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Spoiler Alert: Film Tax Incentives Get Mixed Reviews

There's so much good TV these days that some have said we're in a new Golden Age of TV. That's up for debate, but one fact is undeniable: more and more of our state tax dollars are subsidizing TV productions despite little evidence of lasting economic gains.

Virginia's Motion Picture Production Tax Credit allows qualifying production companies to claim tax refunds equal to a percentage of qualifying expenses and, in some cases, to receive an additional amount based on payroll for Virginia residents employed in the production. This tax credit program is capped at \$6.5 million per fiscal year (FY), an increase from the caps in place from FY 2012 through FY 2014. For FY 2017, the state allocated \$6.4 million in credits—money that would have gone into Virginia's general fund to pay for critical services that more broadly boost opportunity.

According to a recent study, Virginia has provided \$47.5 million in incentives for the film and TV industry over the past five years through the Motion Picture Production Tax Credit, grant programs, and tax exemptions. Most of the tax credit and grant awards went to TV series productions.

But film incentive programs have shown mixed results, and Virginia's film industry growth remains small. The state's Joint Legislative Audit and Review Commission found that even the modest impacts of the tax credit program come at a high cost, generating only 20 cents in return on investment per dollar spent. National research confirms that these programs do little for state economic development. One study finds refundable film tax credits have no employment effect and only temporary effects on wages.

In the wake of the last recession, several other states eliminated or scaled back their film subsidy programs. And even though Virginia lawmakers have previously increased the caps and pushed out the credit's sunset date, this year state legislators from both parties have proposed reducing these subsidies in order to fund other priorities, including additional money for local law enforcement and a school readiness tax credit.



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State governments fund many important services, from K-12 education and health care to public safety and roads. But Hollywood movies and TV shows? Too often tax preferences like these programs escape needed scrutiny and remain in the tax code indefinitely. Fortunately, in this instance, lawmakers have all the information they need to rewrite this script.

– Chris Wodicka, Policy Analyst