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Scott Mooneyham: Tax breaks for Hollywood among latest free rides given by N.C.

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Poor Brad Pitt. And what about that sad fellow Steven Spielberg?

Times are tough everywhere. They need more money. And thanks to the North Carolina General Assembly, it looks as if the North Carolina taxpayer is going to come through.

The state House was expected to pass legislation this week that would extend some tax breaks to a range of industries in an attempt to lure new business to the state. The biggest beneficiary could be Hollywood and the move-making industry.

In total, the tax break legislation could be worth \$300 million over five years. But really, it's a guess.

State legislators have felt compelled to increase incentives designed to bring film productions here because other states have been doing likewise. North Carolina recently lost out on some high-profile films shot in other states that offered more lucrative incentives.

Just last year, legislators increased incentives for moviemakers by allowing them to take a tax credit worth up to 25 percent of their expenses. The earlier tax credit stood at 15 percent.

But the law still caps the amount of tax credit at \$7.5 million and limits per-person wages considered in the calculation at \$1 million. So even if old Brad was paid \$20 million, the formula requires that \$19 million of that salary be excluded in figuring the film company's total tax rebate.

Hollywood wants the caps and wage calculations gone. The legislation being considered would cap total tax credits at \$20 million and eliminate the per-person wage limit. No wonder Buzz Lightyear is flying high again.

Supporters of the legislation point out that the state only pays if the business comes. There is no real loss to tax coffers, they say, because the money going out only a portion of what is being generated by businesses that wouldn't otherwise come here.

That's not exactly true regarding the movie-making incentives. The film production companies qualify for tax credits, not deductions, meaning they could theoretically get a rebate regardless of whether they have any tax liability here.

A study conducted by the Arrowhead Center at New Mexico State University suggested that incentives offered in that state produced just 14 cents in tax revenue for every dollar offered by the state.

Bob Orr, the head of the N.C. Institute for Constitutional Law and an incentive critic, also points out another objectionable aspect to the movie incentives: these aren't permanent jobs.

How much are these film productions really worth to the broader North Carolina economy, to the permanent residents of the state? Or is this just about being able to say that Daniel Day-Lewis romped around the North Carolina mountains wearing buckskins and feathers in his hair?

At what level do incentives to moviemakers no longer become cost effective?

If we haven't reached that level, then legislators at least owe it to taxpayers to know when the tipping point will be reached. And if other states