VALKARY ENTERTAINMENT

Analysis of 26 U.S.C. § 181 (Section 181)

Main Program Points

- 100% of investment is deductible against passive income (or active with additional requirements) in the year made.
- Tax write off can be individually multiplied by 5x. ($500k investment can get a $2.5m write off for investor)
- Project revenues (downstream) are taxable at the lower capital gains rate with the first 9% exempt.
- #1 tax reduction tool available for investors.

Overview of 26 U.S.C. § 181 (Section 181)

Section 181 of the Internal Revenue Code allows film and television productions to deduct the cost of their production in the year the expense is incurred, rather than capitalizing the costs and depreciating them over time. This provision is designed to incentivize the production of films and television programs within the United States.

Eligibility Criteria

To utilize Section 181, the production must meet the following criteria:

1. **Qualified Film or Television Production**:
   - The production must be a film or television production.
   - At least 75% of the total compensation paid for the production must be for services performed in the United States.
2. **Production Costs**:
   - The total cost of the production must not exceed $15 million. This limit increases to $20 million if a significant portion of the production takes place in certain low-income communities or if a substantial number of the jobs created are in such areas.
3. **Commencement of Production**:
   - The production must commence before January 1, 2026.

Benefits of Section 181

- **Immediate Tax Deduction**: The primary benefit is the ability to deduct production costs in the year they are incurred, which can significantly reduce taxable income for that year.
- **Cash Flow Management**: This can improve cash flow by reducing the amount of tax owed, providing more liquidity for the production.

Steps to Utilize Section 181 for "Valkary Entertainment"

- **Pre-Production Planning**:
  - Ensure the production budget meets the cost criteria.
  - Plan the shooting schedule to ensure 75% of services are performed in the U.S.
- **Documentation**:
  - Maintain detailed records of all production expenses.
  - Document the locations and services to demonstrate compliance with the 75% rule.
- **Filing Taxes**:
  - Claim the deduction on the tax return for the year the costs are incurred.
  - Consult with a tax advisor or accountant to ensure proper filing and compliance with IRS regulations.

- **Leveraging the Tax deduction:**

Seasoned investors may increase their personal tax deductions by utilizing our proprietary model for their investment. Under Section 181, film and television productions can deduct production costs in the year they are incurred, rather than capitalizing and depreciating them over time. Our financial partner is a seasoned legal and accountancy firm that has used this process on close to 100 films successfully.

For example, John Doe wants to invest $250,000 into a specific Valkary produced film project but aims to maximize his tax write-off to offset taxes due on active and passive income for his 2025 taxes. John would invest his $250,000 and with our internal mechanisms, would receive a $1,250,000 tax write off for this year.