

Tisei: Time to bring the curtain down on film tax credit
By Sen. Richard Tisei/A View from the Hill
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Stoneham –

The Department of Revenue recently released an analysis of the state's film tax credit, revealing some interesting facts about the incentive.

According to DOR, the state collects less than 18 cents for every dollar it offers in tax credits.

That's bad news for the state's taxpayers, because it means we're practically giving money away at a time when the state is facing a \$1.3 billion budget deficit.

In March, DOR reported that Massachusetts has already foregone \$138.7 million in tax revenue since 2006. This includes \$135.7 million in tax credits and \$2.9 million in sales tax exemptions claimed through February of 2008.

Perhaps the most revealing bit of information disclosed in last month's follow-up analysis is where these tax credits are going: According to DOR, "90 percent of non-resident wages are paid to employees with salaries of more than \$1 million per production" and "it is likely that most of that income is saved or spent outside the Commonwealth."

In our celebrity-obsessed culture, it's no surprise the state wants to be a national player by bringing Hollywood talent to Massachusetts. But is it really worth subsidizing an industry that posted a record \$9.7 billion in sales in 2007?

I have long opposed the film tax credit as a giveaway and a handout to Hollywood special interests. After reviewing the latest DOR analysis, I am more convinced than ever it should be repealed.

The tax credit was introduced in 2006, with the promise that it would create jobs and economic activity within the state. Originally, it was available only when in-state production costs totaled \$250,000 or more.

The incentive provided a 20 percent credit for payroll expenses, a 25 percent credit for production expenses, and a sales tax exemption to qualifying production companies, with the total credit capped at \$7 million per film.

In July of 2007, the legislature voted to expand the tax credit, allowing films with production costs of just \$50,000 to qualify. The available tax credit for payroll expenses was bumped up to 25 percent, and the \$7 million cap was eliminated.

According to the Massachusetts Film Office, only five movies were filmed here in the seven years prior to the tax credit. Since then, 17 movies have filmed here, and another seven are in production. What is most appealing about the film tax credit is that production companies can cash in unused credits for a state refund of 90 cents on the dollar, or sell the credits to a third party.

In its Spring 2008 issue, Commonwealth magazine reports that many credits are sold to “banks and insurance companies with multi-state tax liabilities who buy the credits at a discount to cut their tax bills.”

So, in a sense, we are subsidizing several industries with this tax credit. But other than drawing celebrities to Massachusetts, does the film tax credit really benefit the state? Michael Widmer, president of the Massachusetts Taxpayers Foundation, told Commonwealth magazine “The answer is, nobody knows.”

DOR’s analysis predicts the tax credit could potentially generate \$633 million in new investments and up to 3,658 jobs, 2,963 of which represent direct film industry employment.

But DOR puts some perspective on these numbers, noting that “the direct job estimates are full-time equivalents, while by their very nature film industry productions are temporary and sporadic, so that the jobs generated will not be full-time, but a series of one-time projects.”

This underscores my argument about the transitory nature of these jobs. We need sustainable, permanent, year-round jobs in Massachusetts, not the temporary jobs the film industry offers.

DOR has determined that for every \$100 million in film tax credits handed out, the state would need to reduce spending by \$89 million to maintain a balanced budget because only \$11 million in income tax revenue would be generated by film production payroll costs.

The DOR analysis also shows the so-called “multiplier effects” of the film tax credit are not as impressive as they might seem. A “significant portion” of new spending goes to “non-residents and out-of-state businesses” that won’t spend that money here.

Also, the required \$89 million in state spending reductions has a “negative multiplier effect,” according to DOR, while “some of the film production would have occurred even without the tax incentives, so does not represent new economic activity in the Commonwealth.”

In a recent editorial, the Metrowest Daily News warned, “State officials shouldn’t let the bright lights of Hollywood blind them to the costs and benefits of this, or other tax policies. It’s great when the stars come to call, but if you have to pay them \$138 million to get \$18.6 million back, we’re better off paying at the box office.”

I couldn’t agree more. It’s time to run the closing credits on the film tax credit and repeal it.

Sen. Richard Tisei represents the 3rd Middlesex District, which includes Stoneham.

<http://www.wickedlocal.com/stoneham/news/lifestyle/columnists/x396300651/Tisei-Time-to-bring-the-curtain-down-on-film-tax-credit>