

Film tax credit stays same in Pennsylvania budget

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By Barbara Vancheri Pittsburgh Post-Gazette

Film office directors in Pittsburgh and Philadelphia separately reached for the same word: "disappointing."

That was their response Monday to budget news that Pennsylvania is keeping its cap on tax credits for film and TV projects at \$60 million as some states grow more aggressive with incentives.

"We're extremely disappointed. We're happy we still have a program, now we're going to work toward trying to get it better for next year. It's not how we planned on starting the new [fiscal] year," Dawn Keezer, director of the Pittsburgh Film Office, said Monday.

Pennsylvania has not stayed competitive with other states successful in wooing production, she said, citing a June study from the state's Independent Fiscal Office.

"The states with uncapped programs are being extremely successful. They're growing this industry, and they're getting infrastructure built because they've got a growing industry. So they're really building a business.

"We've been making movies in southwestern Pennsylvania since 1914 -- we already had a business. What the tax credit did was get us closer to leveling the playing field. ... Because of the actions of this current group of legislators we're not keeping up."

Pittsburgh lost the "Hatfields & McCoys" TV pilot to Boston, the Sundance Channel drama series "The Descendants" to Georgia and untold projects that never applied because producers knew the credit was exhausted.

Disney's "Million Dollar Arm," about Pittsburgh Pirates pitching prospects who emerge from a competition in India, is shooting in Atlanta, Los Angeles and India with Jon Hamm.

When 60 percent of a company's production expenses are incurred in Pennsylvania, it gets a 25 percent tax credit on qualified costs. The makers of such films as "The Perks of Being a Wallflower," "Jack Reacher" and "Out of the Furnace" all told the Post-Gazette the credit sealed their plans to shoot here.

The \$60 million figure is somewhat misleading because some of that is committed, leaving roughly \$42 million for new applicants.

"The same thing that happened last year is going to happen this year," Ms. Keezer predicted. The credits will be claimed by October, crews may work till year's end if lucky and face unemployment until the cycle starts again.

"It's very distressing, and, ultimately, people who are professional in this business will have to pick up their families and move to places where the work is more dependable because the tax credit is more dependable," Sharon Pinkenson, director of the Greater Philadelphia Film Office, said Monday by phone.

She was stung by the loss of David O. Russell's "American Hustle" about the 1970s Abscam scandal in Philadelphia. Bradley Cooper is producing and starring alongside Jennifer Lawrence, Christian Bale and Amy Adams.

"They had a fantastic time shooting 'Silver Linings Playbook' in Philadelphia and were so excited to come back," Ms. Pinkenson said. "They could not get a tax credit in Pennsylvania, that was back last fall when we were already out of money, and they went to Massachusetts to double for Philadelphia."

States such as Massachusetts, Georgia, North Carolina, New York and Louisiana often are waiting in the wings if Pennsylvania cannot accommodate a project.

"People who don't know better will say that it's Hollywood welfare, but it's not," Ms. Pinkenson said. "It's just good business policy, it's business-attraction policy. ..."

"So you can say, OK, we're not giving any 'Hollywood welfare,' if you will, but we're also not getting any Hollywood business."

An attempt by Pennsylvania Senate Majority Leader Dominic Pileggi, R-Delaware County, to uncapp the program was not successful. "Senator Pileggi believes uncapping the credit will create jobs and help the economy, and he will continue to pursue it," a spokesman said Monday night.

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Pittsburgh lawmaker pitches bill to raise state's film tax credit cap to \$100M



Jasmine Goldband | Tribune-Review

Duquesne University economics professor Antony Davis talks with film set medic Casey Larocco of Beechview and on-set dresser Mamie Stein of the South Side about the Pennsylvania film tax credit at the Pittsburgh Tribune-Review.

By Thomas Olson

Thursday, May 16, 2013, 12:01 a.m.

TRIBLIVE

Shadyside resident and actress Delilah Picart spent 18 days filming scenes in Pittsburgh as a sniper shooting victim in "Jack Reacher" in late 2011 and got paid \$18,000.

"I made more money on this job than at the temp job I had in Pittsburgh working for four months in 2011," said Picart, 32, who played in the movie starring Tom Cruise.

She credits the Pennsylvania Film Tax Credits program for her earnings. Supporters say it attracts filmmaking projects to Pennsylvania that otherwise would film elsewhere.

Pennsylvania caps annual tax credits at \$60 million a year, but the amount often gets exhausted within about three months. Sen. Wayne Fontana, D-Brookline, introduced a bill to raise the annual cap to \$100 million.

Competition is hot between states to lure films. Pennsylvania is one of 42 states that offers incentives to the industry, and seven of them have no annual caps on their tax credits.

One of those seven, Georgia, for example, beat Pennsylvania in late March to lure a \$90 million film studio that promised to make 1,000 local jobs.

Fontana's bill has wide — but not universal — support in Harrisburg. It comes as Pennsylvania legislators in tight times try to pass a budget by June 30.

"It doesn't benefit every county in the state. But I represent Pittsburgh, and there's certainly a positive (economic) effect here when there's a film being made in town," said Fontana.

The program provides a 25 percent tax credit to film and television producers who spend at least 60 percent of their budgets within the state. They are awarded on a first-come, first-served basis. Spending must be audited and reports sent to the state to receive the credit, generally 18 months after filming is done.

Critics say the tax credits are a giveaway to one industry at the expense of others.

"If Pennsylvania is looking to make an investment, it would do better to invest in manufacturing and technology," said Antony Davies, an economics professor at Duquesne University and a skeptic about the long-term economic benefits of subsidizing the film industry.

Sen. Rob Teplitz, D-Dauphin County, agrees that the money could be better spent.

"I do have concerns about investing in temporary projects and whether the jobs created are also temporary," he said.

Before the tax credit program started in 2007, Pennsylvania's film industry employed about 250 people. Now about 18,000 people work in film, says the International Alliance of Theatrical Stage Employees.

"That's why we need the incentive — to support the industry," said Casey LaRocco, a board representative for IATSE Local 489 and a medic on film sets.

Gov. Tom Corbett supports the credit because it has created jobs, said administration spokesman Steve Kratz. But the issue turns on "where the commonwealth is fiscally," he added.

Aside from actors and actresses such as Picart, movie-making employs hundreds of extras, crew members, casting agents, equipment managers, drivers, caterers and the like for about four months, says the Screen Actors Guild-American Federation of Television and Radio Artists (SAG-AFTRA).

For example, "The Dark Knight Rises," the Batman movie filmed here in 2011, employed more than 10,000 extras for a crowd scene in Heinz Field. Extras get \$7.25 an hour.

"That's people who get paychecks and spend that money in Pittsburgh," said Chelsea Danley, spokeswoman for the Ohio-Pittsburgh local of SAG-AFTRA. "Film people stay at our hotels and eat at our restaurants. Crews buy their wood and other materials in our stores."

Since 2007, the state tax credit has drawn more than 220 film and TV productions to Pennsylvania that spent \$1.4 billion, says the Pittsburgh Film Office.

"In Pittsburgh, filmmaking spending has topped \$100 million every calendar year for the last four years," said Dawn Keezer, film office director.

"Jack Reacher," for instance, spent almost \$3 million on transportation alone in Western Pennsylvania, said Kevin McQuillan, a local certified public accountant who has audited 60 films made in Pennsylvania. Hotels benefit, too. Sheraton Station Square has hosted filmmaking visitors on at least one movie a year since 2007.

"People stay with us about three months," said Andrew Sliben, sales and marketing director.

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With cap on film-tax credits, N.J. misses out on some action



By Maddie Hanna, Inquirer Trenton Bureau

POSTED: November 25, 2013

Boardwalk Empire, the hit HBO series about Prohibition-era Atlantic City, was filmed not at the Jersey Shore, but on a boardwalk built in Brooklyn. *Silver Linings Playbook*, the Oscar-winning feature film adapted from a book set in South Jersey, was shot over the river in Philadelphia.

Though *Silver Linings* director David O. Russell and actor Bradley Cooper - a Philadelphia native - had wanted to film in Philadelphia, "certainly things set in Jersey would tend not to go there right now," said the film's coproducer, Mark Kamrinsky. "There's no tax credit."

Russell had hoped to stay in Philadelphia for his next film, *American Hustle* - also starring Cooper, and with scenes in Camden and Atlantic City. But Pennsylvania's tax credits, capped at \$60 million annually, were running out, said Kamrinsky, coproducer on the film. So Russell shot in Massachusetts, which has no cap on film-tax credits.

"The studios now will only go where there's a tax incentive," said Cheryl Quarantello, a production manager of 30 years who lives in Brielle. "Years ago, it was different. Now, it's a numbers game."

Concerned the state is getting short shrift from Hollywood and losing jobs and dollars to its neighbors, several New Jersey lawmakers have introduced legislation to revive the state's film-tax credit program, which has allotted all of its money - \$10 million a year - through its expiration in 2015.

A bill sponsored by Sen. Ray Lesniak (D., Union) would expand the program to \$50 million a year, continuing to 2020.

"We don't get revenues from the film industry, because they get tax credits in New York City and set up shop there," Lesniak said.

New York state's film production tax credit program is capped at \$420 million a year. The state also awards a 30 percent credit on qualifying production costs and 35 percent on postproduction costs for feature films and television shows, compared with 20 percent on qualifying production costs under New Jersey's program.

Lesniak's proposal - part of a bill that also would give incentives for redeveloping low-income housing and repurposing health-care facilities - would increase the film credit rate to 22 percent. The bill passed the Senate's Economic Growth Committee, which is led by Lesniak, and has been referred to the Budget Committee.

The percentage increase is "a minor adjustment," Lesniak said. Still, he said, the changes would be enough to make the state competitive. "The industry people tell us yes."

Producers and film-industry groups - who say state tax credits are paramount in location decisions - tout an array of economic benefits by promoting movie and television production, from job creation and spending by crews at local businesses to tourism boosts to cities.

Striking a pose

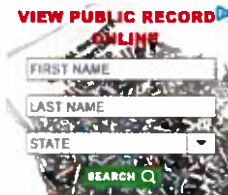
"Nobody calls it 'the steps in front of the Philadelphia Museum of Art.' They call it 'the Rocky steps,'" Sharon Pinkenson, executive director of the Greater Philadelphia Film Office, said of the site made famous by Sylvester Stallone striking a triumphant pose. "You can't buy that kind of marketing."

Studies commissioned by the Motion Picture Association of America - which counts 40 states with varying degrees of film production incentives - credit the tax breaks with pumping millions of dollars into state economies, generating positive returns on investment.

Critics say the industry studies are flawed. They argue the subsidies are too generous, and the jobs created too transient.

"It's a money-loser for the state," said Gordon MacInnes, president of New Jersey Policy Perspective, citing a review by the state's Economic Development Authority.

New Jersey began offering the film-tax credits in 2006. Citing budget pressures, Gov. Christie suspended the program for one year in 2010, asking the Economic Development Authority to review the program's effectiveness.



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Modest effect

A study by the New Jersey Institute of Technology found the state had broken even between the cost of the credits and the tax revenue received from the film industry.

Recommending an expansion of the program, the NJIT study said: "A larger program should continue to increase employment while having only a modest effect on net tax transfers."

But the Economic Development Authority disagreed, saying the study had incorrectly counted taxes paid as a result of film and television projects that did not receive credits.

The "conclusion that the program pays for itself is based on the arguable position that the entire film industry in New Jersey is dependent on the film-tax program," Caren Franzini, then CEO of the Economic Development Authority, wrote in 2011.

In 2011, Christie vetoed a bill to increase the program to \$50 million, a measure the Office of Legislative Services said would reduce state revenue.

Christie also that year vetoed a tax credit for the hit MTV reality show *Jersey Shore*, which he said had perpetuated "misconceptions about the state and its citizens."

The credit "illustrates the potential for wasteful spending inherent in the implementation" of the tax-credit program, he said.

In 2006, when the credits began, film-industry revenue in New Jersey was \$92 million. It rose to \$121 million in 2007, according to the state Motion Picture and Television Commission.

Between 2010 and 2011, when the credits were suspended, that revenue fell from \$123.5 million to \$84.3 million, according to the commission.

Steven Gorelick, the commission's executive director, did not comment on the reason for the decline. "We had fewer bigger-budget projects," he said. Revenue figures from 2012 aren't yet available, but Gorelick expects an increase from 2011.

"There's still a lot of filming being done here, there's no question about that," Gorelick said. He cited several movies that recently had short shooting sessions in the state, including *Annie*, an adaptation of the musical, featuring Jamie Foxx and Cameron Diaz, filmed at Liberty State Park in Jersey City; and a slew of reality shows, among them *Real Housewives of New Jersey*, *Jersey Couture*, and *Jerseylicious*.

"That's just mentioning the shows with Jersey in them," he said. "We're probably the reality-show king in New Jersey."

The state doesn't have a network television series shooting in a studio. *Law and Order: Special Victims Unit* used to film in North Jersey - popular for its proximity to New York - but left for New York when it could no longer get tax credits.

No economic sense

Those involved in New Jersey's film industry see lost opportunities. Ursula Ryan, president of the Atlantic City casting firm Weist-Baron-Ryan, sighed at the mention of *Boardwalk Empire*.

"It's like them building another Empire State Building or Philadelphia City Hall someplace else," Ryan said. The show's executive producer, Terence Winter, has said Atlantic City's Boardwalk was too modern a setting. He considered Asbury Park, he told *The Inquirer* in 2009, but New York's tax credit was better.

Proponents hope the state will expand the tax-credit program.

"It just makes no economic sense" not to, said O'Brien Kelley, director of the Newark Office of Film and Television. "I can't send a locations person into a jurisdiction that offers nothing."

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The Value of Movie Tax Incentives

States spend billions on incentives to lure film productions away from Hollywood. Some say it's gone too far.

BY: [Zach Patton](#) | June 2010

In the 2009 movie *Whip It*, 17-year-old misfit Bliss Cavender longs to escape the beauty pageants and big hair of her tiny hometown of Bodeen, Texas, by joining an underground roller-derby league in Austin. In the film--actress Drew Barrymore's directorial debut--Bliss stares wistfully across the desolate Texas plains while killing time during her waitressing shift at the Oink Joint, the local barbecue dive that sports a giant pink pig on the roof and a sign touting its signature menu item, the "Squealer."

It's quintessential small-town Texas. Only it's not. It's southeast Michigan. *Whip It* was filmed almost entirely in and around Detroit. And Ypsilanti, a town near Ann Arbor, stood in for the fictional Bodeen. The Oink Joint was actually Ken's Diner, a shuttered restaurant in the little town of Birch Run, north of Flint. (Thanks to the increased local notoriety, Ken's was reopened and rechristened the Oink Joint -- although it closed again earlier this year.)*

If you're wondering why a movie seeking to capture the flavor of Austin and its environs would set up shop in Michigan, it helps to know that for the past two years, the state has been home to the nation's most generous film incentives. Thanks to an aggressive tax-credit plan created by Gov. Jennifer Granholm in 2008, productions that shoot in Michigan can be reimbursed by the state for as much as 42 percent of their expenses.

That was enough to lure *Whip It*, which originally planned to shoot entirely in the Lone Star State. During filming, the movie's screenwriter told an Austin newspaper that the Michigan deal was just too good to pass up. "For a year, it was going to be Texas, and if it hadn't been for money, it would have been Texas all the way."

The influx of showbiz cash is welcomed by many in Michigan. In a state that's lost nearly a million jobs since 2000 and still suffers the nation's highest unemployment rate, attracting business revenue and creating new jobs--even the temporary, short-term positions associated with movie productions--is seen as a bright spot for the economy. But it's not quite that simple.

Michigan's movie-money measure has drawn all sorts of big-budget Hollywood productions, including Clint Eastwood's *Gran Torino* in 2008 and 2009's *Up in the Air*, starring George Clooney. This summer, the state will play backdrop for films starring Hugh Jackman, Pierce Brosnan and Jennifer Connelly, as well as the next installment of the *Scream* franchise. In the two years since the incentives became available, 89 movies and TV shows have been shot in Michigan. The state's film office says more than 4,000 jobs were created for Michigan crews in 2009, and another 4,000 were created for actors, including extras and day players. In 2007, before the tax credit was offered, film expenditures in the state were \$2 million. That rose to \$125 million in 2008 and to more than \$223 million in 2009. Eastwood proclaimed that the state "will be the new film capital of the world."

Michigan may offer the sweetest deal to moviemakers, but the reality is that almost every state has some incentives designed to attract Hollywood productions. What was unique just a few years ago has quickly become standard. Back in 2002, only five states offered production incentives for film projects. But as of the beginning of this year, more than 40 states do. Arizona, Connecticut, Illinois and Louisiana, for instance, offer 30 percent tax credits or rebates, while Alabama, Maryland and North Carolina offer 25 percent--and on down the line. In fact, these types of incentives have become so *de rigeur* that even California has felt obliged to get in on the act. Lawmakers last year approved a 25 percent credit for films shot in the Golden State.

All totaled, states distributed \$1.8 billion in incentives and tax credits to the entertainment industry from 2006-2008, according to an Associated Press study. "States are trapped," says Robert Tannenwald, an economist and a senior fellow at the Center on Budget and Policy Priorities. "Thanks to the extreme mobility of film production, when one state goes after these movies, another state, if it wants to stay in the game, has to match the deal they're offering."

But as those subsidies have become more widespread and generous, some policymakers are beginning to reconsider the whole idea. In recent months, several states have contemplated reducing the incentives they offer--or eliminating them altogether. Facing unprecedented fiscal pressures, some lawmakers question

whether handing out money to Hollywood is the best use of increasingly limited public funds. And there's intense disagreement about the actual economic windfall associated with landing a movie production in your state. After a decade of ever-expanding film incentives, some say it's time to end states' gold rush for the silver screen.

Even in Michigan, where the incentives have brought in such high-profile success stories, the enticements have come under fire from people who say they're unnecessarily generous. The fact is that Michigan still faces a massive \$1.6 billion budget gap, and it's been in a fiscal downturn for a solid decade. The state slashed spending on corrections, education and human services. At the same time, it doled out tens of millions of dollars in tax credits--\$48 million in 2008, \$68 million in 2009 and an estimated \$155 million in fiscal 2011. Lawmakers last year debated placing an annual \$50 million cap on the incentives that could be paid out. Even Granholm entertained the idea, but remained an avid supporter of the program as it stood. But the film industry and tax-cut advocates rallied, and ultimately no caps were put in place.

State Rep. Pete Lund was one of the legislators fighting for the cap. Lund says he has "no problem" with the basic idea of making tax credits available to film productions, but Michigan's handout is too generous. "I don't think we should be paying their bills," he says. "Is it creating jobs in the state? Sure. What industry wouldn't be creating jobs if the state were paying 40 percent of their bills for them? But you have to wonder how many other jobs we could be creating if we focused on reducing the tax burden on the businesses that we already have."

Michigan's dire economy and generous film incentives make it an extreme case. But the debate that's happened there is being replayed in states across the country. Governors in Massachusetts, Connecticut, Rhode Island, Oklahoma and elsewhere have recently proposed capping or eliminating their tax credits as a way to plug budget holes. Last year in Wisconsin, Gov. Jim Doyle essentially gutted his state's 25-percent no-limit tax incentive, turning it into a \$500,000 annual grant program after a state Commerce Department report showed the benefit provided almost no net income for the state.

Kansas recently suspended its incentives for two years to save money. Although the program was modest compared to others, with a \$2 million annual limit on payouts, the lack of any incentives effectively takes Kansas out of the running for attracting any projects, says Peter Jasso, the director of the state's Film Commission. "Just the way the industry works now--you have to have some incentive [to offer] to even start the conversation."

Officials in Iowa have suspended their film-credit program until mid-2013, after an independent audit in 2009 uncovered sweeping problems regarding credit oversight. The state had offered the nation's biggest rebate on film costs, reimbursing 50 percent of in-state spending and touting "half-price" filmmaking. But the audit showed moviemakers had grossly overinflated their expenditure figures and received credits for nonqualifying expenses, such as luxury car purchases. The state fired the head of the film office; he and two other employees await criminal trials later this year. Louisiana was similarly rocked by scandal last year when the state's film commissioner was sentenced to two years in prison for accepting bribes to award inflated credits.

But not all states are scaling back. Alabama, New York, North Carolina, Ohio, Utah and California have created or boosted their film incentives in recent months. And even in Louisiana, despite the scandal, lawmakers actually increased the state's tax credit and made it permanent.

Still, film incentives are increasingly coming under fire. Part of the problem is data. It's hard to get a good handle on the exact impact of an in-state movie production. In most places, the only reports on movie-production revenue and jobs come from the state film office--or the movie industry itself. Objective studies are relatively hard to come by. And even where independent studies of film incentives do exist, the data can easily be interpreted in myriad ways.

Take Massachusetts, which has offered a 25 percent film incentive since 2006 and already has attracted numerous big-name projects and stars, including Tom Cruise, Cameron Diaz, Leonardo DiCaprio and Mel Gibson. The Bay State is one of only a couple that require an annual, independent report on how the incentives are performing. When the most recent report was released by the Department of Revenue in July 2009, tax-incentive opponents said it unequivocally showed the credits weren't working. According to the report, the state paid out \$113 million in movie tax credits in 2008, while filming in the state generated \$17.5 million in new tax revenue and created about 1,100 full-time-equivalent jobs for state residents.

"That's roughly \$89,000 spent by the state creating each new job," says state Rep. Steve D'Amico. "In terms of cost-to-benefit, it's clearly not justified." D'Amico sponsored a bill this year--ultimately unsuccessfully--to

reinstate a \$7-million-per-film cap that had been lifted in 2007. "Our funds are too scarce for us to be wasting money on economic development that has so little impact."

Looking at the same state study, though, film advocates saw Massachusetts' incentives program as an unqualified success. "We're gratified by the outcome," says Nick Paleologos, a one-time legislator who now heads the state's Film Office. The incentives were never meant to pay for themselves with new tax revenue, he says. Instead, they were intended to bring new spending to the state. Paleologos points to the \$452 million spent by movie productions in Massachusetts in 2008. That's evidence, he says, that "the tax credit is working and doing what it was intended to do."

And that figure still doesn't capture the full impact of these productions, he says. For one thing, there's the "multiplier effect"--the money spent by film crews on hotels and food and other services keeps cycling through the local economy again and again. Added to that is the even less quantifiable--but no less important--boost in overall interest in the state. "When Sandra Bullock goes on TV and talks about how great it was to film in Rockport, Mass., it's like having a national celebrity tourism endorser for free." Discounting these kinds of secondary ripple effects misses the big picture, he says. "We may argue about how to count these dollars. But they're real."

Getting good data isn't the only problem. "These film credits have another shoe to drop," says Tannenwald of the Center on Budget and Policy Priorities. He's referring to the fact that in most states, the incentives paid to movie studios are transferrable. That means a film producer can sell unused credits on a secondary market. As a result, the credits could wind up benefiting people who have nothing to do with movies or entertainment. Worse, Tannenwald says, reselling the credits means they may be redeemed years down the line.

In Massachusetts, for example, credits awarded by the state in 2006 might not be redeemed until 2011 or 2012. And the number of the credits being resold is enormous: Of the \$166 million in credits given out by Massachusetts from fiscal 2006 through fiscal 2008, \$149 million were resold on a secondary market, according to Tannenwald. "It complicates budgeting and forecasting. It's a serious cost to policymakers and to the public in terms of uncertainty." So even if Massachusetts suspended its incentives today, it could still be paying out credits for years to come.

The worry, D'Amico says, is that states' one-upmanship may have created an irreversible system of incentive handouts. Offering these kinds of broad tax incentives to film companies isn't creating a permanent new industry in Massachusetts; it's merely setting the state up to pay an ongoing subsidy it can't easily get out of. Thanks to the constant competition from other states, he says, "these jobs will only persist as long as we continue to offer the credit. It's not as though we're creating jobs. We're renting them. But once you start handing out money, it's really hard to step away."

Despite those concerns and the uncertain economic benefits of film incentives, they remain extremely popular with the public. And that could prove to be one of the biggest obstacles to critics who want to do away with the tax credits. Even in the midst of Iowa's high-profile criminal investigation into its film program, a poll of state residents showed 61 percent still thought the credits were a good idea. In-state movie productions generate buzz, and visits from marquee-worthy celebs can engender no small amount of local pride. That can drown out a lot of talk about job creation and secondary credit markets. "It's hard for people to be rational about this industry," D'Amico says. "Everybody dreams they'll someday be in the movies. Everybody wants to see a celebrity walk down the street."

**An earlier version of this article failed to mention that the Oink Joint closed down early this year.*

This article was printed from: <http://www.governing.com/topics/economic-dev/The-Value-of-Movie-Tax-Incentives.html>