Testimony on Film Tax Incentives before the Florida Senate Appropriations Committee on S.B. 1214 April 21, 2014

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Testimony as Prepared

Chairman Lee and members of the committee, as you contemplate the extension of film tax incentives and the creation of a "quick action closing fund" to authorize up-front incentives to the industry in advance of any job creation, I'd like to offer three observations:

- film incentives don't promote economic growth;
- film incentives don't come close to paying for themselves; and consequently,
- film incentives divert money away from far more worthy projects.

While industry-backed studies and economic development offices, including Florida's, often report significant return on investment and induced employment figures, state revenue offices are increasingly scrutinizing film incentives, and their findings are consistently negative.

The Massachusetts Department of Revenue found that the state spent more on credits than the industry actually spent in the state, that Massachusetts recouped only 11 cents on the dollar in tax revenue, and that the average new job cost the state nearly $119,000 in tax credits.

Maryland's best case scenario was recouping 6 cents on the dollar. For Connecticut it was 7 cents. Michigan's Senate Fiscal Agency found a taxpayer cost of $193,000 per direct hire. California, Louisiana, New Mexico, Pennsylvania: the best any of these states could come up with is only losing three-quarters of its so-called investment.

I'm aware that the Florida Office of Film & Entertainment shows much different figures—remarkably different. We're told that over a decade, film incentives and the sales tax credit created 675,000 jobs, nearly 118,000 of them in 2013 alone.
A little over 4,000 Floridians work in film and television production, barely more than three percent of the jobs supposedly created by those incentives in 2013 alone. They must be relying on some astonishing induced employment numbers. At 675,000 jobs supposedly created due to these programs over the years, we’re to believe that one in fourteen working Floridians owes his or her job to the state’s film incentives.

If you think that reasonable, then by all means, retain this program. But if you find those numbers too generous, I would encourage you to look to those states that have scrutinized these programs.

Look at how temporary the jobs are: according to a Michigan study, the average job runs its course in 23 days. Massachusetts concurs, saying that few last more than three months, with many measured in mere days. An extra working on the set for one day counts as a job created. If that extra works several film shoots, that’s multiple jobs created even if each job only lasts a day or two.

Look at the taxpayer cost per job: typically over $100,000. Or the return on investment: 6-24 cents on the dollar, according to state studies.

Film incentives are not an investment in job creation, economic growth, or future tax revenue. They are an expenditure, one on track to cost Florida nearly $300 million.

The film industry tells an enticing tale—and no wonder; that’s basically their job. But really, what these incentives bring is not jobs or growth; it’s glamor. Everyone notices a film shoot in a way that few notice a new data center. It looks like the state is getting its money’s worth. The race-to-the-bottom competition can make it seem like a state “won” something valuable. The unfortunate reality is that states are competing for the opportunity to lose money—taxpayer dollars that could be spend on critical state programs, or used to pay down broad-based tax reductions that could boost long-term economic growth.

Taxes matter, and broad-based competition can benefit consumers and spur growth. But this sort of industry-specific incentive is nothing more than a wealth transfer. It’s one thing to ask Floridians to pay for roads, schools, and law enforcement, and quite another to ask them to subsidize Hollywood. I thank the committee for its time.