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Sujet traité : Des États américains ont dépensé 25 milliards de dollars pour courtiser Hollywood. Est-ce que cela en vaut la peine? / States Have Spent $25 Billion to Woo Hollywood. Is It Worth It?

Source : New York Times   Date : 21 mars 2024

States Have Spent $25 Billion to Woo Hollywood. Is It Worth It?

nytimes.com/2024/03/21/arts/states-hollywood-film-tax-incentives.html

Michigan desperately wanted a Hollywood makeover. And for $500 million, studios were more than happy to help.

When the state started writing checks in 2008 from one of the nation’s most generous film incentive programs, productions flocked there, making box-office hits like Clint Eastwood’s “Gran Torino,” Sam Raimi’s “Oz the Great and Powerful” and Zack Snyder’s “Batman v Superman: Dawn of Justice.”

Then Michigan did the math.

After a state economist determined that “the film incentives represent lost revenue” and that their economic benefits were “negligible,” Michigan, which cut funding for the police and schools while facing a severe budget deficit, eventually decided to end its incentives.

As the program gradually unwound, “The Avengers” moved to Cleveland and “Iron Man 3” went to Wilmington, N.C. Even “Detroit” was filmed in Boston.

Now, almost a decade after the state stopped paying Hollywood, lawmakers think they can no longer afford not to.

“Batman v Superman: Dawn of Justice,” “Gran Torino” and “Oz the Great and Powerful” were some of the box-office hits filmed in Michigan when it offered tax incentives.Credit...Clay Enos/Warner Bros.; Anthony Michael Rivetti/Warner Bros.; Disney

“We’re not on an even playing field,” said Dayna Polehanki, a state senator and one of the sponsors of legislation that would thrust Michigan back into fierce competition with dozens of states trying to woo studios. “We’re not even in the game.”

Supporters say a more carefully tailored program will function better than the previous one, creating jobs and invigorating spending. But economists have long been dubious about the value of subsidies for film and television, saying they have plunged state governments into a race to the bottom where the biggest winner, by far, is Hollywood.

A survey by The New York Times found that states have distributed more than $25 billion to film incentive programs.

The Cost of Wooing Hollywood

How much money have states been spending?

Over the last 20 years, states have given movie and television productions more than $25 billion in filming incentives. Thirty-eight states currently offer some form of incentive. Georgia's lauded program has poured more than $5 billion into Hollywood since 2015. New York has spent at least $7 billion, and California has dedicated more than $3 billion to try to retain productions.

Why do states want to encourage filming?

Supporters of film incentives see them as an engine for job creation. After all, when productions come to town, they need electricians, hair stylists and many other crew members to make movie magic. Productions also spend money while working — money that trickles through local economies to hotels, diners and dry cleaners.

Are there any downsides?

Incentives can be effective at luring projects. But economists warn that using them to do so is very expensive and offers minimal bang for your buck. Study after study has found that the tax revenue generated by film incentive programs is a quarter, or even a dime, of every dollar invested. In some programs, each job that is directly created can cost taxpayers more than $100,000.

And yet states are handing out cash?

Incentives come in different forms. Many states do offer cash rebates or grants, which are paid out directly to production companies. Other states give some form of a tax credit. Depending on the state, tax credits can be used toward tax liability, converted into a refund or sold.

Wait, studios sell their tax credits?

Yes. Many states offer a transferable tax credit. Studios can then sell those credits to companies with high state-tax liabilities. By selling them, often at a slight discount, studios can cash out and buyers can receive modest tax relief. As a result, companies with minimal ties to the entertainment industry have become a hidden part of the incentive ecosystem.

Who's buying these credits?

Companies like Best Buy, U.S. Bank and Dr Pepper buy these tax credits from productions. High-net-worth individuals also sometimes purchase them. Consider one example: The production company behind “The Trial of the Chicago 7” received a $5.2 million tax credit from New Jersey that it sold to Apple Inc. for $4.8 million.

Can we track where all this money is going?

It’s hard. This process involves vast sums of tax revenue that states are owed but never collect. Because the money does not come into the state treasury to begin with, it is less obvious that the revenue has been lost. And that can make transferable tax credits politically palatable.

“You could find almost an unlimited number of better uses for the same dollars,” said Michael Thom, a tax expert at the University of Southern California whose work has been critical of incentives. “Who on earth would say, ‘Keep giving the money to Hollywood; my kid’s school doesn’t need new books’?”

Even as officials have rethought public support of private industry, 38 states now allocate taxpayer dollars to film and TV production. Arizona, Indiana, Kentucky, Missouri and West Virginia have all introduced programs within the past two years. Like Michigan, Wisconsin has drawn up legislation that would bring back its program.

Many of those states hope to become the next Georgia, which has emerged as a dynamic film hub while spending at least $5 billion on its program. New York has handed out more than $7 billion to lure productions from California, which has dedicated more than $3 billion to try to retain them. And Louisiana, an early catalyst for this arms race, has poured in $3 billion of its own.

But independent fiscal monitors for the states have often found meager returns on investment. A recent report prepared for state auditors in Georgia estimated that the tax revenue returned on each dollar spent on incentives was 19 cents. A similar report from New York determined the return was between 15 cents and 31 cents.

“The film production credit is at best a break-even proposition and more likely a net cost” to the state, the New York State Department of Taxation and Finance concluded.

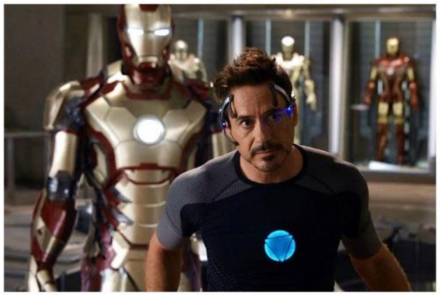
Chiquita Banks, a lawyer who has managed tax incentives for Disney, Fox and Viacom, said studios adeptly navigated the existing system. A big project, she said, might film in Hungary and the state of Georgia before handling virtual effects in New Zealand and postproduction in Canada, dining on a smorgasbord of incentives.

“Why would you leave money on the table that a government is willing to help back you for, to film in their jurisdiction?” Ms. Banks said.

Industry advocates say the investments are worth it. Tax dollars can successfully attract projects, and government funding spurs other economic activity. Productions pay catering businesses to feed workers, hoteliers to house their crews and dry cleaners to do the laundry — all of which creates a ripple effect.

Outside experts say that the effects of such spending are overstated and that the initiatives are incredibly costly for state governments. But their academic papers are competing against the promises of lobbyists and the allure of Hollywood stars and exclusive parties.

Jim Runestad, a Michigan state senator who opposes the proposed tax credits, recalled being wined and dined at the residence of a big-name producer in 2015, just before the state eliminated its film incentives.



As Michigan began unwinding its incentive program, movies including “Detroit,” “Iron Man 3” and “The Avengers” decided to film elsewhere.Credit...Annapurna Distribution; Marvel

“They had a carving station where you could carve up anything you wanted, and all the finest food and drinks you could possibly imagine,” Mr. Runestad said.

At times, the cozy relationship between politicians and producers unfolded onscreen. When the title characters in “Batman v. Superman,” played by Ben Affleck and Henry Cavill, first meet, discerning viewers can also spot a man with less obvious powers.

The man was the former Senate majority leader, Randy Richardville, who had helped push through the incentive program that gave Warner Bros. $35 million to film in Michigan.

Weighing the Costs

After Michigan began subsidizing the film industry, some localities tried to capitalize. The struggling Detroit suburb of Allen Park sold $31 million in bonds to turn a site that had once been occupied by an auto parts manufacturer into a movie studio that it hoped would employ thousands. When the project fell apart in 2010, the city was saddled with debt, and it wound up cutting the pay of its police officers and firefighters.

“The city got taken advantage of,” said Sgt. Grant Peace, a firefighter who took a 10 percent pay cut, “and it hurt our pocketbooks.”

Independent studies have found that even when movies are made, the incentive programs have mixed to insignificant impact on job creation and economic development. Researchers say each job created by the programs can cost taxpayers more than $100,000.

“If we funded 30 percent of the cost of building toilets, Georgia would be the toilet capital of the world,” said J.C. Bradbury, an economics professor at Kennesaw State University in Georgia who has studied the state’s program.

“Of course we’ve seen filming here,” he continued. “But the returns on it, I think it’s pretty clear, are zero to negative.”

The film industry argues that evaluating incentives based on a simple analysis of tax dollars in versus tax dollars out fails to capture the extent of their reach. Economic development programs are not intended to raise government revenue and are seldom expected to pay for themselves.

Image

During Michigan's previous incentive program, the Detroit suburb of Allen Park sold $31 million in bonds to buy a site where it hoped to build a movie studio. But the project ultimately fell apart.Credit...Sarah Rice for The New York Times

The reports commissioned by the industry, state film offices and other economic development agencies consistently find wide-ranging benefits on the order of $6 or $7 of "economic value" for every $1 invested into a film incentive program. Even the skeptical auditors' report on Georgia's program, which found it to be a revenue loser for the state, acknowledged that the program also "induces substantial economic activity."

Although film projects typically bring workers together for a short period, incentives have generated enough activity in some places, like Atlanta and Albuquerque, to result in long-term infrastructure.

The best evidence that the incentive programs are working, supporters say, lies in the fact that states like Michigan are still pushing to adopt them. Lawmakers from both sides of the aisle have for years embraced the programs.

"We are a vital American industry, economically and culturally, and we couldn't be prouder of the career opportunities that our industry supports in all 50 states," Kathy Bañuelos, a senior vice president at the Motion Picture Association, said in a statement.

‘A Math Trick’

The competition among states intensified after Louisiana turbocharged its incentive program in 2002, when concerns were brewing about runaway production to Canada. Michigan joined the fray in 2008, attracting filmmakers with a tax credit of at least 40 percent of production costs.

Under that program, studios often wound up with cash from the state that they could use however — and wherever — they wanted. Supporters of the new proposal in Michigan insist it will close loopholes and, by using an incentive known as transferable tax credits, keep more taxpayer dollars at home.

Movie studios that parachute into a state to film often leave with little corporate income tax liability, meaning that a credit for state taxes does them little good.

That is why several states, including Georgia, offer transferable tax credits. When studios sell these vouchers to state taxpayers, often at a slight discount, the studios cash out while the buyers receive modest tax relief. The end result is that a state does not collect vast sums of tax revenue it was owed.

In a review of public records from other states that offer transferable tax credits, The Times found that the money meant to entice movie and TV studios often spills over to companies with limited ties to the entertainment industry, like Walmart, Dr Pepper and Verizon.

The production company behind "The Trial of the Chicago 7," which aired on Netflix, spent $17.2 million on film production in New Jersey. The project received a $5.2 million tax credit that it sold to Apple Inc. for $4.8 million.

The opacity of the process can make it difficult to pinpoint how much revenue the state is forgoing. Tax experts say that makes these programs more politically palatable.

"A math trick to pull the wool over the eyes of Michiganders," said Patrick Button, an associate professor of economics at Tulane University who has published studies on film incentives.

In Illinois, public records show, Dick Wolf's "Chicago" franchises have earned nearly $260 million in tax credits in the past six years, with much of those being sold to Comcast. The department store Kohl's bought more than 70 credits from various productions for a total of $10.6 million.

Some of the tax credits the state handed out with the goal of increasing film and television production were purchased by people whose wealth made the credits worth buying: Foremost was Peng Zhao, the chief executive of Citadel Securities, who spent $13 million.

Research was contributed by Kitty Bennett, Alain Delaquérière, Kirsten Noyes and Susan C. Beachy.