Notional Federal Tax Credit Model for Live Performing Arts

Final Report

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Tax credits are a common tool used by governments to stimulate growth and stability among prioritized industries. This tax credit model for live performing arts was developed to enhance the opportunities present in the competitive live performance sector. A tax credit on live performing arts production activity can not only help to stabilize and grow Canada's vibrant performing arts sector, but also increase domestic and foreign direct investment toward commercial performing arts production. Growth in live performing arts production activity is often associated with positive outcomes related to economic growth and diversification, local employment, and tourism.

Tax credits lower operating costs for organizations, regardless of their business model. They work as a subtraction and reimbursement of a percentage of certain targeted expenditures. They are often a rebate or reimbursement of expenditures used by a company, and do not necessarily correspond with taxes owed.

This report outlines a notional design for a live performing arts tax credit in Canada. There are several key elements that are common to a tax credit, and the table below outlines how this notional tax credit responds to those key elements.

Table 1: Summary of Federal Tax Credit Recommendations

Tax Credit Element	Recommendation for the Notional National Tax Credit
1. Type of Tax Credit	Refundable tax credits would be issued to all successful applicants, which would ensure that both for-profit and not-for-profit entities would equally be able to benefit from the tax credit.
2. Eligible Organizations	A Canadian company or organization, or non-Canadian companies incorporated in Canada, that is engaged in the live performing arts.
3. Eligible Expenditures	The tax credit would capture mainly production-based labour (e.g., production personnel, performers, musicians, and select support personnel).
4. Reporting Process	Applicants would be able to file for the credit each year in conjunction with their tax return.
5. Credit Percentage	The proposed tax credit would be set at 25% of eligible labour expenditures.
6. Minimum Eligible Expenditures	To be eligible for the tax credit, for-profit entities would need to meet a minimum of CA$300,000 per year in production spending; this minimum would be set at CA$100,000 per year for not-for-profit entities.
7. Program Cap and Maximum Credit Threshold	The proposed tax credit would not be subject to an overall program cap; program funding would scale with program demand. The proposed program would also have no annual maximum credit threshold for any single entity.

Impact of the Federal Tax Credit Model

Five-year Prospectus

Based on the objective criteria for a potential live performing arts tax credit in Canada, the notional model develops hypothetical costs and impacts from live performing arts labour and other expenses that qualify for the tax credit. The model also creates a five-year prospectus to examine how the costs and impacts could potentially grow over the next five years of implementation, as seen in the table below. The table also includes a projected amount of the rebate that will be recuperated as federal income tax (set at 15%) from labour reinvestment.

Table 2: Five-year prospectus

	Year 1 (based on 2023 labour data)	**Year 2**	**Year 3**	**Year 4**	**Year 5**
Projected Rebate Amount	CA$ 480 million	CA$ 585 million	CA$ 661 million	CA$ 742 million	CA$ 832 million
Projected Reinvestment	CA$ 288 million	CA$ 351 million	CA$ 396 million	CA$ 445 million	CA$ 499 million
Projected Labour Added to Industry	5,000	6,000	6,500	7,100	7,800
Projected Recuperated Federal Income Tax	CA$ 50 million	CA$ 61 million	CA$ 69 million	CA$ 78 million	CA$ 87 million

Tourism Impacts

Understanding these impacts is essential to evaluate the effectiveness of a tax credit, as increased performances attract more tourists, who's spending further stimulates the local economy. Using a standard impact metric of 1,000 attendees - of which 430 are estimated to be tourists - provides a consistent framework for assessing economic contributions, allowing for comparisons across venues of different sizes. This approach ensures that the analysis remains adaptable to the varying capacities of performance facilities while emphasizing the significance of tourism-driven economic benefits across Canada. It is estimated that the total visitor spending per 1000 attendees is $167,000 and contributes $152,000 to GDP and $88,000 to labour income.

1. Introduction

The performing arts contribute significant cultural and economic value to the Canadian economy.[1] Increased inflation, coupled with increased competition for audiences' entertainment dollars, has contributed to a decrease in ticket sales, sponsorships, and donations for the live performing arts sector. Production costs rise with inflation, leading to overall decreased revenues across the sector.

Governments of all levels across Canada and around the world have been exploring policy interventions to support the arts, cultural and creative industries. Tax credits are increasingly being used to support the live performing arts sector, such as the United Kingdom's Theatre Tax Relief program, Louisiana's Musical and Theatrical Production Income Tax Credit Program, and Quebec's Refundable Tax Credit for the Production of Live Shows (Crédit D'impôt Remboursable Pour La Production De Spectacles). Not only are tax credit programs effective methods to help sustain a healthy domestic performing arts industry, but they also drive economic benefits by bringing more productions to Canadian audiences, encouraging tourism and higher incremental spending, and supporting employment.

Tax credits act as a subtraction and reimbursement of a percentage of targeted expenditures. As such, they effectively lower operating costs for organizations, regardless of their business model, coming back to an organization in the form of a rebate or reimbursement of expenditures (not necessarily corresponding with taxes owed). The goal of such a model for the live performing arts is to increase reinvestment into future projects, and to support the growth and sustainability of the industry through job creation.

A tax credit at the federal level would represent strong national leadership, not only toward supporting Canada's performing arts sector, but toward leveraging Canadian talent and live production capacity as an economic driver. Canada follows this logic with its slate of federal and provincial tax credits for the film and television industry, which is widely acknowledged as an important driver for the Canadian economy.[2]

In Canada, only one province (Quebec) has a tax credit for the performing arts, and that tax credit is predominantly focused on production of Quebecois content. Such an intervention at the federal level would benefit the performing arts across the country, incentivizing not only greater domestic but also inbound live production.

This report lays out what a notional live performing arts tax credit could look like for Canada, along with the projected impacts of such an intervention.

[1] According to statistics from CAPACOA, the performing arts significantly contributed to 72,000 jobs and $3.3 billion to the Canadian Gross Domestic Product (GDP) in 2022.

[2] Canadian Media Producers Association – Profile 2023: An economic report on the screen-based media production industry in Canada.

2. Notional Live Performing Arts Tax Credit

The notional tax credit for the live performing arts in Canada is designed to be administered at the Federal level. It could be structured in a similar way to the Canadian Film or Video Production Tax Credit (CPTC), which is administered jointly by Canadian Heritage (via the Canadian Audio-Visual Certification Office) and the Canada Revenue Agency.

The content herein builds upon previous research efforts toward the design of similar performing arts tax credit that could be delivered in Ontario, layered with an understanding of the national context in which this tax credit would be delivered.

There are several critical elements that were considered when designing this notional credit. The recommended design is summarized in the table below, with each element discussed in more detail in the subsequent sections.

Table 3: Summary of Federal Tax Credit Recommendations

Tax Credit Element	Recommendation for the Notional National Tax Credit
1. Type of Tax Credit	Refundable tax credits would be issued to all successful applicants, which would ensure that both for-profit and not-for-profit entities would equally be able to benefit from the tax credit.
2. Eligible Organizations	A Canadian company or organization, or non-Canadian companies incorporated in Canada, that is engaged in the live performing arts.
3. Eligible Expenditures	The tax credit would capture mainly production-based labour (e.g., production personnel, performers, musicians, and select support personnel).
4. Reporting Process	Applicants would be able to file for the credit each year in conjunction with their tax return.
5. Credit Percentage	The proposed tax credit would be set at 25% of eligible labour expenditures
6. Minimum Eligible Expenditures	To be eligible for the tax credit, for-profit entities would need to meet a minimum of CA$300,000 per year in production spending; this minimum would be set at CA$100,000 per year for not-for-profit entities.
7. Program Cap and Maximum Credit Threshold	The proposed tax credit would not be subject to an overall program cap; program funding would scale with program demand. The proposed program would also have no annual maximum credit threshold for any single entity.

2.1 Type of Tax Credit

Recommendation

Refundable tax credits would be issued to all successful applicants, and success would be determined solely by adherence to program criteria. There would be no qualitative assessment of the production material.

Why a refundable tax credit?

A refundable tax credit does not distinguish between for-profit and not-for-profit entities. Whereas a non-refundable tax credit can only be applied against an existing tax liability, a refundable tax credit is paid out in full to the applicant regardless of their amount of taxes owed – so long as the applicant has filed a tax return. As such, a refundable model accrues equivalent benefit to for-profit and not-for-profit performing arts organizations. This form of tax credit would represent new support for the not-for-profit performing arts sector that lies outside of Canada's established grant system (e.g., Canada Council for the Arts, provincial arts funders), while also creating new incentive structures for increased investment in the for-profit arts sector.

There is precedent in Canada's creative industry tax credit landscape; the Canadian Film or Video Production Tax Credit (CPTC) is fully refundable, and most of Canada's provincial creative industries tax credits are also fully refundable (e.g., in Ontario, Quebec, Alberta, BC, etc.). Quebec currently administers Canada's only example of a live performing arts tax credit, Crédit d'impôt remboursable pour la production de spectacles, which is a refundable tax credit. Outside of Canada, the majority of live performance tax credits are refundable in jurisdictions like New York, Maryland, Ohio, Louisiana, France and the UK; only a small number (Illinois, Connecticut, Rhode Island) are non-refundable. As such, a refundable tax credit for Canada would support ongoing competitiveness with other tax credit jurisdictions.

2.2 Eligible Organizations

Recommendation

To be eligible for the proposed tax credit, **a company or organization should be incorporated in Canada (Canadian and non-Canadian owned)**. The company or organization can be either for-profit or not-for-profit.

An eligible company must also be engaged in the **production of live performing arts**.

Why these eligibility criteria?

An organization must be incorporated in Canada **to file a tax return in Canada** (a critical element of this tax model's process).

Additionally, the impacts of this model (detailed in Section 0) are **based on Statistics Canada's broad definition of performing arts**, which covers theatre, musicals, opera, dance, live music, circus, orchestras, puppetry, and other performing arts activities, along with some performance-based elements of festivals and celebrations.[3] However, more precise definitions for each targeted subsector within the performing arts should be developed to align with the determined policy goals of the tax credit, to ensure that qualifying activities remain within the intended scope of the program.

[3] StatsCan – Conceptual Framework for Culture Statistics.

2.3 Eligible Expenditures

Recommendation

The proposed tax credit would capture mainly **production-based labour expenditures**. Eligible expenditures would include all compensation (including benefits) paid out to production personnel for the development, performance and marketing of a performing arts production.

Production-based labour – such as stage crew, musicians (i.e., orchestra), lighting and sound technicians, production staff, and set/costume builders – must be resident in Canada to qualify as eligible expenditures.[4] However, there would be a **residency exemption for on-stage talent and the core creative team**. This flexibility will ensure that the tax credit is adequately attractive to investors in touring shows, pre-Broadway runs, and other productions from outside Canada that cannot easily replace their key performers and creative personnel.

Canada-based marketing labour would also qualify as production-based labour expenditures. Given that higher marketing budgets can lead to more ticket sales, the inclusion of Canada-based marketing labour would support the goals of the tax credit program. While non-labour marketing costs would not qualify (such as marketing materials and advertising spends), marketing personnel – including permanent marketing staff and marketing contractors – can be captured naturally under qualifying labour expenditures. The inclusion of Canada-based marketing labour would support the goals of the tax credit program by leading to more public awareness, tickets sales and economic activity.

Why a labour-based approach?

A labour-based approach to creative industries tax credits is **familiar in Canada**, both in current practice and in terms of designing policy that supports employment. Many of Canada's existing tax credits, such as the federal CPTC and several provincial film and television production and video games development tax credits, (e.g., Ontario, BC) are labour-based and support employment.

A labour-based approach would also be the simpler tactic in the context of performing arts. Whereas different performing arts activities involve different types and levels of non-labour expenditures, labour is a common expense across all performing arts. A labour-based approach does not distinguish between mediums, creating a lighter burden for applicants and administrators.

By excluding non-labour costs from being eligible, a labour-based approach does not put at risk the price stability of fixed non-labour production costs. A labour-based approach avoids the possibility that a supplier could inflate non-labour costs with the expectation that the buyer will receive a future subsidy (e.g., facility rental costs being increased by landlords).

[4] This model only includes production-based labour (not salaried administrative staff). Pre-production labour (e.g., music composers, music producers) are also not included at present.

2.4 Reporting Process

Recommendation

The proposed tax credit would follow an **annualized reporting process**. Applicants would apply once per year for all eligible production activities in the given year, regardless of the number of productions they have mounted that year. Applicants may also claim the given years' worth of eligible expenditures for long-running productions that stretch across two or more tax years.

Why an annualized process?

Performing arts tax credits can either be project-based or annualized, with both methods being suitable for the sector. In Canada, many provincial creative industry tax credits utilize an annualized claim reporting process, making it a **well-established practice within the Canadian tax credit landscape**.

Submitting claims annually aligns with the corporate tax year, reducing the administrative load for both applicants and administering bodies. It also benefits organizations that program on a seasonal basis, as they can submit one claim for their entire season.

2.5 Credit Percentage

Recommendation

The proposed tax credit would have its credit percentage set at 25%, whereby successful applicants would receive 25% of their eligible labour expenditures back as a tax credit.

Why 25%?

25% is the **median credit percentage across the range of comparable live performing arts tax credits** in other jurisdictions in North America and Europe. See table below.

Table 4: Credit Percentage in other jurisdictions with Live Performing Arts Tax Credits

Jurisdiction	Rebate/ Credit Percentage
New York (State)	25%
New York (City)	25%
Illinois	20%-35%
Ohio	30%
Maryland	25%
Rhode Island	30%
Connecticut	30%
Louisiana	7%-18%
Georgia	15%-20%

Jurisdiction	Rebate/ Credit Percentage
United Kingdom	40%-45%[5]
France	15%-30%
Quebec	~22.75%

The most comparable federal creative industries tax credit, the Canadian Film or Video Production Tax Credit (CPTC) is also set at 25%, so this level of federal subsidy would be equal to what film and television investors enjoy. By aligning the two tax credits, investors with experience with the CPTC will be able to apply their pre-existing knowledge of return rates and timelines to the new performing arts-centric tax credit program.

In cases where the federal tax credit may overlap with a provincial tax credit – such as in Quebec – or with other types of financial assistance, program designers, administrators and applicants will have to consider the concept of tax credit “grind.” Grind applies to scenarios where a production’s eligible expenditures are reduced by the amount of assistance they are already receiving from other sources, such as tax credits from other levels of government. In a film industry context, a producer that receives a provincial tax credit will see their eligible expenditures for their CPTC application reduced by the amount received through the provincial tax credit. In other words, the CPTC gives additional rebate for the remaining expenditures minus the rebate amount that a producer receives from the provincial tax credit.

2.6 Minimum Eligible Expenditures

Recommendation

The proposed tax credit would set a minimum eligible expenditure level **of CA$300,000 per year for a for-profit entity** and **CA$100,000 per year for a not-for-profit entity**. Performing arts entities would have to meet those minimum eligible production spending levels to qualify for the tax credit.

Why include a minimum spend? Why at this level?

Many of the **other creative industries tax credit programs in Canada include minimum spending thresholds**, including most of the major film and television tax credits (e.g., CPTC, Alberta, Ontario, BC). A minimum spending floor targets a tax incentive toward producers that can incur higher levels of production spending, while filtering out smaller production entities that cannot meet that threshold. In this case, setting a minimum expenditure level will help the tax credit to target larger productions, which are generally more likely to lead to broader societal and economic impacts in areas like tourism and local employment.

A minimum expenditure level can also help to ensure that the scale of production activities is worth the cost of administration – both for the applicant and administrator. Applying for a tax

[5] This rate will take permanent effect on April 1, 2025.

credit can be labour intensive, particularly for smaller organizations with less administrative and accounting capacity. Given that a tax credit is paid out as a rebate after all spending has been done, smaller entities are also generally less likely to have the upfront capital required to mount a more costly production.

Among comparable performing arts tax credits in several U.S. states, US$100,000 (~CAD$135,000) is a common floor for minimum spends where filing is done on a per project basis. Under an annualized reporting model this proposed tax credit sets a higher threshold of CA$300,000 for for-profit entities, with the expectation that many of those entities may far exceed that threshold over several productions in a given year. For not-for-profit organizations, the minimum spending level is set lower at CA$100,000 annually, reflecting their typically smaller financial capacity.

2.7 Program Cap and Maximum Credit Threshold

Recommendation

The Program Cap refers to the total amount of annual funding made available by the funding body to be distributed through tax credits, while the Maximum Credit Threshold is the highest amount of tax credit that can be granted to any single production or company in a given year. Under the proposed tax credit program, there will be **no overall program funding cap**, meaning that the program's budget will vary according to demand. Additionally, the tax credit would **not have an annual maximum credit threshold**, allowing for flexibility in the amount of credit awarded each year to any single entity.

Why an uncapped approach?

As with many of the other tax credit elements listed above, an uncapped approach follows the **precedent of many of Canada's other creative industries tax credits**: the Canadian Film or Video Production Tax Credit (CPTC) is uncapped with no maximum credit threshold, and the same is true of Quebec's performing arts-centric Crédit d'impôt remboursable pour la production de spectacles.

An uncapped approach with no maximum threshold provides certainty for applicants and investors by guaranteeing them a tax credit so long as the production meets the qualifying criteria. This approach also signals to for-profit and not-for-profit entities that they will not be competing against each other for a limited pool of program funding. Ultimately, keeping the tax credit uncapped ensures that there are no limitations as to how it can be harnessed to grow the performing arts industry.

3. Impact Assessment of the Notional Tax Credit

The criteria presented in Section 0 form the inputs for a notional tax credit model (see spreadsheets in the Appendix section). This national tax credit model showcases the estimated amount that a notional live performing arts tax credit would cost the Government of Canada. The model also provides the ability to add, omit, or alter any input variables from the qualifying criteria, to examine the costs and benefits of a proposed tax credit.

3.1 Model Content

The methodology behind the model consists of identifying qualifying labour count, average FTE (full-time equivalent) salary, and an estimated rebate to estimate the cost to the federal government if they were to implement a tax credit incentive.

The model consists of the following tabulation:

- **Live Performance Labour**: Estimated calculation of the labour that qualifies for the tax credit.
- **Estimated Salary Wages**: An estimated average salary of live performance labour in Canada.
- **Tax Incentive Calculation**: The calculation to determine the estimated rebate amount of the tax credit to the industry.

The model also includes several other sections:

- **Company Eligibility**: A ratio calculation of live performance labour that potentially qualifies for the tax credit.
- **Ersatz Production**: The breakdown of a hypothetical live performance production to determine the proportion of eligible labour and marketing costs.
- **Job and Wages Calculation**: The section utilizes data from Statistics Canada to calculate the live performance labour in Canada and the average wage of per person of the industry.
- **Reinvestment Calculation**: This section evaluates and sets the ratio of the rebate that will be used to reinvest in future projects.

Most of the sections of this model listed above contain multiple inputs that allow for changes, inclusions, and exclusions to inform more accurate projections.

3.2 Impact

Based on the high-level model, the proposed tax credit would have cost the federal government an estimated **CA$480 million in 2023** based on estimated labour expenditures incurred in that year. By creating a five-year prospectus, it can be estimated that the tax credit would cost the government approximately CA$832 million by Year 5 (i.e., 2027, as 2023 labour data was used). The model also includes a projected amount of the rebate that will be recuperated as federal income tax (set at 15%) from labour reinvestment. That projection sees up to CA$50 million in Year 1 (2023) and up to CA$87 million by Year 5 (2027).

The model also estimates that (if the tax credit existed) the industry would have reinvested over CA$288 million of the Year 1 (2023) rebate back into future production. Of that amount, approximately CA$173 million would be used towards labour costs, which would potentially increase the labour pool by roughly 5,000 FTEs or 6.8% of the estimated Canadian live performance arts labour pool. The model anticipates that companies will reinvest over CA$500 million dollars of the rebate back to the industry by Year 5 (2027). The Year 5 (2027) reinvestment will also potentially add approximately 7,800 jobs into the industry, approximately 7.5% of the total industry in Canada.

The projected cost and result can be summarized in the table below.

Table 5: Projected Rebate Amount and Reinvestment Summary Table

	Year 1 (based on 2023 labour data)	**Year 2**	**Year 3**	**Year 4**	**Year 5**
Projected Rebate Amount	CA$480 million	CA$585 million	CA$661 million	CA$742 million	CA$832 million
Projected Reinvestment	CA$288 million	CA$351 million	CA$396 million	CA$445 million	CA$499 million
Projected Labour Added to Industry (FTEs)	5,000	6,000	6,500	7,100	7,800
Projected Recuperated Federal Income Tax	CA$50 million	CA$61 million	CA$69 million	CA$78 million	CA$87 million

3.3 Sources for Model and Assumptions of the Model

3.3.1 Calculating the Impact

The calculations of the Federal Tax Credit model to determine the impact of a proposed tax credit for each year is tabulated as follows:

- **Step 0: Total Labour Headcount (A)**
  The estimated total labour headcount is determined from Statistics Canada (See Appendix D).

- **Step 1: Company Eligibility Effect**
  (A) x Company Eligibility Multiplier Effect = Company Eligibility Effect (B)
  The model assumes that some of the labour force works in companies or organizations that are too small to apply for the tax credit or do not fit the creative production work of live performances. As such, a multiplier effect is added to the headcount (A) from step 0.

- **Step 2: Less Management and Admin**
  (B) x Estimated Management and Admin percentage = Less Management and Admin (C)
  The model further calculates how many of those qualifying headcount (B) are working as management or in administrative roles and do not qualify for the main production labour cost. "The Management and Admin" percentage is determined by the Ersatz Production segment of the model (see Appendix C).

- **Step 3: Qualifying Headcount**
  (B) – (C) = Qualifying Headcount (D)
  The model determines the qualifying headcount eligible for the proposed tax credit by subtracting the management and administrative labour number from the Company

Eligibility Effect. The headcount number is the estimated labour count that qualifies for the tax credit claim.

- **Step 4: Qualifying Wages**
  (D) x Full-time wage = Qualifying Wages (F)
  The model multiplies the number of qualifying headcount (D) with the full-time wages per head calculated in the Jobs and Wages calculation. This tabulation creates a total wage that can be claimed for the proposed tax credit.

- **Step 5: Marketing Labour Expenditures**
  (F) x Marketing Labour % = Marketing Labour Expenditures (G)
  Since the proposed tax credit includes claims for marketing labour costs, the model also calculates the expected marketing labour cost based on a percentage (see Appendix C) of the total qualifying wages (which represents the estimated labour costs for live performance production).

- **Step 6: Rebate Amount**
  [(F)+(G)] x 25% (Tax Credit Rate) = Rebate Amount (H)
  The total amount of the Qualifying Wages and Marketing Labour Expenditures are then multiplied by the proposed tax credit rate, giving the total estimated rebate amount.

- **Step 7: Potential Reinvestment on Future Projects**
  (H) x Reinvestment Calculation Ratio = Potential Reinvestment on Future Projects
  The model then calculates rebate amount that will be used to for future projects. This calculation ratio is determined on the Reinvestment Calculation section of the model (see Appendix E).

- **Step 8: Potential Reinvestment on Employees**
  (H) x Reinvestment into Labour Cost Ratio = Potential Reinvestment on Employees (J)
  The model similarly uses the Reinvestment Calculation section (Appendix E) to tabulate the rebate amount that may potentially be used to expand the labour pool.

- **Step 9: New Employees Created**
  (J) / Full-time Wages = New Employees Created
  The number of potential employees created show the potential impact of the tax credit, particularly on how much new direct labour the credit can generate.

3.3.2 Historic Growth Rate, and Wages

Data from Statistics Canada was used to calculate both the total direct labour and the average wage per person working in the live performance industry in Canada. Specifically, the mode utilizes Statistics Canada's "*National culture and sport indicators by domain and sub-domain*" to obtain relevant data to calculate the historic growth and an initial estimation of an average labour wage per headcount.[6] The model determines the growth rate through the changes in labour growth through a 10-year span. The model assumes an aggregated growth rate of 1.6%

[6] Statistics Canada, *Table 36-10-0652-01 National culture and sport indicators by domain and sub-domain (x 1,000).*

based on the data provided by Statistics Canada. "Live Performance" in the Statistics Canada data is defined as theatre, musicals, operas, dance, live music, festivals, celebrations, and other performing arts.[7]

The model determines the average yearly labour wage of a full-time equivalent (FTE) in the industry by assuming a significant number of the contributed GDP as earnings made by labour performed. The model assumes that while the GDP may not be the direct equivalent for wages made by but the average wage per FTE seems to correspond to some of the information available from the Job Bank.[8] The model assumes that the average full-time equivalent wage is about CA$40,000[9] in 2023. The assumption is based on the GDP generated by the live performance industry in 2023 divided by the 2023 labour count based on Statistics Canada's data. The resulting average wage assumption of CA$40,000 was then validated with several large performing arts companies in Canada.

3.3.3 Labour Calculation

As mentioned in Section 3.3.2, the model currently assumes the data from Statistics Canada's "*National culture and sport indicators by domain and sub-domain*". The data reports the job number every quarter. Because the model measures yearly datapoints rather than quarterly, the model adds labour count from the four quarters of a specific year and finds the average labour count for that year. The model assumes that the labour count for 2023 is 74,000 people (see Appendix D).

The model also removes all other labour that is not part of the main production process. For example, while ushers, bartenders, and ticketing staff improve the overall experience of a live performance to the audience, they are not part of the labour process involved in developing the production. In this case, these roles would be classified as part of the administrative or operational labour.

3.3.4 Reinvestment Calculations

The model also includes a section on where the rebate could potentially be deployed. In other sectors that have creative production tax credits (like film and TV and video games industries), rebates given to companies are often channels back into future production after certain costs, like administrative, bonuses, and loans, are paid. The remaining amount is then divided out to examine how much of the rebate will be reused to retain or hire more labour for future projects. This reinvestment into additional labour is then put back into the next cycle of rebate claims, which essentially creates a flywheel effect. See Appendix E for the current tabulation.

3.3.5 Other Sources and Considerations

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[7] Statistics Canada, [Conceptual Framework for Culture Statistics 2011]

[8] Job Bank, [Labour Market Information].

[9] The $40,000 is the estimated average full-time equivalent wage of all employees who worked on almost every aspect of a live performance production, not just salaried people.

To determine the impact of the five-year prospectus, the model assumes that the average wage will grow based on the inflation rate determined by Statistics Canada Consumer Price Index (CPI).[10] The model assumes that the CPI will fluctuate between 2.5% to 3% and is currently set at 2.9%. The model applies the growth rate to the remaining five-year period after 2023.

The Ersatz Production (see Appendix section C) sources the hypothetical productions based on initial interviews with stakeholders and from the Canadian Live Music Association report.[11] The model also allows the option to adjust the definition of "live performance arts" and address how any adjustment could impact the output of the model (see Appendix AAppendix B). The model currently adjusts this input based on Statistics Canada's *Conceptual Framework for Cultural Statistics*.[12]

While the model assumes that labour costs associated with marketing of the production should be captured as eligible expenditures, the model currently assumes that any marketing costs not associated with labour, such as ad-spend, marketing materials, and software, will not be rebated. The rationale for not including this cost is that it aligns with the overarching exclusion of non-labour costs in other sections of a live performance production. As such, the model retains the assumption not to include this cost.

4. Tourism Impacts

4.1 Purpose and Data Sources

Tourism has additional effects beyond direct economic benefits, particularly in relation to offsite spending. Evaluating tourism impacts is crucial for understanding the full effects of a tax credit, as an increase in live performing arts events attracts more tourists. These visitors spend money, further contributing to the local economy.

Tourism impacts were evaluated by analyzing the indirect economic contributions of tourists attending live performing arts events in Canada. The analysis centers on offsite spending by tourists, which includes expenses related to travel, transportation, hospitality, food and beverages, and retail purchases. The main goal of this analysis is to quantify the economic stimulation resulting from tourism driven by a single additional production.

4.2 Economic Impact Assessment Findings

To simplify comparisons, we used the impact of 1,000 audience members per show as a standard, averaging 430 tourists per 1,000 attendees. It is important to note that these

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[10] Statistics Canada, *Consumer Price Index*.

[11] Canadian Live Music Association, *Here, The Beat: The Economic Impact of Live Music in BC*. Note: This report provided an initial production breakdown, which was validated through discussions with theatre sector stakeholders.

[12] Statistics Canada*, Conceptual Framework for Culture Statistics 2011*.

estimates are more conservative as the data is primarily based on shows in large cities. Approximately 87% of Canada's operating revenue from performances can be attributed to Ontario, Quebec, and British Columbia, which further skews the estimates toward urban areas. In rural regions, there tends to be a higher proportion of tourists and visitors from out of town, which would likely increase the overall visitor spending per 1,000 attendees. As such, the figures presented may underrepresent the true economic impact in these regions, where visitor spending is often more significant due to the higher influx of non-local attendees.

Table 6: Summary of Total Economic Impact (per 1000 attendees in Canadian $)

Regional Impact Category	Total
Total Visitor Spending	$167,043
Total Gross Domestic Product	$152,698
Total Labour Income	$88,204
Taxes	
Federal	$27,798
Provincial	$29,565
Municipal	$683
Total	$58,046

In this model, the term "attendees" refers to the total number of people present at a performance, and it is important to distinguish attendees from visitors. Attendees include both residents and tourists, with the latter being defined as individuals who have traveled at least 40 kilometers from the facility. It is estimated that for every 1,000 attendees, approximately 430 are tourists. This distinction is crucial for accurately assessing the economic impact, as visitor spending is solely driven by those traveling from outside the local region, contributing to a higher economic influence than local attendees.

Using a standard statistic of 1,000 attendees makes it straightforward to adjust the economic impact based on the capacity of different performance facilities. For example, to estimate the visitor spending impact for a show with a 250-person capacity, the impact figures can simply be divided by four. This approach allows for flexibility when comparing performances of varying sizes, ensuring that the economic impact can be scaled accurately for smaller or larger events based on audience size. This method provides a consistent framework for analyzing the economic contribution across all performances with varying venue capacities.

5. Conclusion

A tax credit for live performing arts in Canada would support the sector, allowing them to better manage and adapt to rising production costs and facilitate greater reinvestment into future productions. Such an intervention would reinforce Canada's national tourism strategy – driving toward $160 billion in annual tourism revenues – by reinforcing our status as a sought-after destination. A thriving live performing arts industry directly increases tourism, attracts more visitors, and boosts both economic activity and job creation.

Appendix

Appendix A. Overview of Notional Model (5-Year Prospectus from 2023 to 2027)

Live Performing Arts Notional Tax Credit	2023	2024	2025	2026	2027
Live Performance Labour					
Total Labour Headcount	74,075	80,256	87,461	95,361	103,979
Company Eligibility Effect	49,630	58,793	64,548	70,423	76,791
Less Management and Admin	- 6,154	- 7,290	- 8,004	- 8,732	- 9,522
Qualifying Headcount	43,476	51,503	56,544	61,690	67,269
Growth Rate	1.6%	1.6%	1.6%	1.6%	1.6%
Estimated Salaries Wages					
Full-Time Equivalent Wages	$40,123	$41,286	$42,484	$43,716	$44,984
Tax Incentive Calculation /$M					
Qualifying Wages	$1,744	$2,126	$2,402	$2,697	$3,026
Marketing Labour Expenditures	$174	$213	$240	$270	$303
Tax Credit Rate	25%	25%	25%	25%	25%
Rebate Amount	**$480**	**$585**	**$661**	**$742**	**$832**
Potential Reinvestment on future projects /$M	$288	$351	$396	$445	$499
Potential Reinvestment on Employees /$M	$201	$246	$277	$311	$350
New Employees Created	**5021**	**5949**	**6531**	**7125**	**7770**
% potential employment added back into the industry	6.8%	7.4%	7.5%	7.5%	7.5%

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Appendix B. Company Eligibility Calculation[13]

	Ratio Effect	Rationale
Estimated Live Performance labour in Canada	1	Labour headcount is based on StatsCan's quarterly "National culture and sport indicators by domain and sub-domain" data.
Non Qualifying Canadian Companies (Medieval Times, Gala shows, benefit dinners, dinner theater etc.)	20%	
Individuals/Organizations too small to apply	10%	
Non-qualifying Festivals	3%	The notional model estimates that roughly 3-5% of "Festivals" in Canada, as categorized by Statistics Canada, do not qualify for the Live Performance tax credit (e.g., the Ontario Royal Winter Fair, Canadian National Exhibition). While StatsCan considers these festivals as part of their definition of Live Performances, the model assumes that these are not the types of live performing arts that the tax credit should target.
Qualifying Canadian Registered Companies	70%	Not all Canadian Live Performance labour may be affiliated with registered Canadian companies. Some of the live performance companies may not fit the general aim of what Live Performance should be (e.g., Medieval Times, Gala shows, benefits, performances as part of a bigger business model like restaurant).The notional model estimates about 70% of the labour headcount can be categorize under the qualifying company umbrella.
Total Qualifying Companies Ratio	**0.67**	
Qualifying Live Performance: Musical/Theatre/Opera/Dance	60%	This percentage is an estimated segment of the Live Performance industry in Canada. This data can be altered when more information regarding the segmentation of the Live Performance Industry can be gathered. The segmentation is roughly based on Statistics Canada's definition and categorization of a Live Performance statistics in their "Culture and sport indicators" statistics.
Qualifying Live Performance: Live Music	20%	
Qualifying Live Performance: Orchestra	12%	
Qualifying Live Performance: Comedy/Live Shows	5%	
Qualifying Live Performance: Circus/Mimes	3%	
Multiplier effect of Total Qualifying Live Performances:	**0.67**	

[13] Some of this rationale, particularly on the exclusion of dinner theatres, gala shows, "non live performing arts" festivals originate from how Quebec's *Crédit d'impôt remboursable pour la production de spectacles* excludes any live performances production that are not the main production or service of the company or business.

Appendix C. Ersatz Production (Weighted Average)

The Ersatz model is a "what-if" breakdown (in percentages) of costs allocated to the production of a live performing arts. The two most **important parts** of the Ersatz production for this model are to estimate the **ratio of non-labour expenditures** and an estimated percentage of **labour cost dedicated to marketing.**

The weighted average is the average weight of the division of each qualifying live performance production type (see Appendix B). The model calculates the average of each division to determine what the average production division of labour and non-labour costs may look like. As such, the **weighted average is a blended and weighted average of different live production types**. The main reason in the development of this Ersatz production is to determine the potential allocated cost to marketing, especially labour-based marketing costs.

		Weighted Average			
LABOUR PRODUCTION		% of Labour/Non-Labour	Estimated Amount		
Artistic	Actors or Musicians in live music or orchestra	21%	$416,800	Total Production Cost	$2,000,000
	Band/side orchestra/background live music	4%	$84,000	Production Labour Cost	$1,014,400
Creative/Direction	Choreographer	1%	$24,000	Non-labour Cost	$549,600
	Casting Director	1%	$14,400	Admin and Management	$436,000
	Lighting Designer	2%	$32,000	Marketing	$452,000
	Sound Designer	2%	$32,000	Marketing per Production labour	19.7%
	Music Director	2%	$45,600		
	Director	3%	$52,800		
Production/Stage	Stage Crew	6%	$122,400		
	Sound Crew	3%	$56,000		
	Lighting Crew	3%	$51,200		
	Wardrobe/Hair/Makeup	2%	$35,200		
	Production Assistants	2%	$48,000		
Non-production Labour	Admin and Backoffice	12%	$248,000		
	Marketing Labour	10%	$200,000		
Total Labour Cost		73%	**$1,462,400**		
NON-LABOUR EXPENDITURES					
Production	Set Design and Costuming	12%	$233,600		
	Rentals and Intellectual Property	4%	$76,000		
Overhead (rent, property tax, etc.)		9%	$188,000		
Marketing	Marketing Content Creation	2%	$32,000		
	Publicity Costs	1%	$20,000		
Total Non-Labour Cost		27%	**$549,600**		

Appendix D. Jobs and Wage Calculation

Source:	https://www150.statcan.gc.ca/t1/tbl1/en/tv.action?pid=3610065201											
	JOBS CALCULATOR	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**Growth Rate**
	National Job	61,724	64,654	69,852	69,961	70,208	75,433	52,748	57,744	68,517	74,075	1.6%
	National GDP (x1,000)	$2,517,303	$2,647,446	$2,732,422	$3,003,744	$3,121,287	$3,400,390	$2,097,601	$2,234,123	$2,731,114	$2,972,103	
	WAGE CALCULATOR	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	
	Live Performance National Wages	$ 40,783	$ 40,948	$ 39,117	$ 42,935	$ 44,458	$45,078	$ 39,766	$ 38,690	$39,861	$ 40,123	
	Accuracy adjustments											
Source:	https://www.statcan.gc.ca/en/subjects-start/prices_and_price_indexes/consumer_price_indexes											
	Inflation:		3%									

Appendix E. Reinvestment Calculation

Reinvestment Calculation:		**Rationale**
Ratio of the rebate amount:	1	Amount after the proposed tax credit rebate.
Percentage used for admin expenditures	30%	Amount that would be used to process the rebate and any necessary payments to investors. After consulting various live performance organizations, the percentage has been adjusted to 30%. While the allocation is higher for for-profit companies, not-for-profit companies will typically use less admin expenditures. Some organizations have noted that a substantial amount of rebate would be used for efforts to reach and serve new communities as part of the admin cost (about 10%)
Executive bonus	10%	Amount that would be allocated for bonus. Typically, for-profit organizations will have some bonuses awarded to executives, averaging around 20-25%. However, most, if not all not-for-profit organizations will have zero bonuses paid to the executive teams.
Ratio for reinvestment to future productions	**0.6**	The rebate amount that the notional model estimates will be used for future production.
Reinvestment into non-labour costs	30%	This estimate comes from a combined estimation from the Ersatz model and the insights provided from some live performance organizations. The organizations' insights are roughly the same as the Ersatz model. To be more conservative, the model estimates a higher range at 30% from 28%.
Reinvestment into labour cost ratio	**0.4**	

Appendix F. Jurisdictional Scan

This jurisdictional scan is sourced from Nordicity's prior research into performing arts tax credit programs with the Ontario Arts Council. 12 jurisdictions with existing tax credit programs pertaining to live performing arts were examined, comprising several US states, two national governments (UK and France), one US city (New York City) and one Canadian province (Quebec). Though each jurisdiction under examination generally shares the same broad objectives of encouraging activity in the live performing arts sector, their tax credits vary substantially in terms of program design.[14]

Error! Reference source not found. below provides a snapshot of each program according to a few key elements. To note when reviewing the table, the columns are defined as follows (several column titles echo the glossary definitions above, but are included again below for ease):

- *Rebate/Credit Percentage*: the percentage of eligible project costs that will be subsidized by the tax credit.
- *Refundable or Nonrefundable*: indicates whether or not a tax credit creates a tax refund when the value of the credit exceeds the company's current year tax liabilities.
- *Program Cap*: the total available annual budget for the tax credit program (if a maximum has been defined).
- *Minimum Project Costs*: the minimum amount of project spending necessary to qualify for the tax credit.
- *Maximum Credit Threshold*: the maximum amount of spending that can be subsidized by the program on a single project.
- *Notes*: any other unique or specific details that are important to understand a particular program.

[14] Nordicity – Live Performing Arts Sector Tax Credit research for Ontario Arts Council.

Table 7: Snapshot of Performing Arts Tax Credit Programs (currency in USD unless otherwise noted)

Jurisdiction	Rebate/ Credit Percentage	Refundable or Nonrefundable	Annual Program Cap	Minimum Project Costs	Maximum Credit Threshold	Notes
New York (State)	25%	Refundable	$8,000,000	None	None	Total labour expenses cannot exceed $200,000 per week Recent Program Expenditures: 2021: $2.7 million 2022: $1.9 million
New York (City)	25%	Refundable	$300,000,000 (cap for 5 years, 2021-2025)	Level 1: $0 Level 2: $750,000	Level 1: $3,000,000 Level 2: $350,000	Level 1 Facility: Broadway Level 2 Facility: "Off-Broadway" Total labour expenses cannot exceed $200,000 per week
Illinois	20%-35%	Nonrefundable	$4,000,000	$100,000	$500,000	Standard credit is 20%, additional 15% for labour expenses for state residents in high poverty or high unemployment areas Credit may be carried over for up to three years
Ohio	30%	Refundable	$5,000,000	$300,000	None	Program is administered alongside state's film/TV credit; $5M is pre-apportioned from overall $50M program cap. Two application review rounds annually
Maryland	25%	Refundable	$5,000,000	$100,000	$2,000,000	
Rhode Island	30%	Nonrefundable	$15,000,000	$100,000	$5,000,000	Credits can be carried over for up to three years; can be transferred, assigned, or sold

Jurisdiction	Rebate/ Credit Percentage	Refundable or Nonrefundable	Annual Program Cap	Minimum Project Costs	Maximum Credit Threshold	Notes
Connecticut	30%	Nonrefundable	$2,500,000	None	None overall; $250,000 per week payroll cap	Came into force in January 2024
Louisiana	7%-18%	Refundable	$10,000,000	$100,000	$1,000,000	Three levels (7%, 14%, 18%) based on total base project investment Credits are transferable on a one-time basis Recent program expenditures: 2019: $3,214,714 2020: $2,463,736 2021: $2,222,466 2022: $986,038
Georgia*	15%-20%	Nonrefundable	$15,000,000	$500,000	Max 20% of overall program budget	Standard credit is 15%, additional 5% if operating in least-developed counties Credits can be carried forward for five years *Program discontinued in 2023
United Kingdom	40%-45%	Refundable	None	None	None	Standard credit is increasing in April 2025 to 40%, 45% for touring productions. Previously the rates were 20% and 25% respectively, and were temporarily raised as COVID-19 relief measure before the increase was made permanent in early 2024. Expenditure deduction based on lower of: 80% of total core expenditure, or total core expenditure in UK or EEA

Jurisdiction	Rebate/ Credit Percentage	Refundable or Nonrefundable	Annual Program Cap	Minimum Project Costs	Maximum Credit Threshold	Notes
						Recent Program Expenditures: 2018-19: £78 million 2019-20: £71 million 2020-21: £38 million 2021-22: £55 million
France	15%-30%	Refundable	€19,000,000	None	€750,000 per business €500,000 per show	Credit is 15% for large enterprises and 30% for SMEs
Quebec	~22.75%	Refundable	None	None	CA$350,000 for comedy shows CA$1,250,000 for musicals CA$750,000 for other live productions	Credit calculated as 35% of 65% of eligible labour cost Projects must meet Quebec content criteria Eligible costs must exclude other government assistance

Appendix G. Tourism Impact Analysis Methodology

Using audience, ticketing, and attendance data from major performing arts organizations in Ontario, a detailed breakdown of visitors and their geographic origins was established. This data served as a representative sample to inform and approximate the Canadian production sector. Ontario, being the most populous province in Canada, provides a reliable proxy for estimating tourist numbers without inflating visitor counts. Because over 90% of attendees at Canadian live performances are domestic, Ontario's large population means it likely has the lowest proportion of out-of-province visitors. Consequently, performances in other provinces, such as BC and QC, are likely to see higher tourism expenditure due to a greater influx of visitors from outside the region.

Table 8: Audience Place of Origin

Region	Ontario <40km	Ontario 40-100km	Ontario >100km	Ontario Unknown	Rest of Canada	USA	International
% of Tickets	60.2%	22.6%	10.7%	0.3%	2.0%	1.8%	0.9%

The percentages presented in the figure may not total 100 percent due to rounding.

To estimate the economic impact of performing arts across Canada, the operating income data for all for-profit and non-profit organizations from each province in 2022 was used. A multiplier was calculated based on the proportional relationship between Ontario's performing arts sector and those in the other provinces. This multiplier allows for the results from Ontario to be scaled, providing an estimate for the performing arts sector's impact across the rest of Canada.

Table 9: 2022 Provincial Market Share Comparison and Percentages Relative to Ontario

	Operating revenue (millions)	Region Proportion	Percentage Relative to ON
Alberta	187.5	7%	18.56%
British Columbia	362.6	13%	35.90%
Manitoba	72.1	3%	7.14%
New Brunswick	12.9	0%	1.28%
Newfoundland	18.4	1%	1.82%
Nova Scotia	34.6	1%	3.43%
Ontario	1010	37%	100.00%
Prince Edward Island	5.1	0%	0.50%
Quebec	1008	37%	99.80%
Saskatchewan	38.3	1%	3.79%
Total	2749.5	100%	272.23%

The above table provides a breakdown of each province's live performing arts sector relative to Ontario, offering insight into the varying economic contributions across regions. According to the table, Ontario makes up 37% of the performing arts operating revenue in Canada. This is consistent with Ontario's population, which similarly comprises approximately 38% of Canada's total population, reinforcing the proportionality of its contribution to the arts sector. The table highlights not only the relative size of each province's performing arts sector but also emphasizes the provinces that play a significant role in Canada's overall live performing arts economy.