



## The Real Cost of Florida's Film Incentives

### *Summary of Testimony (as prepared) before Florida Senate Appropriations*

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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.

#### **Film Tax Incentives Don't Promote Economic Growth**

The Florida Office of Film & Entertainment reported that film incentives and the state's film-related sales tax credit created 675,000 jobs, nearly 118,000 of them in 2013 alone.<sup>1</sup> According to the U.S. Bureau of Labor Statistics, however, only 4,098 Floridians worked in film and television production in 2013,<sup>2</sup> barely over three percent of the jobs supposedly created by those incentives that year.

This dramatic difference owes to an overreliance on induced job creation estimates—clearly film incentives have not induced the employment of one in fourteen working Floridians—and a method of counting that can include the same job (that of a paid extra, for instance) over and over again.

Most of these jobs are temporary. According to a Michigan study, the average job runs its course in 23 days.<sup>3</sup> Similarly, Massachusetts concluded that few lasted more than three months, with many extending only a few days. These jobs are also extremely costly for taxpayers. In Massachusetts, film credits bore an estimated price tag of \$119,000 per job created.<sup>4</sup> In Michigan, the state estimated a taxpayer cost of \$193,000 per job.

#### **Film Incentives Cannot Pay For Themselves**

While film incentives are often advertised as paying for themselves, analysis conducted by state revenue offices consistently find exceedingly poor return on investment. The Massachusetts Department of Revenue, for instance, found that the state's film tax credit expenditures exceeded the industry's in-state spend, and that the state recouped only 11 cents on the dollar in tax revenue.

A Maryland study yielded an even worse figure, estimating a return on investment of 6 cents on the dollar. For Connecticut it was seven cents. Governmental studies in California, Louisiana, and New Mexico also found low returns on investment, all under 25 cents on the dollar.<sup>5</sup>

#### **Film Incentives Divert Money From More Worthy Projects**

Florida's film credits are on track to cost the state nearly \$300 million while yielding remarkably little in job creation or economic growth. Extending the program and adding "closing fund" authority would make the program even more generous by advancing film studios up-front money for a commitment to film in state.

Florida is engaged in a race to the bottom with states like Louisiana and Georgia—a race to give away the most to an industry that will only stick around as long as the tax incentives keep flowing. It's one thing to ask Floridians to pay for roads, schools, and law enforcement, and quite another to ask them to subsidize Hollywood. Taxpayer dollars are a scarce resource, and Floridians have higher priorities than bankrolling film studios.

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<sup>1</sup> Florida Dept. of Economic Opportunity, *Florida Office of Film and Entertainment FY 2013-2014 Annual Report*, Nov. 1, 2014, <http://www.filminflorida.com/ifi/PDFs/annualReports/Entertainment%20Industry%20Financial%20Incentive%20Annual%20Report%20FY2013-2014.pdf>.

<sup>2</sup> Bureau of Labor and Statistics, *Occupational Employment Statistics*, May 2014, <http://www.bls.gov/oes/current/oesrcst.htm>.

<sup>3</sup> David Zin, Michigan Senate Fiscal Agency, *Film Incentives in Michigan*, Sept. 2010, <http://www.senate.michigan.gov/sfa/Publications/Issues/FilmIncentives/FilmIncentives.pdf>.

<sup>4</sup> Massachusetts Department of Revenue, *Report on the Impact of Massachusetts Film Industry Tax Incentives Through Calendar Year 2012*, Sept. 16, 2014, <http://www.mass.gov/dor/docs/dor/news/reportcalendaryear2012.pdf>.

<sup>5</sup> For full citations, see Jared Walczak, *Testimony on Film Tax Incentives Before the Florida Senate Appropriations Committee (as prepared)*, Apr. 21, 2015, <http://taxfoundation.org/article/testimony-film-tax-incentives-florida-senate-appropriations-committee>.