn Institute), various state control variables (1998–2016).	Finds that enactment of incentives often increases production activity in treated states, while repeal reduces it. Study points to possible early adopter advantages.
Swenson (2017)	Film production employment and establishments relative to total private employment and establishments	States and counties.	Panel analysis / DID-type comparisons.	County Business Patterns, National Establishment Time Series (NETS) (1998-2011).	Finds that although incentives increased relative production employment/establishments in a few large states (e.g., NY, CA) but no effects overall for employment and number of establishments across all states.

Paper	Dependent variables	Units of analysis	Method	Data source	Findings
Thom (2018)	Film production employment, gross state product, wages, and GSP location quotient	States	Fixed effect panel regressions.	Bureau of Economic Analysis (employment, gross state product, wages), various state controls (1998–2013)	Film incentives have no effects on state film industry gross state production or movie industry concentration; refundable tax credits are positively associated with film industry wages but effect dissipates with time; transferable tax credits are positively associated with film industry employment, which increases with duration of credit; sales/lodging tax waivers had no effects; amount of spending on film incentives has no effect on motion picture employment, wages, gross state production, or industry concentration
Thom (2019)	Motion picture employment	States (5 high expenditures compared to other U.S. states)	Interrupted time series analysis	QCEW (industry employment), state controls (national motion picture industry employment and state private sector labor force) (1991-2017)	Finds little evidence that state film incentives generate job growth in the industry after accounting for timing and counterfactuals.

Paper	Dependent variables	Units of analysis	Method	Data source	Findings
Workman (2021)	Feature film production activity (counts, spending, and employment)	Individual feature film projects applying to California's Film & Television Tax Credit Program	Quasi-experimental design using Intent-to-Treat (ITT) and Instrumental Variables (IV) estimation to recover Treatment-on-the-Treated (ToT) effects	California tax credit award records, project budgets, production location shares, project crew counts, industry databases (2009–2017)	Finds that being offered/receiving a California credit increased the probability a film filmed in CA and substantially increased project budgets, cast/crew counts, and in-state spending for those projects; however, some portion (19%) of the activity would have occurred without credits.

Appendix J: Tourism Development Financing Program project survey responses

Firms that responded to the Weldon Cooper Center survey reported that the Tourism Development Financing Program award was influential in affecting the project investment decision of most projects. Four of six respondents indicated that they would have canceled the project without the financial assistance (Table J-1). One respondent indicated that they would have scaled the project back and another that they would have delayed the initiation of the project by one year without assistance. The "but for" percentage is computed as 83 percent, which is considerably higher than the 30 percent average computed in an analysis of all Virginia economic development incentives conducted in 2018 (Rephann 2020a) and the 2023 survey (33 percent of eight incentive programs and 14 custom grants). Tourism Development Financing Program recipients derived an average of 43 percent of their customers from outside Virginia, indicating that the service is partly tradable. This percentage exceeds the 25 percent threshold required by many similar state programs.

Some developers were somewhat less likely to consider outside location alternatives compared to other incentive programs. Only 33 percent of respondents (two of six) considered locating outside the state) compared to 39 percent of firms from the current incentive survey cycle. Two projects received competing incentive offers from other states including (Indiana, Maryland, North Carolina, and Tennessee).

TABLE J-1: Effect of lack of incentive on location or expansion choice

	Tourism Development Financing Program	All surveyed incentives
Proceeded with the project as planned	0.00%	49.30%
Proceeded at a later date, but the scale of the project would have been the same	16.67	9.60
Proceeded on a smaller scale	16.67	17.60
Canceled the project	66.67	8.80
Proceeded at an out-of-state location	0.00	14.70
Responses	6	136
But for percentage	83.3%	32.0%
Considered out-of-state location	33.3	39.4
Offered incentives by another state	33.3	20.5

SOURCE: Weldon Cooper Center firm incentive survey.

Tourism Development Financing Program recipient firms were asked in the survey to assess the importance of the incentive in improving firm performance along several dimensions (rating from one

to four, with one being not important at all and four being very important). The highest average ratings were obtained for

- (average rating of four) creating new jobs, leveraging additional debt and/or equity capital, and increasing the economic value of the firm; and
- (average rating of 3.0 to 3.9) creating new facilities in Virginia, investing in machinery and equipment, increasing profitability, and remaining in business in Virgina.

Tourism Development Financing Program recipients were generally less satisfied with the economic development incentive application and award process than other incentive program survey respondents (Table J-2). Half indicated that that the process was too complex (compared to 10 percent for firms surveyed for all incentives) and that the timeframe to obtain the financial assistance was too slow (compared to 18 percent of all surveyed firms). Only one of six respondents indicated that they encountered no challenges, compared to an average of 61 percent responses for all surveyed incentives in the current survey round. In open-ended comments, one respondent indicated: "It took a team of attorneys to figure the program out and to implement it, but we did get good assistance from the State folks who were very helpful." Another firm indicated "The TDIF was a very convoluted process and continues to be in how the financing is reported and delivered" and suggested "Grants or straight TIF's make much more sense." A third award recipient stated: "Additional rebate of sales tax in 'but for' projects would offer a great incentive!" and also recommended "workforce incentives."

TABLE J-2
Challenges encountered in obtaining the incentive

	Tourism Development Financing Program	All surveyed incentives
Process too complex	50.0%	9.7%
Too much paperwork	16.7%	10.3%
Time frame to obtain too slow	50.0%	17.9%
Did not encounter any challenges	16.7%	61.4%
Other	16.7%	15.2%
Responses	6	145

SOURCE: Weldon Cooper Center firm incentive survey.
NOTE: Percentages may add up to more than 100 percent because multiple responses were permitted.

Appendix K: References

Bhadra, Dipasis and Michael Wells. 2005. Air travel by state: Its determinants and contributions in the United States. *Public Works Management & Policy* 10, 2: 119-137.

Bilotkach, Volodymyr. 2015. Are airports engines of economic development? A dynamic panel data approach. *Urban Studies* 52, 9: 1577-1593.

Blonigen, Bruce A. and Anca D. Cristea. 2015. Air service and urban growth: Evidence from a quasi-natural policy experiment. *Journal of Urban Economics* 86: 128-146.

Breindenbach, Philipp. 2019. Ready for take-off? The economic effects of regional airport expansion in Germany *Regional Studies* 54, 8: 1084-1097.

Briglauer, Wolfgang, Jan Krämer, and Nicole Palan. 2024. Socioeconomic benefits of high-speed broadband availability and service adoption: A survey. *Telecommunications Policy* 48, 102808.

Brueckner, Jan K. 2003. Airline traffic and urban economic development. *Urban Studies* 40, 8: 1455-1469.

Bradbury, John Charles. 2020. Do movie production incentives generate economic development? *Contemporary Economic Policy* 38, 2: 327-342.

Button, Kenneth, Soogwan Doh, and Junyang Yuan. 2009. The role of small airports in economic development. *Airport Management* 4, 1: 1-12.

Button, Patrick. 2019. Do tax incentives affect business location? Evidence from motion picture production incentives. *Regional Science and Urban Economics* 77: 314-339.

Button, Patrick. 2021. Can tax incentives create a local film industry? Evidence from Louisiana and New Mexico. *Journal of Urban Affairs* 43, 5: 658-684.

Chmielewski, Dawn, Lisa Richwine, and Andrea Shalal. 2025. Trump tariff order on movies leaves film industry flummoxed. *Reuters.* May 5th.

Cristea, Anca D. 2022. The role of aviation networks for urban development. *Journal of Regional Science* 63: 947-980.

Debbage, Keith and Natsuko Baba. 2025. Determinants of U.S. airport passenger traffic: The role of metropolitan economies in the post-pandemic era. *Journal of Air Transport Management* 124: 102741.

Delta Airport Consultants, Inc. 2020. 2020 Georgia statewide air service study: Technical report. Prepared for the Georgia Department of Transportation Aviation Programs Office.

Drukker, Austin. 2023. How essential is Essential Air Service? The value of airport access for remote communities.

Fritz, Ben. 2025. Disney's Marvel abandons Georgia, taking livelihoods with it. *Wall Street Journal*. August 17th.

Fuster, Jeremy. 2025. Studio execs' top 5 preferred production locations don't include the US, ProdPro survey reveals. *The Wrap*. January 31st.

Gao, Yi. 2020. Estimating the sensitivity of small airport catchments to competition from larger airports: A case study in Indiana. *Journal of Transport Geography* 82, 102628.

Green, Richard K. 2007. Airports and economic development. *Real Estate Economics* 35: 91-112.

Grubesic, Tony H. and Fangwu Wei. 2012. Evaluating the efficiency of the essential air service program in the United States. *Transportation Research Part A*. 46: 1562-1573.

Halpern, N. and A. Graham. 2015. Airport route development: A survey of current practice. *Tourism Management* 46: 213-221.

Halpern, Nigel and Anne Graham. 2016. Factors affecting airport route development activity and performance. *Journal of Air Transport Management* 56: 69-78.

Hansen, Eric B. 2012. The impact of state incentivized tourism development. *Hotel Online* https://hladvisors.com/the-impact-of-state-incentivized-tourism-development/

IBISWorld. 2025a. *Movie & video production in the US*.

IBISWorld. 2025b. *Hotels & motels in the US*.

InterVISTAS. 2015. *Virginia commercial air service strategic review*. Prepared for Commonwealth of Virginia, Virginia Department of Aviation.

Joint Legislative Audit and Review Commission (JLARC). 2012a. Review of the effectiveness of Virginia tax preferences. Senate Document No. 4.

Joint Legislative Audit and Review Commission (JLARC). 2012b. Utilization & policy goal for RSUT exemptions (Broadcast, Cable, & Other Media Provider Equipment) (Memo).

Joint Legislative Audit and Review Commission (JLARC). 2017. *Evaluation: Film incentives.* JLARC Report 501.

Joint Legislative Audit and Review Commission (JLARC). 2025. Economic development incentives 2025: Spending and performance. JLARC Report 611.

Katz, Raul and Juan Jung. 2023. The impact of taxation in the telecommunications industry. 2023. *Information Economics and Policy* 62, 101016.

Katz, Raul, Fernando Callorda, and Juan Jung. 2025. *Assessment of the economic impact of taxation on communications investments in the United States (2019-2024).* Report to the Broadband Tax Institute.

Lakew, Paulos Ashebir. 2015. Airport traffic and metropolitan economies: Determinants of passenger and cargo traffic. *Transportation Research Record* 2471: 58-72.

Li, Mimi, Lei fang, Xioting Huang, and Carey Goh. 2015. A spatial-temporal analysis of hotels in urban tourism destination. *International Journal of Hospitality Management* 45: 34-43.

Li, Lei, Lin Lu, Yuchen Xu, and Xiaolong Sun. 2020. The spatiotemporal evolution and influencing factors of hotel industry in the metropolitan area: An empirical study based on China. *PLoS ONE* 15, 5: 20231438.

Liu, Zhi-Jun, Keith Debbage, and Brendan Blackburn. 2006. Locational determinants of major US air passenger markets by metropolitan area. *Journal of Air Transport Management* 12: 331-341.

Lipsman, Michael A. 2005. Taxing telecommunication service inputs: Policy and fiscal implications. Paper prepared for the Federation of Tax Administrators Revenue Estimating and Tax Research Conference, Oklahoma City, OK. October 8-12, 2005.

McGraw, Marquise J. 2020. The role of airports in city employment growth, 1950-2010. *Journal of Urban Economics* 116: 103240.

Mosbah, Simon and Megan S. Ryerson. 2016. Can US metropolitan areas use large commercial airports as tools to bolster regional economic growth? *Journal of Planning Literature* 31, 3: 317-333.

Mukkala, Kirsi and Hannu Tervo. 2013. Air transportation and regional growth: which way does the causality run? *Environment and Planning A* 45: 1508-1520.

National Academies of Sciences, Engineering, and Medicine. 2009. *Passenger air service development techniques*. Washington, DC: The National Academies Press.

National Academies of Sciences, Engineering, and Medicine. 2013. *Understanding airline and passenger choice in multi-airport regions*. Washington, DC: The National Academies Press.

National Academies of Sciences, Engineering, and Medicine. 2015. *Effects of airline industry changes on small- and non-hub airports*. Washington, DC: The National Academies Press.

National Academies of Sciences, Engineering, and Medicine 2020. *Building and maintaining air service through incentive programs*. Washington, DC: The National Academies Press.

Nelson, Robert Po., Burce Blatin, and Brandon Feighner. 2012. Public-private financing structure used in the United States to develop convention hotels. *Journal of convention & Event Tourism* 13, 2: 135-146.

Nelson, Robert R., Jan A. deRoos, and Andrey D. Ukhov. 2016. The impact of publicly owned hotels on competing properties. *Cornell Hospitality Quarterly* 47, 4: 348-366.

Nelson, Robert R. and Jan A. deRoos. 2018. A protocol for reviewing hotel anchored public private partnerships. *Journal of Convention & Event Tourism* 19, 1: 83-98.

Olsberg SP. 2024. *Global film and television production incentives*.

Owens, Mark F. and Adam D. Rennhoff. 2020. Motion picture production incentives and filming location decisions. *Journal of Economic Geography* 20: 679-709.

Patrick, Carlianne, Peter Bluestone, Federico Corredor Carvajal, Nadia Farooq, and Kshitiz Shrestha. 2023. Fiscal research center: Tax incentive evaluation: Georgia's film tax credit. Georgia State University, Andrew Young School, Fiscal Research Center.

Regional Economic Models, Inc. 2012. *Predicted revenue & expenditure effects*.

Regional Economic Models, Inc. (REMI). 2024. Analyzing the social and economic impacts of broadband investment. https://www.remi.com/wp-content/uploads/2024/08/2024-Broadband-Slides.pdf

Rex, Justin, David Ballard, Laurie A. Garrow, Russell W. Mills, and David Weingart. 2022. A new GIS database documenting the prevalence of U.S. air service development incentives. *Journal of Air Transport Management* 98: 102148.

Rickman, Dan S. and Hongbo Wang. 2023. Creating and maintaining film clusters: Synthetic control method analysis of the enactment and repeal of US state film incentives. *Papers in Regional Science* 102: 363-392.

Sheard, Nicholas. 2014. Airports and urban sectoral employment. *Journal of Urban Economics* 80: 133-152.

Sheard, Nicholas. 2019. Airport size and urban growth. *Economica* 86: 399-335.

Swenson, Charles W. 2017. Preliminary evidence on film production and state incentives. *Economic Development Quarterly* 31, 1: 65-80.

Thom, Michael. 2018. Lights, camera, but no action? Tax and economic development lessons from state motion picture incentive programs. *American Review of Public Administration* 48, 1: 33-51.

Thom, Michael. 2019. Do state corporate tax incentives create jobs? Quasi-experimental evidence from the entertainment industry. *State and Local Government Review* 51, 2: 92-103.

U.S. Government Accountability Office (GAO). 2021. *Observations on the ongoing recovery of the aviation industry*. GAO-24-106681.

U.S. Government Accountability Office (GAO). 2024. *Commercial aviation: Trends in air service to small communities*. GAO-22-104429.

Warnock-Smith, D., M. Dziedzic, and P. Christidis. 2025. Assessing the impact of airport incentive schemes on regional air connectivity differentials across Europe. *Transport Policy* 162: 106-112.

Weatherill, C. John. 2006. North American airline incentives: Best practices and emerging trends. *Airport Management* 1, 1: 25-37.

Wittman, Michael D. 2014a. Public funding of airport incentives in the United States: The efficacy of the Small Community Air Service Development Grant program. *Transport Policy* 35: 220-228.

Wittman, Michael D. 2014b. Commercial air service at Virginia's airports: challenges and opportunities. *The Virginia News Letter* 90, 5: 1-11

Workman, Alec. 2021. Ready for a close-up: The effect of tax incentives on film production in California. *Economic Development Quarterly* 35, 2: 125-140.

Valentin, Maxence and John W. O'Neill. 2019. The value of location for urban hotels. *Cornell Hospitality Quarterly* 60, 1: 5-24.

Virginia Department of Taxation. 1991. *Virginia sales and use tax expenditure study*. December, Volume 1, No. 3.

Wu, Hanjun, Kan Wai Hong Tsui, Thanh Ngo, and Yi-Hsin Lin. 2020. Impacts of aviation subsidies on regional wellbeing: Systematic review, meta-analysis and future directions. *Transport Policy* 99: 215-239.

Yang, Yang, Kevin K.F. Wong, and Tongkun Wang. 2012. How do hotels choose their location? Evidence from hotels in Beijing. *International Journal of Hospitality Management* 31: 675-685.

Yirgu, Kaleab Woldeyohannes, Amy M. Kim, and Megan S. Ryerson. 2021. Long-distance airport substitution and air market leakage: Empirical investigations in the U.S. Midwest. *Transportation Research Record* 2675, 10: 148-160.

Zervas, Georgios, Davide Proserpio, and John W. Byers. 2017. The rise of the sharing economy: Estimating the impact of Airbnb on the hotel industry. *Journal of Marketing Research* 54, 5: 687-705.

Zhang, Fangni and Daniel J. Graham. 2020. Air transport and economic growth: A review of the impact mechanism and causal relationships. *Transport Reviews* 40, 4: 506-528.

Appendix L: Agency responses

As part of an extensive validation process, the state agencies and other entities that are subject to a JLARC assessment are given the opportunity to comment on an exposure draft of the report. JLARC staff sent an exposure draft of this report to the Virginia Tourism Corporation, Virginia Department of Aviation, Virginia Department of Taxation, the secretary of commerce and trade, the secretary of transportation, and the secretary of finance.

Appropriate corrections resulting from technical and substantive comments are incorporated in this version of the report. This appendix includes response letters from the Virginia Film Office, Virginia Tourism Corporation, the Virginia Department of Aviation, and Virginia Department of Taxation.

May 22, 2026

Mr. Hal Greer, Director
Joint Legislative Audit & Review Commission
201 North 9th Street
General Assembly Building, Suite 1100
Richmond, VA 23219

Dear Mr. Greer,

Thanks to you, your staff and your contractors for the hard and meticulous work on the JLARC report Evaluation: Film, Media and Tourism Incentives. As a citizen and taxpayer, I am grateful for the work you do to try to clearly inform policymakers of the effectiveness of various state programs so that we can maximize our return on investment.

We are encouraged that the new study depicts a significant growth in Virginia's film incentive fiscal ROI between 2017 and 2026; the Governor's Motion Picture Opportunity Fund had a 30% ROI increase, while the Virginia Motion Picture Tax Credit enjoyed a 45% jump. Together, these gains reflect a program that continues to improve, delivering greater value for Virginia.

The Commission's latest fiscal ROI findings also reiterate that Virginia's film incentive programs consistently deliver significantly stronger returns per dollar spent than those of key competing states like Georgia. Through the Virginia Motion Picture Tax Credit and the Governor's Motion Picture Opportunity Fund, Virginia returns an average of 79% more per incentive dollar than Georgia. Looked at individually, the Tax Credit alone outperforms Georgia's program[1] by over 52%, and GMPOF delivers an extraordinary 105% higher ROI — more than double Georgia's return on investment. These figures reflect a leaner, more fiscally conservative approach to film incentives, one that maximizes leverage of public dollars while delivering superior returns for Virginia taxpayers. We are grateful to the Commission's research and analysis for bringing this compelling data to light.

The report states that GMPOF generates a better ROI than Motion Picture Tax Credits. While on the surface the data does support that conclusion, it is important to provide some additional context:

- Both incentives are often combined to create a competitive package
- GMPOF was often used when tax credits simply had already been exhausted
- Clients / Industry prefer the consistency of tax credits for long term planning
- One specific project (*Wonder Women 1984*) had an extraordinary ROI that disproportionately affected the data.

We are also pleased that the report continues to recognize the innovative approach the Virginia Film Office has pioneered: regularly including added-value tourism advertising as part of our incentive package deliverables. The report also appropriately appreciates the significant dollar

value of this leveraged tourism advertising. Worth noting is that this still represents the only national TV advertising that has been available for the Virginia Tourism Corporation.

We appreciate the thoughtful recommendations from the report regarding ways to "spread out" the incentive commitments in an effort to avoid bursts of activity separated by potential slow periods. The process of landing clients for this work does not provide for us to be able to pick and choose from multiple prospects and control the timing therein. Our work is very targeted and focused, but when the work is ready to go, we want it in Virginia.

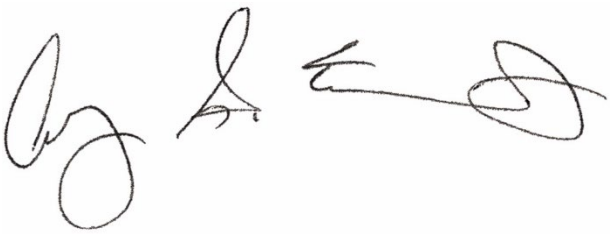
The report also notes that the annual Tax Credit pool has not been increased since 2014, even to keep up with inflation. We propose that even a modest increase in the pool would help us flatten out disruptions in production activity due to lack of available incentives.

One interesting point to note: Coming out of COVID in 2020, film production clients were the first "tourists" to occupy hotels at scale in Virginia. Three film projects alone *(The Walking Dead: World Beyond, Dopesick,* and *Swagger)* directly spent over $120M in Virginia in just 9 months. This economic activity was critical for Virginia at a time when we needed it most.

One last note of clarification regarding the Sales and Use Tax Exemption for certain goods. While we did note that clients do not necessarily make their location choice based on the availability of this incentive, it is nonetheless another marketing tool for us. More importantly, our local production industry does in fact count on this exemption to support our Virginia small businesses.

Thank you again for your comprehensive work, and for your kind consideration of the above important information. We look forward to continuing to work with JLARC to evaluate and integrate your recommendations in a way that will make our effective and efficient program even better for all Virginians.

Best regards,



Andrew Edmunds, Director
Virginia Film Office / Virginia Tourism Corporation
804-545-5534 | aedmunds@virginia.org

[1] *Tax Incentive Evaluation: Georgia's Film Tax Credit*. Patrick, C., Bluestone, P., Corredor Carvajal, F., Farooq, N., & Shrestha, K. Georgia State University Fiscal Research Center, prepared for the Georgia Department of Audits and Accounts. December 2023. https://www.audits.ga.gov/ReportSearch/download/30438

May 27, 2026

Mr. Hal Greer, Director
Joint Legislative Audit & Review Commission 201 North 9th Street General Assembly Building, Suite 1100 Richmond, VA 23219

Dear Mr. Greer,

Following is a letter of acknowledgement and compliance regarding the JLARC report Evaluation: Tourism Development Financing Program (TDFP). Since 2012, Virginia Tourism Corporation (VTC) has been the steward of the TDFP and believes strongly in its capacity to increase tourism products, jobs, and state and local tax revenues – all driven by increased visitor engagement and spending. Addressing deficiencies in lodging and tourism product has long been a key strategy in *Maximizing Virginia's Tourism Potential* and staying competitive in the tourism industry.

We are pleased to see the program generates high economic benefits and state revenue generation compared with other incentives.

VTC is confident we can successfully complete executive actions related to TDFP (p. 4):

- VTC will review sales tax remittance process with Virginia Resources Authority, Virginia Department of Taxation and the Virginia Department of Accounts Comptroller's Office (legislated partners)
- VTC will review the sales tax remittance process for the Tourism Development Financing Program to determine if it could be made less administratively burdensome
- VTC will create a new interim review of TDFP projects five years after each project award to improve project oversight and evaluation
- These actions are based on JLARC Recommendations 3 through 6 (p. 5)

VTC appreciates the thorough and detailed research, and resulting recommendations, to better the TDFP program and tourism industry partners' access to its many benefits.

Best regards,

Wirt Confroy, Director of Business Development
Virginia Tourism Corporation
804-545-5532 | wconfroy@virginia.org

COMMONWEALTH OF VIRGINIA

Greg Campbell
Director

Department of Aviation
5702 Gulfstream Road
Richmond, Virginia 23250-2422

V/TDD – (804) 236-3624
FAX – (804) 236-3635

May 28, 2026

Hal E. Greer, Director
Joint Legislative Audit and Review Commission
919 East Main Street, Suite 2101
Richmond, VA 23219

Dear Director Greer:

Thank you for providing the opportunity to review and comment on the Joint Legislative Audit and Review Commission's (JLARC's) exposure draft report, *Film, Media, and Tourism Incentives.* Additionally, thank you for meeting with us on May 22, 2026, to discuss the report and recommendations.

The Report is an accurate assessment of the challenges hindering the success of the Governor's New Airline Service Incentive Fund (NASIF) program. In its current state, the program has struggled to gain traction due to significant administrative burdens coupled with low award amounts, yet the underlying purpose and value of the program remain important. The Virginia Department of Aviation (DOAV) remains committed to working with stakeholders to reevaluate the NASIF criteria and award amounts, as permitted by the Code of Virginia, to ensure the program reaches its full potential.

However, the report appears to offer an interpretation that may not fully reflect the original purpose of the program. NASIF was designed to support the success of new airline routes after airlines have already committed to commencing new air passenger service in Virginia. Its intent is to incentivize airlines to maintain new passenger routes after that have already committed to commencing new air passenger service in Virginia, not to influence the decision-making process. The program seeks to accomplish this goal by providing funds to assist in marketing or promoting the new route, which in turn increases community support and contributes to the continued success of the route.

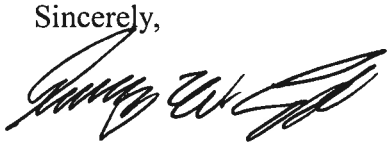
As the report notes, NASIF currently plays a limited role in determining whether an airline will introduce a new service route, as the final decision is primarily driven by market demand and national industry trends. The primary purpose of NASIF is to help build community awareness and encourage ongoing support for a new route.

Marketing investments help raise awareness in the local communities and across the Commonwealth. These investments demonstrate the good will of Virginia to support the expansion of aviation. For Virginia's smaller non-hub airports, airlines generally cannot justify marketing expenditures on their own and instead rely on the airport or local community to market the service. These marketing efforts can be essential to the long-term viability of new routes, as airlines will not maintain a new route that is not financially sustainable.

While the program has limited impact in its current form due to administrative burdens and limited funding, NASIF remains a necessary incentive for the Commonwealth, particularly for supporting smaller airports and demonstrating support for these emerging markets. DOAV remains committed to supporting the program and the advancing aviation across the Commonwealth.

Thank you again for the opportunity to review the draft report and the thoughtful analysis provided. Please do not hesitate to reach out should you have any questions.

Sincerely,



Gregory W. Campbell

COMMONWEALTH of VIRGINIA

Department of Taxation

May 27, 2026

Mr. Hal E. Greer, Director
Joint Legislative Audit and Review Commission
919 East Main Street, Suite 2101
Richmond, Virginia 23219

Dear Mr. Greer:

Thank you for the opportunity to review and comment on the exposure draft report: *Film, Media, and Tourism Incentives, 2026.* We believe the report is very well done and will be useful to the members of the General Assembly going forward.

Please contact me if you have any questions.

Sincerely,

Kristin Collins
Tax Commissioner
Commonwealth of Virginia

c: The Honorable Mark Sickles, Secretary of Finance
Charles Kennington, Assistant Tax Commissioner for Tax Policy



JLARC.VIRGINIA.GOV
919 East Main Street Suite 2101 Richmond, VA 23219