Maine Center for Economic Policy

Mailing: PO Box 437
Street: 1 Weston Court, Suite 103
Augusta, ME 04332
207.622.7381
mecep.org

Testimony in Opposition to LD 1075, An Act to Promote Economic Growth Through Increased Film Incentives

Senator Grohoski, Representative Perry, and members of the Taxation Committee, my name is Maura Pillsbury and I am an analyst at the Maine Center for Economic Policy. I am submitting this testimony in opposition to LD 1075. The visual media subsidy program has been fraught with issues, as identified in the recent report on this program by the Office of Program Evaluation and Government Accountability.[i] OPEGA found that not only is the program ineffective at accomplishing its goals, but it has also been inappropriately administered. The Maine Film Office was unable to readily provide OPEGA with even basic documentation about the program, including all those receiving the subsidy, and OPEGA was not confident the records the office did provide were complete. OPEGA was unable to examine information about the quality of the jobs created, including wages and length of employment, by those that received the film tax subsidies because no data was collected. OPEGA also found the office had not consistently ensured the program complied with statutory requirements.

OPEGA's review also found in some cases Maine's visual media subsidies weren't used to fund the arts at all. L.L.Bean, for example, was able to claim subsidies for producing its catalog. In other cases, productions were subsidized that included little or no filming in Maine, or that did not identify or acknowledge Maine as the filming location. Subsidies were also provided for commercials. Only half of the productions receiving subsidies were based in Maine. OPEGA also confirmed what several other studies of visual media subsidies have found: they are unlikely to be an efficient method of driving tourism.

Maine's visual media subsidy is small in comparison to other states. Yet time and again evaluations of state programs with much larger film incentives have conclusively shown they are a bad investment that siphon millions of dollars in public funds from other priorities and give public money to big Hollywood studios and production companies. The Massachusetts credit, for example, costs the state an estimated $56 million to $80 million per year. Researchers found the cost of the program amounted to over $100,000 per job created in the state.[ii] Louisiana, which has one of the largest film tax credits in the country, found a return of less than 40 cents for every dollar invested in its Motion Picture Investor Tax Credit, which costs the state almost $200 million each year.[iii] Georgia spends almost $1 billion per year on its film tax credit.[iv] Maine cannot afford to give away such a sizable portion of its budget to even begin to compete with the massive giveaways in other states, and we shouldn't try.

The visual media subsidy is giving funds away for productions that may have occurred anyway. Several Maine-based reality shows received the subsidy; presumably, those shows relied on the unique location and activity of their subjects and could not otherwise have been filmed elsewhere (e.g. Maine Cabin Masters, North Woods Law). The current subsidy also benefits businesses that can afford to fund costs up front and reap benefits later. This subsidy structure doesn't prioritize Maine production companies that are struggling to get off the ground and projects that otherwise would not occur. Big studios and production companies should

Mailing: PO Box 437
Street: 1 Weston Court, Suite 103
Augusta, ME 04332
207.622.7381
mecep.org

not be eligible for Maine's existing film tax subsidies. Instead, it should be confined only to small production companies that otherwise would not have the capital to fund their projects.

While this bill does make some changes that address OPEGA's concerns—for example, requiring acknowledgement of Maine as a filming location and requiring recipients to report to the Maine Film office, other provisions are concerning. The reporting requirements are not robust, and do not include information on jobs created. The bill increases the credit for production expenses from 5 percent to 25 percent and also makes the credit transferrable, which will increase the cost of the program and the likelihood of sending checks at Maine taxpayers' expense to out of state businesses with no Maine tax liability. It lowers the spending threshold to qualify for the production credit from $25,000 to $75,000, which may be a more effective way to support smaller productions, but still is not well targeted and will give bigger subsidies to bigger productions. The bill limits the total benefit of the credits to $1 million total per recipient.

Research shows that jobs created by film incentives are usually short term, and often production companies bring their staff with specialized skills from out of state rather than hiring locally.[v] The proposed bill initially increases the tax credit for wages from 12 percent to 25 percent for Maine residents, and initially increases the subsidy for non-residents to 20 percent before phasing it out for non-residents after 2027. It also increases the limit for the tax credit for wages paid from the first $50,000 of wages to the first $75,000, and makes the credit refundable, which will increase the fiscal impact. This triples the maximum tax credit for wages from $6,000 to $18,750 and also makes it refundable.

Supporting the arts in Maine and promoting all our beautiful state has to offer visitors are both important goals that can help drive our economy. But unfortunately the visual media subsidy is not effective at doing either of those things. Rather than expand a program that is fraught with so many unaddressed issues, we call on the Legislature to dissolve the Maine Film Office and reallocate the funds elsewhere. At the least, this program should be suspended, not expanded. Public resources should be used to advance the public good. The funds invested in this program have been a misuse of taxpayer dollars.

---

[i] Office of Program Evaluation and Government Accountability. *Visual Media Incentives – Maine's Visual Media Incentives Have Had Limited Effect and Have Not Been Adequately Administered,* March 2023. https://legislature.maine.gov/doc/9940
[ii] Department of Revenue, Commonwealth of Massachusetts. Report on the Impact of Massachusetts Film Industry Tax Incentives through Calendar Year 2016. 20 Feb 2020. https://www.mass.gov/doc/dor-report-on-the-impact-of-massachusetts-film-industry-tax-incentives-through-calendar-year-7/download
[iii] Louisiana Department of Revenue, Return on Investment Analysis: for Selected Louisiana Tax Incentive Programs, March 2022. https://revenue.louisiana.gov/Publications/Return%20on%20Investment%20Report%202016%20-%202021%20WEB.pdf

[iv] Georgia Department of Accounts and Audits, Georgia Tax Expenditure Report for FY 2024. Dec 2022. https://opb.georgia.gov/budget-information/budget-documents/tax-expenditure-reports
[v] Tannenwald, Robert. "State Film Subsidies: Not Much Bang For Too Many Bucks." Center on Budget and Policy Priorities. 9 Dec 2010. https://www.cbpp.org/research/state-film-subsidies-not-much-bang-for-too-many-bucks