

Testimony Regarding
S.B. No. 249, An Act Concerning The Film Production Tax Credit

Testimony of Dr. Douglas Hall

To the Commerce Committee

March 3, 2009

Senator LeBeau, Representative Berger, and distinguished Members of the Commerce Committee,

We submitted testimony in support of SB 249 at the public hearing of this Committee on March 3rd (http://www.ctkidslink.org/testimony/021009_com_sb249_filmtax.pdf). At that time we expressed support for the two primary provisions of the bill. The first provision attempted to ensure that firms receiving the film production tax credits “conduct at least fifty-percent of the total production in studios located in Connecticut,” while the second proposed “plac[ing] a cap on the total annual amount of film production tax credits available.”

Today’s Committee Bill no longer contains a provision capping the amount of the film production tax credit. We strongly urge this Committee to revisit this issue, and we urge this Committee to restrict use of the film production tax credit to its original recipient. Allowing the transfer of credits moves beyond the original intent of this legislation, and provides unintended support for corporations in often unrelated sectors of the economy.

Attached to my testimony today is a copy of a report on Connecticut’s film tax credits, prepared by the Federal Reserve Bank of Boston’s New England Public Policy Center.

This report finds in part that:

- The credit does not “pay for itself.”
- The economic benefits generated by the credit are likely to be short-lived.
- [A] rough comparison of evidence across studies [shows] that the film tax credit may be less cost-effective than certain other business tax incentives offered by the state such as the research and experimental expenditures credit.
- Connecticut faces a lot of competition for film production activity. Connecticut’s film tax credit is generous—30 percent of in-state production expenses—but the state faces serious competition. About 40 U.S. states currently offer significant incentives to the film industry. With the potential for a “race to the bottom,” it may be difficult for the state to establish a sustainable film industry with sustainable employment opportunities for Connecticut residents.¹

We encourage Committee members to read this important report, which sheds new light on several of the assumptions underlying the film production tax credit.

Thank you for consideration of my testimony, and for working to advance the long-term viability of the Connecticut economy.

¹ Memorandum to Ellen Scalettar, Director of Policy, Research and Legislation for the Connecticut Senate Democrats, from Jennifer Weiner, Policy Analyst, (Federal Reserve Bank of Boston, New England Public Policy Center, January 2009).