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## More States Abandon Film Tax Incentives as Programs' Ineffectiveness Becomes More Apparent

By  
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Film tax credits fail to live up to their promises to encourage economic growth overall and to raise tax revenue. States claim these incentives create jobs, but the jobs created are mostly temporary positions, often transplanted from other states. Furthermore, the competition among states transfers a large portion of potential gains to the movie industry, not to local businesses or state coffers.

In 2010, a record 40 states offered \$1.4 billion in film and television tax incentives. All told, states have provided nearly \$6 billion for such programs over the past decade. 2010 will likely stand as the peak year, since many governors and legislators are ending their programs, preferring to use the money for other priorities or leave it with taxpayers. Recent eliminations or suspensions:

- **Arizona** ended its program after 2010 and efforts to renew it [have not advanced](#).<sup>1</sup>
- **Arkansas** appropriated no funds for its program for 2011.
- **Idaho** appropriated no funds for its program for 2011.
- **Iowa** suspended its program in 2009 after [widespread fraud and abuse was discovered](#).<sup>2</sup> Another film producer was [sentenced to 10 years in prison this week](#) related to that scandal.<sup>3</sup>
- **Kansas** has [suspended its program](#).<sup>4</sup>
- **Maine** appropriated no funds for its program for 2011.
- **New Jersey** [suspended its program](#),<sup>5</sup> although some legislators are [pushing for its reinstatement](#).<sup>6</sup>

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<sup>1</sup> David Madrid, "Arizona Film Projects in Danger if Tax Incentive Expires," *The Arizona Republic*, May 26, 2010, <http://www.azcentral.com/arizonarepublic/local/articles/2010/05/26/20100526arizona-film-tax-credit.html>.

<sup>2</sup> Richard Verrier, "Iowa Film Tax Credit Program Racked by Scandal," *Los Angeles Times*, January 19, 2011, <http://articles.latimes.com/2011/jan/19/business/la-fi-ct-onlocation-20110119>.

<sup>3</sup> Joe Barrett, "Tax-Credit Fraud Puts Filmmaker in Prison," *Wall Street Journal*, May 18, 2011, [http://online.wsj.com/article/SB10001424052748704281504576329721447700398.html?mod=googlenews\\_wsj](http://online.wsj.com/article/SB10001424052748704281504576329721447700398.html?mod=googlenews_wsj).

<sup>4</sup> "Film Production Credit," *Kansas Department of Revenue*, last update October 28, 2010, <http://www.ksrevenue.org/taxcredits-film.htm>.

- **Washington** legislators just [dropped their program](#) as part of a budget deal.<sup>7</sup>

That will bring the number of states with programs down to 35 as of next year. Additionally, existing programs are being pared back or challenged:

- **Alaska** legislators [may not renew their program](#).<sup>8</sup>
- **Connecticut** [reduced the generosity of its credit](#).<sup>9</sup>
- **Georgia**'s tax review commission recommended [eliminating the program](#).<sup>10</sup>
- **Hawaii** legislators [rejected an effort to expand](#) their program.<sup>11</sup>
- **Michigan** will greatly reduce its film tax credit as part of a business tax overhaul. Michigan's program was among the most generous, providing a 42% subsidy for qualified film and television productions. Proponents are pushing for its [reinstatement but at a less generous level](#).<sup>12</sup> Gov. Rick Snyder (R) had called for [ending the program](#) altogether.<sup>13</sup>
- **Missouri**'s tax credit review commission recommended [ending the program](#).<sup>14</sup>
- **New Mexico** [capped its program](#),<sup>15</sup> compromising with Gov. Susanna Martinez (R) who had [sought to scale back or end it](#).<sup>16</sup>
- **Rhode Island** Gov. Lincoln Chaffee (I) is [seeking to end](#) that state's program.<sup>17</sup>
- **Wisconsin** appropriated just \$500,000 for its program after [concluding that](#) providing tax credits to even a blockbuster production would likely have a negative fiscal impact.<sup>18</sup>

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<sup>5</sup> Paul Tyahla, "Roll Closing Credits On New Jersey's Film Subsidy," *Common Sense Institute of New Jersey*, March 3, 2011, <http://www.csinj.org/2011/03/roll-final-credits-on-film-subsidy/>.

<sup>6</sup> Associated Press, "N.J. Assembly to Vote on Bill Reinstating Tax Credit for Film Industry," *NJ.com*, January 9, 2011, [http://www.nj.com/news/index.ssf/2011/01/nj\\_assembly\\_to\\_vote\\_on\\_bill\\_re\\_1.html](http://www.nj.com/news/index.ssf/2011/01/nj_assembly_to_vote_on_bill_re_1.html).

<sup>7</sup> Jordan Schrader, "Lawmakers Kill Film, Newspaper Tax Breaks in Waning Hours," *Tacoma News Tribune*, May 27, 2011, <http://www.thenewstribune.com/2011/05/27/1682224/lawmakers-kill-3-industries-tax.html>.

<sup>8</sup> Becky Bohrer, "Alaska Film Tax Credit Program Faces Doubts in House," *Anchorage Daily News*, April 14, 2011, <http://www.adn.com/2011/04/14/1809849/film-tax-credit-program-faces.html>.

<sup>9</sup> Brian Lockhart, "Budget Tightens Film Credits," *Danbury News Times*, May 9, 2011, <http://www.newstimes.com/news/article/Budget-tightens-film-credits-1371324.php>.

<sup>10</sup> Chris Joyner, "Film Industry Pushes to Keep Georgia Tax Credit," *Atlanta Journal-Constitution*, March 1, 2011, <http://www.ajc.com/news/georgia-politics-elections/film-industry-pushes-to-857482.html>.

<sup>11</sup> Brian Perry, "Lawmakers Sorry Film Tax Credit on Cutting Room Floor," *Maui News*, May 14, 2011, <http://www.mauinews.com/page/content.detail/id/549416/Lawmakers-sorry-film-tax-credit-on-cutting-room-floor.html?nav=10>.

<sup>12</sup> Christopher Brennan, "Effort to Keep Movie Subsidy is Heating Up," *Livingston Daily*, May 25, 2011, <http://www.livingstondaily.com/article/20110525/NEWS01/105250324/Effort-keep-movie-subsidy-heating-up>.

<sup>13</sup> Josh Brown, "Two GOP Governors Plan to Spare Film Tax Credits," *Washington Times*, March 20, 2011, <http://www.washingtontimes.com/news/2011/mar/20/two-gop-governors-plan-to-spare-film-tax-credits/>.

<sup>14</sup> Kelsey Volkmann, "Tax Credit Cuts Would Save Missouri \$220M," *St. Louis Business Journal*, November 30, 2010, <http://www.bizjournals.com/stlouis/news/2010/11/30/missouri-tax-credit-commission-to-make.html>.

<sup>15</sup> "\$45 Million Cap on New Mexico Film Credit May Help Industry, Not Kill It," *Runaway Production Research*, March 7, 2011, <http://www.stop-runaway-production.com/2011/03/07/satistics-show-45-million-new-mexico-film-incentive-cap-may-help-not-kill-industry/>.

<sup>16</sup> "Susana Martinez's Proposal to Scale Back Film Tax Incentives," *KRQE News, New Mexico Film, Photography and Music Network*, January 12, 2011, <http://www.nmseen.us/index.php?do=/Viber/blog/susana-martinez-s-proposal-to-scale-back-film-tax-incentives/>.

<sup>17</sup> David Klepper, "Filmmakers Urge RI Not to End Film Tax Credit," *Bloomberg Businessweek*, March 25, 2011, <http://www.businessweek.com/ap/financialnews/D9M6B5O00.htm>.

<sup>18</sup> Jack Craver, "Is the Wisconsin Film Tax Credit Worth It?" *Isthmus Daily Page*, May 5, 2011, <http://www.thedailypage.com/daily/article.php?article=33419>.

On the other hand, some states are betting more on these programs:

- **California's** new film tax credit [faces some debate over its renewal](#), but it will likely continue.<sup>19</sup>
- **Minnesota** Gov. Mark Dayton (DFL) put money for their "Snowbate" program [back in the budget](#),<sup>20</sup> after his predecessor Gov. Tim Pawlenty (R) [sought to end the program](#).<sup>21</sup>
- Some **Nevada** legislators are [pushing to create](#) a film incentive program, which will be tough since the state has no corporate income tax to give a credit from.<sup>22</sup>
- After early indications that he might challenge the program, **Ohio** Gov. John Kasich (R) [sought no changes](#).<sup>23</sup>
- **Pennsylvania** Gov. Tom Corbett (R) [worked to save the film tax credit](#) from budget cuts.<sup>24</sup>
- **Utah** made its film tax credit [more generous](#).<sup>25</sup>
- **Virginia** Gov. Bob McDonnell (R) worked with legislators to [add a new film tax credit](#).<sup>26</sup>
- **Wyoming** Gov. Matt Mead (R) [signed a five-year extension](#) of that state's program.<sup>27</sup>

In short, while film incentive programs were once universally applauded as great economic development tools and tourism boosters, their merits are now being rigorously debated. ([Check out this debate](#) that the Midwest is talking about this week.)<sup>28</sup> At a minimum, film incentive programs should be required to report how many dollars in incentives were provided per each Full-Time Equivalent (FTE) job created by qualified productions. Programs should be reviewed periodically for their effectiveness by legislative oversight or a third party.

For more information, see [our full report on this topic](#), "Movie Production Incentives & Film Tax Credits: Blockbuster Support for Lackluster Policy."<sup>29</sup>

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<sup>19</sup> Joseph Henchman, "FilmWorks Blog Criticizes Tax Foundation on Industry's Dependence on Film Tax Credits," *Tax Foundation Tax Policy Blog*, April 26, 2011, <http://www.taxfoundation.org/blog/show/27240.html>.

<sup>20</sup> Minnesota Management and Budget, "Governor's Recommendations: Economic Development," <http://www.mmb.state.mn.us/doc/budget/narratives/gov11/explore.pdf>.

<sup>21</sup> Frank Jossi, "That's a Wrap: Final 'Snowbate' Film Ends Shooting," *All Business Finance & Commerce*, Mar. 23, 2010, <http://www.allbusiness.com/government/government-bodies-offices-legislative/14205508-1.html>.

<sup>22</sup> Joe Schoenmann, "Assembly Movie Bill in Danger of Hitting Cutting Room Floor," *Las Vegas Sun*, May 12, 2011, <http://www.lasvegassun.com/news/2011/may/12/movie-bill-danger-hitting-legislatures-cutting-roof/>.

<sup>23</sup> Dave Larsen, "Arts Keep 80% of Funding; Film Tax Credits for Movies Stay," *Dayton Daily News*, March 16, 2011, <http://www.daytondailynews.com/news/ohio-news/arts-keep-80-of-funding-film-tax-credits-for-movies-stay--1109011.html>.

<sup>24</sup> "Film Tax Credit Saved in Deep Budget Cuts," *KDKA Pittsburgh*, March 9, 2011, <http://pittsburgh.cbslocal.com/2011/03/09/pennsylvania-film-tax-credit-saved/>.

<sup>25</sup> Sean P. Means, "Utah Raises Its Motion-Picture Tax Incentive," *The Salt Lake Tribune Movie Cricket Blog*, March 29, 2011, <http://www.sltrib.com/sltrib/blogsmoviecricket/51522539-66/utah-incentive-film-motion.html.csp>.

<sup>26</sup> "McDonnell touts film incentives," *HamptonRoads.com*, June 2010, <http://hamptonroads.com/2010/06/mcdonnell-touts-film-incentives>.

<sup>27</sup> "Wyoming Film Incentives Extended," *Wyoming Film Office Blog*, February 17, 2011, <http://filmwyoming.blogspot.com/2011/02/wyoming-film-incentives-extended.html>.

<sup>28</sup> "Beckmann vs. Albom Slugfest," *The Michigan View*, May 18, 2011, <http://www.detnews.com/article/20110518/MIVIEW/105180360/1467/opinion01/Beckmann-vs.-Albom-slugfest>.

<sup>29</sup> Will Luther, "Movie Production Incentives & Film Tax Credits: Blockbuster Support for Lackluster Policy," *Tax Foundation Special Report No. 173*, January 14, 2010, <http://www.taxfoundation.org/publications/show/25706.html>.

Year	States with Film Incentive Program	Incentive Amounts Offered
1999 and earlier	4	\$2 million
2000	4	\$3 million
2001	4	\$1 million
2002	5	\$1 million
2003	5	\$2 million
2004	9	\$68 million
2005	15	\$129 million
2006	24	\$369 million
2007	33	\$489 million
2008	35	\$807 million
2009	40	\$1.247 billion
2010	40	\$1.396 billion
2011	37	\$1.299 billion

Source: Tax Foundation

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