

Lights, Cameras, Caution!

Some Questions to Ask about Film Tax Credits

Forum on Film and Audio Tax Credits
Connecticut Joint Committee on Finance,
Revenue and Bonding
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How are the tax credits financed?

- What types of spending are foregone?
- What other taxes are raised?
- How much is borrowed?
- Will nature of financing mechanism affect impacts?

Costs and Benefits Over What Time Period?

- When spurt in production levels off, will revenue impact continue indefinitely?
- Once tax subsidy is in place, producers attracted to Connecticut will continue to earn tax credits even after state's industry "matures"

Windfalls and Inefficiencies in Tax Subsidy

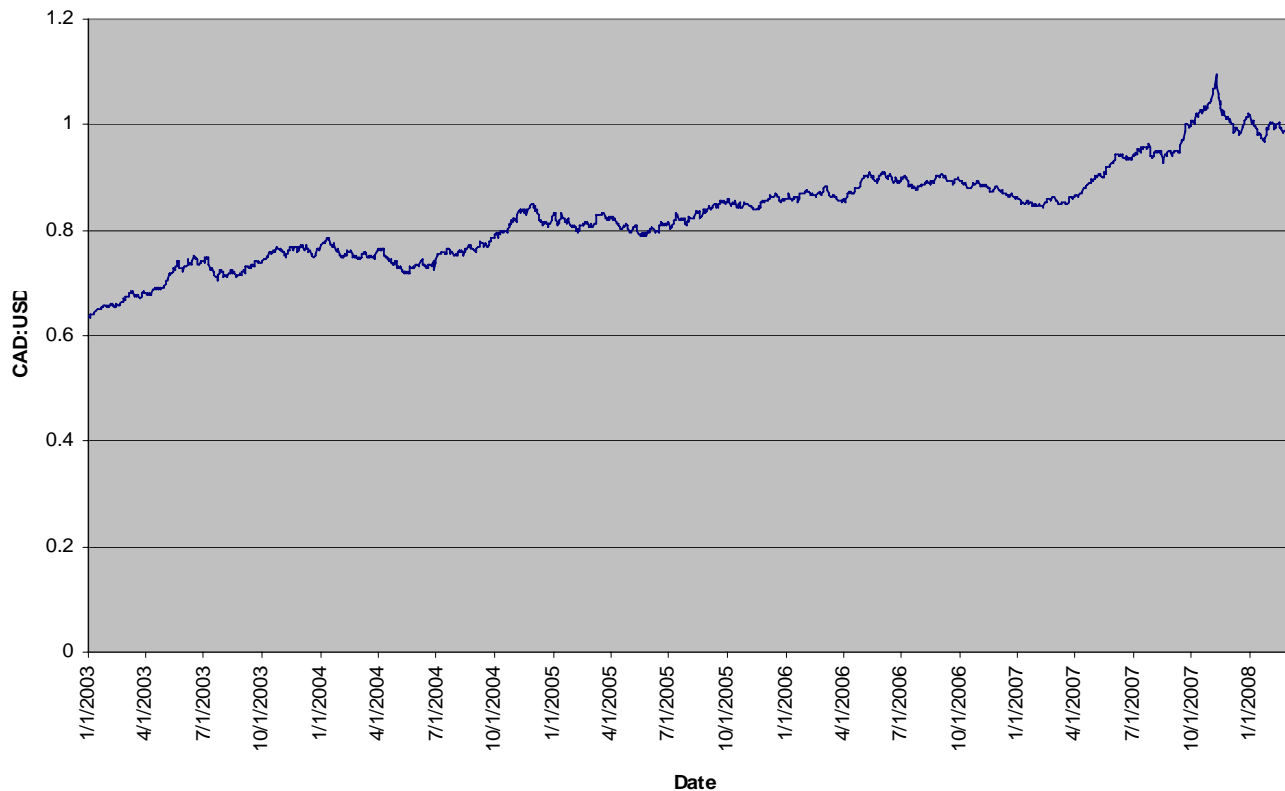
- Producers already located in CT get tax credit
- Some who decide to shoot film in CT would have come with or without tax credit
- Tax subsidy is greater than needed to induce producer to shoot in CT

Consequences of Competing in Global Market (Including Unintended Ones)

- Global forces affect location decisions too
- Global forces can be stronger (e.g., exchange rates, federal tax policies)
- Hedge funds market film tax credits in multi-state packages
- Consequently, CT inadvertently helps competitors as it tries to help itself

All State Have Benefited from Appreciation of Canadian Dollar

History of Canadian Dollar to U.S. Dollar Exchange Rate (January 2003-March 2008)



Source: www.oanda.com and Federal Reserve Bank of New York



How to Enhance Tax Credit's Cost Effectiveness and Improve Accountability?

- Cap total revenue cost to state—first come, first serve or have a state agency choose tax credit recipients
- Cap per production
- Limit tax credit to spending for goods and service provided by CT vendors
- Beef up Revenue Department's capacity to monitor cost reporting
- Eliminate marketing of credits but allow for partial refundability
- Minimum in-state expenditure floors

“This film will make millions.
Unfortunately, it will cost
millions.”

-Mel Brooks

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