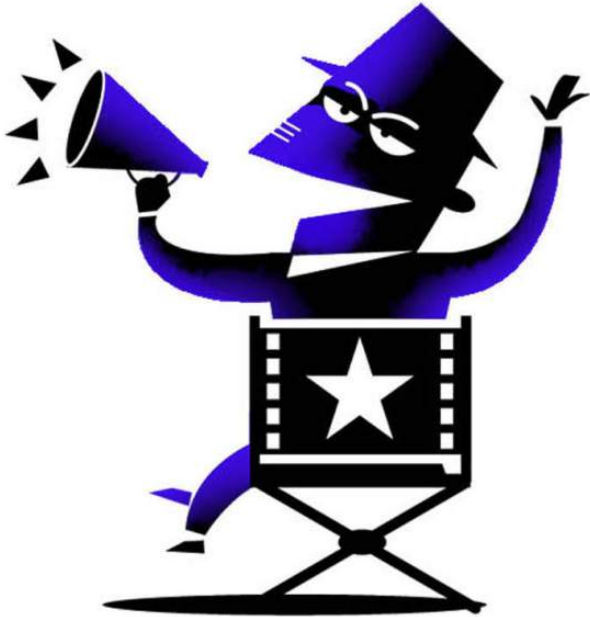


The broken mechanics of film tax credits

<http://triblive.com/opinion/featuredcommentary/10810211-74/film-tax-industry>



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300 dpi Rick Nease color illustration of a little man directing a movie. Detroit Free Press 2007

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In 1812, Charles Redheffer tried to swindle Philadelphia by convincing city commissioners to invest in his perpetual-motion machine.

In 1899, William Miller guaranteed investors in his Franklin Syndicate a 10 percent weekly return on the their money.

Decades later, Charles Ponzi copied Miller's financial fraud, creating what today is known as a "Ponzi scheme."

Recently, three people in Michigan called for rescue after becoming lost while tubing down the Muskegon River. The problem? They believed that the river flowed in a circle and so would take them back to their car.

What all three of these examples have in common is that people were dumb enough to believe that something could be generated from nothing — be it perpetual motion, financial returns or a water flow that defies the laws of physics. But here come Pennsylvania politicians, again, with the Pennsylvania Film Tax Credit. And it is no different.

This month, the state Senate voted to expand the tax credit to \$65 million annually. State Sen. Wayne Fontana, D-Allegheny, claims that each dollar invested in the film tax credit will generate \$7 of economic impact.

Fontana would have appreciated Redheffer's perpetual-motion machine because both it and his tax credit run on the same sleight of hand. The power that turns the perpetual-motion machine — not to mention the Ponzi scheme and the flow of a river — must come from somewhere. So, too, must the power that fuels a stimulus. And that's what no politician wants you to think about.

When the government gives the film industry tax breaks, it puts more money in the film industry's pocket. If we're lucky and the film industry spends that money in Pennsylvania, Pennsylvania jobs appear. But that's not the end of the story.

The money neither falls from the sky nor out of Fontana's wishful thinking. It comes out of the pockets of taxpayers who have to pay for infrastructure and state services the film industry uses. That means taxpayers will have to cut their spending by the same amount the film industry receives.

Each dollar of stimulus the tax credit creates is matched by a dollar of anti-stimulus the tax burden imposes on taxpayers.

In the end, Fontana's largesse won't create one single job. It will simply move jobs out of industries that make things taxpayers want into an industry that makes things Fontana likes. The senator will crow about jobs that appear in the wake of the tax credit, but he won't mention jobs that disappear in local malls, factories and schools because of the increased burden on taxpayers who power his perpetual-motion scheme.

A 2015 Milken Institute study estimates that film tax credits cost \$90,000 per job "created." If Fontana took the \$65 million he intends to hand out to the film industry and instead gave it to poor families, he could lift almost 3,000 Pennsylvania families out of poverty and into the middle-class.

And unlike the film industry, many of those families would not need to come back year after year for more handouts.

While returning tax money to its rightful owners is our first choice, there are many good things Pennsylvania could do with \$65 million. Turning the film industry into a permanent ward of the state is not one of them.

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