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].
- **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]. Another film producer was [sentenced to 10 years in prison this week] related to that scandal.
- **Kansas** has [suspended its program].
- **Maine** appropriated no funds for its program for 2011.
- **New Jersey** [suspended its program], although some legislators are [pushing for its reinstatement].

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Washington legislators just dropped their program as part of a budget deal.\(^7\)

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.\(^8\)
- **Connecticut** reduced the generosity of its credit.\(^9\)
- **Georgia’s** tax review commission recommended eliminating the program.\(^10\)
- **Hawaii** legislators rejected an effort to expand their program.\(^11\)
- **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.\(^12\) Gov. Rick Snyder (R) had called for ending the program altogether.\(^13\)
- **Missouri’s** tax credit review commission recommended ending the program.\(^14\)
- **New Mexico** capped its program,\(^15\) compromising with Gov. Susanna Martinez (R) who had sought to scale back or end it.\(^16\)
- **Rhode Island** Gov. Lincoln Chafee (I) is seeking to end that state’s program.\(^17\)
- **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.\(^18\)

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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.\(^{19}\)
- **Minnesota** Gov. Mark Dayton (DFL) put money for their "Snowbate" program back in the budget,\(^{20}\) after his predecessor Gov. Tim Pawlenty (R) sought to end the program.\(^{21}\)
- 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.\(^{22}\)
- After early indications that he might challenge the program, **Ohio** Gov. John Kasich (R) sought no changes.\(^{23}\)
- **Pennsylvania** Gov. Tom Corbett (R) worked to save the film tax credit from budget cuts.\(^{24}\)
- **Utah** made its film tax credit more generous.\(^{25}\)
- **Virginia** Gov. Bob McDonnell (R) worked with legislators to add a new film tax credit.\(^{26}\)
- **Wyoming** Gov. Matt Mead (R) signed a five-year extension of that state’s program.\(^{27}\)

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.)\(^{28}\) 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.”\(^{29}\)

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<th>Year</th>
<th>States with Film Incentive Program</th>
<th>Incentive Amounts Offered</th>
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<tr>
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<tr>
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Source: Tax Foundation