

Film tax credit is a raw deal for taxpayers

By Antony Davies & James R. Harrigan

Published: Wednesday, June 12, 2013, 9:00 p.m.

Updated 12 hours ago

Pennsylvania Senate Majority Leader Dominic Pileggi has announced that he will introduce legislation to uncap Pennsylvania's Film Production Tax Credit (FPTC) in an effort to entice production companies to film in the commonwealth.

To justify this sweetheart tax break for the film industry, Sen. Pileggi cites a "detailed report from the Independent Fiscal Office" that "concludes that 'uncapping' the film tax credit would have a significant positive impact on Pennsylvania's economy with a minimal cost in the coming fiscal year."

This is partially true. The Independent Fiscal Office (IFO) did release a report. The rest of the senator's statement, like most of what the film industry produces, is pure fantasy.

On page 2, the IFO clearly states that "(the report) does not address the fiscal or economic impact of the FPTC in general, nor does it evaluate the overall effectiveness of the credit." In fact, the report can be summarized in two points: The tax credit will cost us money and the tax credit will be good for the film industry. The report goes on to say that "for every one dollar in tax credit awarded, the Commonwealth recoups \$0.14 in tax revenue from the associated economic activity."

Put another way, the tax credit sells our tax dollars to the film industry for 14 cents each.

Pileggi's bill would uncap this giveaway, allowing the film industry to buy as many of our tax dollars as it likes at this bargain price.

Granted, these are tax credits — meaning that we aren't exactly giving away our tax dollars so much as failing to collect them. But the IFO admits in its report that it doesn't know how many films would have been made in Pennsylvania if the tax credit didn't exist.

If the answer is "all of them," we really are giving away our tax dollars. Even if the answer is "only half of them," we're selling our tax dollars for 28 cents each, not 14 cents each. That's still a raw deal for taxpayers.

Don't get us wrong — cutting taxes spurs economic growth. But to avoid favoritism, tax cuts need to be across the board.

When government picks winners, as Pileggi is doing, it invariably fails because politicians don't put their own money on the line. They put our money on the line. If the bet pays off, they win. If it doesn't, we lose.

If Pennsylvania has \$130 million to throw around, then let's cut taxes across the board. Then taxpayers could decide for themselves which industries deserve their hard-earned money.

The job creation would be the same; the economic growth would be the same. What would be different is that the new jobs would be producing things that the people want, not things that the politicians think we should have.

The film tax credit is a slap in the face to the hardworking people of Pennsylvania, delivered by Pileggi as he woos one industry at the expense of the others. If lower taxes mean economic growth, then let's lower taxes for everyone.

And if Sen. Pileggi wants to invest in the film industry, let him do it with his own money.

Antony Davies is associate professor of economics at Duquesne University. James R. Harrigan is a fellow of the Institute of Political Economy at Utah State University.