

# The Washington Post

## Cash-strapped states rethink Hollywood tax breaks

By RUSS BYNUM and ERRIN HAINES  
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SAVANNAH, Ga. -- Thanks to a tax break used to lure Disney filmmakers away from North Carolina to coastal Georgia, Harry Spirides figures his beachfront hotel raked in an extra \$85,000 because Miley Cyrus spent a summer filming here.

The producers of Cyrus' film, "The Last Song," were brought in with an across-the-board tax credit of 20 percent when they rolled into Tybee Island in June 2009.

Lawmakers in Georgia and other states, though, are worried that they can't afford to offer Hollywood those incentives any longer as they struggle to find enough money to pay for programs like Medicaid.

For Spirides, though, the economic benefit from the tax credit was clear: The crew rented a parking lot at Spirides' Ocean Plaza Beach Resort for \$30,000 to set up makeup trailers and dining tents. Then there were hundreds of families working as extras on the film who would crash at the hotel after shooting until 2 a.m.

"The shooting of the movie definitely made it a lot better of a summer financially than it would have been," Spirides said. "It really, really helped when we were in the depths of the recession."

In January, though, a Georgia state council said those benefits are fleeting. It said even though the crews bring jobs - and lots of people who spend money locally on food and lodging - those benefits are lost when they pack up and leave after filming.

The council recommended ditching the film tax break, which meant \$140.6 million in lost tax revenues last year. Film producers spent \$617 million in Georgia last year.

An Associated Press survey found that from 2006 to 2008, states shelled out \$1.8 billion in tax breaks and other advantages to the entertainment industry. The recession has officials in several states wondering if the incentives are worth the lost revenue.

Michigan's governor has proposed capping Hollywood tax credits at \$25 million a year -

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a fraction of what the state spent in the past. New Mexico lawmakers are pushing to limit film subsidies to \$45 million a year and spread out refunds to large film projects over two or three years.

Budget woes prompted New Jersey and Kentucky to place similar caps on film incentives last year. Connecticut, Iowa, Kansas and Wisconsin all slashed spending on their programs in 2009.

But not everybody is cutting back. A few states eager for jobs and spending are offering more money to lure Hollywood productions.

"It's a mixed conversation as to are we giving away money or are we trying to create jobs?" said Todd Haggerty, a tax policy analyst for the National Conference of State Legislatures.

Virginia adopted its first tax credits for the movie industry last year. North Carolina, which lost "The Last Song" in 2009 because Georgia offered a sweeter deal, bolstered its film incentives last year by \$14 million.

The film industry is pushing to hold onto its tax credits. At the state capitol in Atlanta last week, several studio officials turned out at a hearing to tell Georgia lawmakers the tax breaks are vital to getting films produced in the state and have helped create jobs outside the movie business.

Brian O'Leary, a tax attorney for NBC Universal, hinted that other states would be happy to snatch film projects away from Georgia if its cash incentives get scrapped.

"The debate that's currently under way is going to create a chill on this industry," he said.

Alan Essig, executive director of the Georgia Budget and Policy Institute, said lawmakers shouldn't accept that testimony as fact.

"If the film industry is correct, for sure we should do it. But I think we need an impartial look at it to see if it's actually creating jobs and growing the economy," Essig said.

Savannah, for instance, had long been a Hollywood favorite, with "Forrest Gump" and "Midnight in the Garden of Good and Evil"

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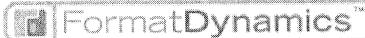
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both filming there in the 1990s. After "The Gift" was shot there in 2000, it was nine years before another Hollywood hit filmed there because other states offered better incentives, said Jay Self, Savannah's film commissioner whose job is to woo Hollywood to Georgia's oldest city.

Georgia adopted its current tax break package in 2008, and studios quickly returned to the Georgia coast. The following year, Cyrus and "The Last Song" set up shop in the area. Robert Redford also picked Savannah to direct his Civil War historical thriller "The Conspirator," set for release next month.

Self said both projects combined brought more than \$9 million in spending to Savannah and nearby Tybee Island. And those aren't the only two. The upcoming "X-Men: First Class" shot scenes on location at Jekyll Island last fall. A film titled simply "Savannah," starring Jim Caviezel, is now shooting in the city.

"This business doesn't just benefit farmers, it doesn't just benefit people in one certain area," Self said. "There are people in every trade from animal handlers to electricians, carpenters and makeup artists. They hire all kinds of people."

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