



Notes on Study Data and Methods for the Film Production Tax Credit Report

June 2009

Connecticut Voices for Children's report, *Fiddling While Rome Burns: Connecticut's Multi-Million Dollar, Money-Losing Subsidy to the Entertainment Industry*, was based on data pertaining to the film production tax credit (not the digital animation or infrastructure tax credits). These data are produced and maintained by the Connecticut Commission on Culture and Tourism which periodically reports, by production, on the production expenses and costs that qualify for the 30% tax credit, on the amount of tax credits awarded for each production, and on the entities to which such credits may have been transferred or sold by the original production company. This information is publicly available under Connecticut's Freedom of Information Act. Connecticut Voices first requested data about the film production tax credit in February 2008, pursuant to the Freedom of Information Act, and has been monitoring the credits since that time.

The report Connecticut Voices released is based on data from the Commission and is focused only on the film production tax credit and those expenditures that qualify production companies for the credit. Connecticut Voices' report does not include analysis of any expenses that did *not* qualify for credits that might have been incurred (in- or out-of-state) – as those data were not included in the Commission report, nor eligible expenses the Commission failed to include in its reports. Connecticut Voices would welcome the Commission's release of any additional information regarding expenses and costs for each production, including those that did *not* qualify for tax credits, so that full disclosure is made of these costs as well.

Connecticut Voices' report focuses on this particular tax credit because it is the first of the three entertainment industry tax credits to be adopted and the credit that accounts for the largest share of entertainment industry tax credits. Further, unlike the digital animation tax credit, the film production tax credit is "uncapped" (i.e., there is no limit placed on the credits that can be claimed). Also, unlike the "infrastructure" tax credit which subsidizes only spending in Connecticut, until January 1, 2012 the film production tax credit statute explicitly allows tax credits to be awarded for production expenses or costs that were "incurred outside of the state" and used within the state (i.e., the credit also subsidizes out-of-state businesses). This "film" production tax credit subsidizes not only the production of feature films, but also the production of TV shows, commercials, infomercials, video games and other types of productions.

Connecticut Voices' study did not discuss job creation related to this tax credit, as those data were not in the Commission reports outlining the expenses and costs qualifying for the film production tax credit. On the Commission's website, its brief summary of its "digital media and motion picture" initiative (dated January 29, 2009) states "2,174 jobs" were created by 43 productions, but provides no detail about the duration of these jobs, whether they were held by Connecticut residents, or what the jobs paid. See: www.cultureandtourism.org/cct/lib/cct/Facts_and_Figures_Onepager.pdf.

The report on the credit by the CT Department of Economic and Community Development, *The Economic and Fiscal Impacts of Connecticut's Film Tax*

Credit (February 2008) also is not helpful on this point, since it evaluated the credit in its early months (July 2006 through September 2007); it used a REMI model to *predict* job growth. On this matter, as well, Connecticut Voices would welcome the release by the Commission of data on the number of full- and part-time jobs created by each production awarded credits, the duration of the positions, and their wages. This information also would assist Connecticut policymakers and residents in understanding the potential returns on the state's significant investment in these credits.

As Connecticut Voices' report summarizes, however, independent evaluations of film tax credit programs in Connecticut and other states, including by the Federal Reserve Bank of Boston, have concluded that the credits do not pay for themselves in increased tax revenues, even taking into account new job creation and economic activity. These studies have estimated that states earn back in tax revenues between 15 cents and 23 cents for every dollar of tax credit issued, taking into account the additional economic activity generated by the credits. That is, the net loss of revenue to a state ranges from 77 cents to 85 cents for each dollar of tax credit awarded.