

## **The Michigan Example: How Film Incentives Are Creating Jobs and Stimulating the Economy**

On September 4, 2009 the WSU.com ran an article titled “The Michigan Example: How government investment in business failed to create jobs.”

<http://online.wsj.com/article/SB10001424052970204313604574328792152010638.html>

The articles sources included a flawed report from a “think tank” which commits equivocation in the use of the term “jobs” and implies that after spending \$140 million in the state, hiring mostly Michigan labor, the film industry someone only created 29 jobs. It fails to define “jobs,” and refuses to compare the term to the film industry’s definition.

It also makes the comparison between giving huge tax credits to producers as somehow centralized government and liberal control. This is very twisted logic, stupid at best. The Film Incentives are a tax break to producers in order to create jobs. Hello! That’s a conservative principle.

My plea: Please folks, quit blaming tax whatever you think of the Michigan Film Incentives on liberals or conservatives. It was passed by a Republican legislature (with only one against vote (from an ill-informed Republican), and signed by a Democratic governor. I'm a staunch conservative and I lobbied hard for the film incentives, and can argue its success from conservative principles. The unnamed writer of this WSJ article, and numerous of the comments, are trying to label the film incentive concept on a liberal, centralized government control policy. But it is nothing of the sort. The incentives are a very rich conservative concept of "lowering taxes." Hugely so! So, think critically and don't just bounce off labels. Ill-informed individuals can be found on both sides of the aisle. Let's work at being fully informed.

Here are excerpts from several things I've written that demonstrate how the Michigan Film Incentives put the political power of subsidiary into the hands of the producer, the worker and the consumer. The Michigan film incentive bills are a classical financially conservative tool in which the taxes are lowered for the manufacturer-industrialist because by doing so jobs will be created. Then, the payroll for those jobs is taxed at NORMAL levels, and as the money turns over, and as incomes are taxed at NORMAL levels, the state recovers its rebates over and over. But no additional revenue is needed to pay the credits because the film making process creates those revenues in the year before they’re due the producer.

Here is how the money is recouped, and how the state benefits long term from the Michigan Film Incentives.

1. When money is received it is taxed as income, regardless where the earner lives (California or Michigan), because it was earned in Michigan. This recoups 4.35% just with one pass. The remaining dollars (after the 4.35%) left to Michigan residents (the primary recipients of the money) is then spent (by the employed residents) on other products, which generates additional state income tax by those the earn a living off those repeated expenditure of that dollar. So, if that money is equivalently earned one more time over the course of the year, the state earns back a total of 8.7%. But there's more, much more.

2. As money passes significantly into the Michigan economy through the purchase of merchandise, much of it will be taxed at the 6% sales tax rate. Every dollar that enters the local economy can be, and in a recession will likely be, using the conservative 6X figure amounts to 36%. Now, that's not 36% of the original amount, because not all the money is spent on sales taxable items. But there's more.

3. Don't forget the impact of Michigan Business Taxes on companies that support those out of state filmmakers. This is a significant hunk of money.

4. 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, consider (the follow list from the state of Michigan website):

- 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.

5. Altogether, the 40-42% credit and rebate is not GIVEN to Hollywood filmmakers nor is it raised by new taxes. 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.

6. AND, finally, 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. If the comprehensive sum of all the taxes collected in the year before the credits/rebates were due were added together, it's possible that the state has a net gain, and not a loss as some of these articles purports.

7. And there's more. In Michigan tourism is a huge industry. The state put more than \$30 million into buying ad placements (TV, print, billboards, radio) to promote the state. That same year it plans to give back about \$40 million in film incentive credits. As soon as the \$30 million runs out the ads cease to run. But the \$40 million investment will expose a worldwide public to Michigan locations, destinations, and it's Made In Michigan film credit for longer than most of us will live. You can't buy that exposure with ad dollars, and the return on tourism is wider than the bean counter's ability to add.

The Michigan Film Incentives is the fiscal conservative idea that lowering taxes for the producer of product and jobs will stimulate the economy through the regular collection of taxes, which in the long term can be reduced. Whenever there is something being created out of nothing but humankind's inventiveness, there is money to be earned. And movies, are the largest, inventive industry in America.

Oh, and did I mention the box office ticket tax and popcorn tax?