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## **An Open Letter to Frank Beckman Comparing Thoroughbred Racing to Film Incentives**

May 21, 2009

Frank Beckman  
News/Talk 760 WJR  
3011 West Grand Blvd.  
Suite 800  
Detroit, MI 48202

Re: Thoroughbred Racing vs. Film Incentives

Dear Frank:

I get to listen to your fine show now and then when I'm driving around in my van. Being a conservative, pro-life, Catholic type I find myself agreeing with you 100% -- until today.

I think you fell off the "best informed" wagon today with your rant against the film incentives. You made some huge assertions that are founded in ignorance or prejudice and not information. Your show has informed me many times over the years. Now, dear friend, let me reciprocate.

First, you're forgiven for not knowing, although explaining all of this is not sound byte material, and perhaps frustrated exclamations make for better radio than deliberate and plodding reason. But I'll try. Being properly informed, as you appropriately brag about your show, is indeed crucial. So, allow me to provide another perspective on your interesting comparison.

Second, I'm one of those Michigan filmmakers who campaigned hard for the incentives, and have spent my time across a table from Nancy Cassis, who was the ONLY ONE of all Michigan legislatures that voted against the incentives.

Third, a few talking points about Thoroughbred Racing that bear consideration.

- You informed us significantly about the vast industry that Thoroughbred Racing is, and indeed the state's actions to limit the race dates seems illogical and short sighted. I appreciated your passion and your ability to inform us.
- However, some of us were brought up to believe all gambling was wrong (e.g. a sin), because it is fostered out of greed. I don't believe that all betting is a sin, especially if you're wagering a small fraction of our income and you really don't care if you win or lose the money. But I would argue that even the \$1 bet on something trivial makes the bet exciting BECAUSE of greed, albeit venial in degree. So, it seems fair to conclude that while horse racing is a great sport, the betting side of it -- where the revenue is generated -- is burdened with a degree of vice.
- To say that Thoroughbred Racing is a money producer for the state and therefore a good thing is like saying the Michigan State Lottery provides educational funds and is a good thing, and the Casinos generate money for the state is a good thing. To say these you have to believe that any means to a good end is a good thing. But to conclude that gambling is a good thing, you'd have to prove to me that (a) greed was not involved, and (b) the money being bet was an insignificant portion of every gambler's income and thus not a foolish expenditure. Can you do that?
- Here's perhaps an easier number to come up with. What percent of the money bet or gambled, should be spent on family, house upkeep, paying off credit cards, or giving to charitable causes? I suspect the number is a significant portion. So, to argue that Thoroughbred Racing is good, you have to argue that encouraging people who can't afford it to gamble is good.
- Also, when compared to the film incentives, it is a joke to suggest that the Thoroughbred Racing generates any NEW money for the state. It doesn't. And that's what this next section is about.

Fourth, now consider the Film Incentives. I hesitate to say compare, because I think they're too different. You compared them as if they were apples and apples, but I think they're of different genres because their financial models are so different.

- To begin the process, most of the money, perhaps 90% of it, that is budgeted by filmmakers to spend in the state comes INTO the state as NEW CASH REVENUE. And not all of it qualifies for the incentive program. So, if \$140 million was spent here in 2008, perhaps \$126 million qualified. The \$140 million is money that filmmakers have had to find, and then SPEND here. And unlike a significant portion of the bets at a race course, film money comes from entities (mostly corporations) who can afford it and which are outside Michigan.
- The only money spent by filmmakers that qualifies for the incentive credit and rebate, is money that is TAXED IN MICHIGAN and ONLY when it is spent on Michigan based businesses or individuals. So, to get any kind of tax credit or rebate the money must be taxable by Michigan. While the bills say up to 40-42% can be refunded, the actual number is closer to 30%. So, 30% is the boggy you have to recoup, not the 40-42%.
- The rule of economic stimulus is simple: Any time a dollar is spent, it generates a dollar's worth of economic activity and employment. If the same dollar is spent

several times, then it generates several dollars worth of employment, behaving as if it were several dollars, not just one. Every dollar has the potential to generate benefits several times its face value. With Thoroughbred Racing it's money that was already in the state. With Filmmaking it's money that is NEW to the state. Huge difference. The film money generates NEW economic activity that generally Thoroughbred Racing, using Michigan money can't.

- Now, watch how this money that is spent by filmmakers is recouped.
- But first, recognize that this NEW money has generated jobs, which when the money is spent, generates more jobs. The TURN of the dollar.
- And also recognize that the films themselves, create long-term, invaluable PR for the state across the world that it could never afford. A recent TIME magazine article featured a pictorial of films being shot in Michigan, and for decades those films will feature and promote Michigan locations. How you calculate the increased tourism revenue over time is difficult, but not insignificant.
- When money is received it is taxed as income, regardless where you live (California or Michigan), because it was earned in the state. This recoups 4.35% just with one pass. But the dollars that are left (after the 4.35%) from Michigan residents (the primary recipients of the money) is then spent on other products and generate income for others, which is likewise taxed as income. This turn of the same "dollar" can generate multiples of that 4.35% income tax. Shall we be conservative and say in a year 3X. But because the dollar's value each time is reduced by 4.35%, let's say the multiplier is only 2.9. Which means in a year income tax alone can generate 12.61% for the state. But we're not done yet.
- As money passes significantly into the Michigan economy through the purchase of merchandise, most of it will be taxed at 6% (all but items like groceries and prescriptions). Every dollar that enters the local economy can be, and in a recession will likely be, spent 6-12 times a year. The money turns as it passes from person to person. Using the conservative 6X figure that's 36%. All total, in a year, the state has recouped 48.6 % of the NEW money, which I estimate is 18.6% to the good (over the 30%). But we're not done yet.
- Don't forget the impact of Michigan Business Taxes on companies that support those out of state filmmakers.
- And then.... when a film budget is dumped into Michigan's economic thoroughfare there are a host of other taxes that are collected in addition to income and sales. What these add up to would be difficult to calculate, but they are not insignificant:
  - Gasoline Tax
  - Diesel Fuel Tax
  - Liquefied Petroleum Gas Tax
  - Motor Carrier Fuel Tax
  - Watercraft Registration Tax
  - Aviation Gasoline Tax
  - Motor Carrier Single State Registration Tax
  - Motor Vehicle Registration Tax
  - Registration Tax

- Aircraft Weight Tax
- State Education Tax
- Utility Property Tax
- Tobacco Products Tax
- Liquor Taxes
- Beer Tax
- Wine Tax
- Mixed Spirits Tax
- Airport Parking Excise Tax
- Unemployment Insurance Tax
- Quality Assurance Assessment Tax
- State Casino Gaming Tax
- 9-1-1 Service Tax
- Corporate Organization Tax
- Horse Race Wagering Tax
- Accommodations (Hotel-Motel) Taxes
- Convention and Tourism Marketing Fees
- Stadium & Convention Facility Taxes
- Uniform City Utility Users Tax
- General Property Tax
- Ad Valorem Special Assessments
- Industrial Facilities Tax
- Mobile Home Trailer Coach Tax
- Obsolete Properties Tax
- Neighborhood Enterprise Zone
- Facilities Tax
- Enterprise Zone Facilities Tax
- Commercial Rehabilitation Tax
- Low Grade Iron Ore Specific Tax
- County Real Estate Transfer Tax
- Commercial Forest Tax
- Technology Park Facilities Tax
- City Income Tax
- Other local taxes.

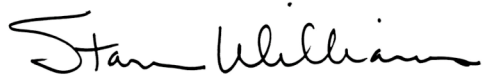
Now altogether, the 40-42% credit and rebate is not, as you “informed” your audience, GIVEN to Hollywood filmmakers. It is earned, and it is earned by significantly stimulating the Michigan economy with NEW money, NEW jobs, creating invaluable PR for the state, and a wallop of NEW tax revenue that more than makes up for the tax credits and rebates.

The bottom line is that the incentives probably generate a net positive revenue for the state of 10-20% in the year BEFORE the incentive checks are written. You see, the money has to be spent in the year BEFORE. So the state gets the stimulus long before it has to pay out the incentives.

Please inform you audience.

And by the way, although I'm trying to mount a project large enough to qualify for the incentives, to date I have not. So, I have not personally benefited from the incentives. But I understand the huge different these incentives can make to the state and the creative talent pool of individuals that otherwise would leave and go elsewhere as many have done.

Best regards,

A handwritten signature in black ink that reads "Stan Williams". The signature is written in a cursive style with a large initial "S" and a dot above the "i" in "Williams".

Stanley D. Williams, Ph.D.  
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