

Probe batters Iowa film program

The corruption scandal is drawing nationwide attention as a prime example of how some state tax credit programs are vulnerable to abuse.

BY RICHARD VERRIER LOS ANGELES TIMES

Call it Iowa's field of nightmares.

The state famously depicted in Kevin Costner's 1989 baseball classic "Field of Dreams" has become mired in an ever-widening scandal over alleged abuses of its film tax credit program.

Last week, Iowa prosecutors bolstered their criminal case against Tom Wheeler, the state's former film chief, charging him with various felonies, including official misconduct over his handling of state film tax credits.

The corruption scandal, the largest of its kind in the country, is drawing nationwide attention as a prime example of how some state tax credit programs -- especially those that lack financial controls -- are vulnerable to abuse.

It comes as several cash-strapped states are scaling back their film incentive programs, which have been instrumental in luring production away from California.

New Mexico's newly elected Republican governor, Susana Martinez, has called for slashing the state's tax credit as much as 40 percent, citing the state's budget priorities. Nick Paleologos, head of the Massachusetts Film Office, resigned last month in a cost-cutting move. Wisconsin stripped most of the funding for its film program in 2009 after a report by a state agency raised questions about money the state paid for "Public Enemies," the Universal Pictures gangster movie starring Johnny Depp.

"If you don't have the checks and balances, film programs can get in trouble, and that's what happened in Iowa," said Peter Dekom, an entertainment industry attorney who helped craft New Mexico's program.

Wheeler was among six officials in Iowa fired or forced to quit over allegations they mismanaged the film tax credit program, which was

suspended in 2009. Wheeler was arraigned Tuesday and pleaded not guilty to the charges.

In addition, state prosecutors have charged five independent filmmakers and a tax credit broker with fraudulently obtaining state tax credits.

Two have pleaded guilty to felony theft and are cooperating with authorities in the case against a former partner, producer Wendy Weiner Runge, whose criminal trial is expected to begin next month.

Iowa rapidly expanded its film credit program in 2007, developing one of the most aggressive tax incentives in the country, one that was touted by the film office as "half-priced" filmmaking. Producers of more than 150 projects applied for funding.

But former Iowa Gov. Chet Culver suspended the film program in 2009 after an audit found

problems, including filmmakers using tax credit funds to purchase a Land Rover and other luxury vehicles for themselves.

The criminal charges followed a special audit the state conducted in October of 22 films that were awarded tax credits before the program was suspended. The audit found that \$26 million of nearly \$32 million in tax credits were awarded improperly, either because the productions did not qualify or producers did not submit required documentation.