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Rick Finkelstein

Dear Rick

Section 181 of the IRC has provided benefits to the producers of movies under pass through entities such as LLC's to their investors. Now with the enactment of the sweeping new tax law, Section 181 has been given new life and additional benefits.

Now producers, directors and others directly involved in the production of the film and are also investors can take their non-production losses as they occur as ordinary losses. Their investment in the film would not be passive.

Costs to build a studio that will be used for productions in the future can be capitalized and under current law most of the cost will be expensed in the current year.

Section 181 as it is stated in the new law, under the Tax Cuts and Jobs Act only the production costs can be deducted when the film is "placed in service". Which means when the film is initially released and presented to the public. What should also be noted is that few films make sufficient revenue the first year. This gives the investors an opportunity to have a tax deduction sooner.

Please note that an investment in a Film project is usually considered a "passive" activity and is subject to those rules. As an associate producer that invests would be able to get deductions on the cost of studio as well as each film that qualifies for the tax code Sect 181.

Sincerely,

Carl F. Fisher