http://www.hartfordbusiness.com

Film tax credit debate heats up

BY **GREG BORDONARO**

6/19/2009

A war of words has broken out between Connecticut's film industry and a liberal advocacy group over the effectiveness of the state's film tax credit.

The Connecticut Production Coalition (CPC), which represents various elements of the film industry, today issued a **report** highlighting deficiencies in a study issued earlier this week by Connecticut Voices for Children which attacked the state's subsidies for the entertainment industry as a "money-losing proposition."

Connecticut Voices' **report**, which came out Monday, said that only 11 percent of the $113.2 million in tax credits given to the film industry were actually spent in Connecticut and that the state has awarded $2.73 in production tax credits for every dollar of actual Connecticut spending on the production of films, television shows, commercials, infomercials, and video games.

The CPC says Connecticut Voices' study had a number of major shortcomings and that the data used in it contained significant inaccuracies including the:

Exclusion of more than $125 million in Connecticut wages paid to production crews in the state, all subject to Connecticut income tax.
Failure to identify any Connecticut expenditures for entire productions, eliminating tens of millions of dollars of valid in-state spending.
Underreporting of payments made by in-state productions to Connecticut goods and service providers.

The state offers three tax credit programs for production, infrastructure and digital animation.

As part of the political sparring over the state's $8.7 billion budget deficit, Gov. M Jodi Rell has proposed to cap the film tax credit at $30 million.

Supporters of the credit, which include key Democrats like Sen. Gary LeBeau, co-chair of the commerce committee and former House Speaker James Amann, have said capping the film tax credit would significantly hamper the industry because the state wouldn't be able to provide large enough incentives.

Connecticut Voices recommends eliminating or capping the film tax credits to preserve state funds.

CPC said the film tax credit, which is three years old, shows steady increases in driving economic activity as producers become more confident in its strength and certainty.

The CPC has also proposed altering the tax credits so that only expenditures made in Connecticut be eligible to receive tax credits. That would ensure that no credits are earned for expenditures made outside the state and would increase the program's efficiency.

"We are committed to working with lawmakers and other stakeholders to ensure that the incentive program is efficient and effective," said Kevin Segalla, President of the Connecticut Film Center and one of the founders of CPC. "CPC recognizes that there are tough budget decisions in front of the legislature and the Governor, but we are also confident that the continued success of our industry will only serve to help the state's budget by supporting strong economic growth."

Shelley Geballe, a distinguished senior fellow at Connecticut Voices and author of the group's report, said she welcomes the changes pitched by CPC.

"At a time when policymakers are threatening to make severe state budget cuts that would harm our state and families, it makes little sense to continue subsidizing jobs in other states, rather than Connecticut," said Geballe. "We are pleased that the film industry is joining in this call for more responsible use of our scarce state funds."