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Oscar Glitter, Deal-making Backstory

Higher taxes are no fun even for Hollywood high rollers. But the industry's sweetheart tax deals are another matter. Tax incentives for filmmaking are big business. See [The Hollywood Tax Story They Won't Tell at the Oscars](#). Five Best Picture nominees in 2012 were filmed where production companies received financial incentives.

This year Quentin Tarantino's *Django Unchained* applied for an estimated \$8.4 million in Louisiana tax credits, while Ben Affleck's Best Picture *Argo* raked in \$6.21 million from California's Film Commission. [Steven Spielberg's *Lincoln*](#) got \$3.5 million while *Silver Linings Playbook* got \$5.6 million. There's nothing wrong or illegal about this but it's not clear movies bring jobs or much else meriting tax incentives.

Of the 40 states with special movie tax deals, over a dozen even allow transferable credits. That allows filmmakers to convert credits to cash. Someone buys them to shelter their own less Hollywood income.



Host Seth MacFarlane (Image credit: AFP/Getty Images via @daylife)

A [report](#) by the Government Accountability Institute suggests this is inefficient if not downright wrong. About \$1.5 billion in tax credits and exemptions, grants, waived fees and other financial inducements went to the film industry in 2010. See [State Film Subsidies: Not Much Bang For Too Many Bucks](#). Some states really get a raw deal.

For example, Iowa's program promised a whopping 50% of production costs to filmmakers. Credits were transferable so filmmakers swapped credits for cash. Film budgets were padded and Iowa came up short. See [Iowa Film Tax Credit Program Racked By Scandal](#). After millions in misused money and even criminal charges, Iowa said curtains to its motion-picture subsidies.

An investigation reported that 80% of Iowa's tax credits were improper, some not even involving Iowa. In one case, an [Iowan judge](#) sentenced a Minnesota film producer to a long 10 years in prison. See [When Too Good Tax Deals Become Fraud](#). Michigan's experience hasn't been much better with failed efforts to lure movies to a state-of-the-art studio facility built on the site of a former [General Motors](#) factory in Pontiac. The Michigan studio was supposed to make money, bring tourists, and be great.

The [Massachusetts film tax credit](#) was abused too. For *The Lightkeepers* starring [Richard Dreyfuss](#), Director [Daniel Adams](#) pleaded guilty to larceny and filing a false tax return. See [Director Daniel Adams Sentenced to Prison for Tax Credit Fraud](#). Adams was sentenced to 3 years in prison, 10 years' probation, and was ordered to pay over \$4 million in restitution. See [Movie Director Pleads Guilty to Massachusetts Film Tax Credit Fraud](#). *The Golden Boys*, starring Bruce Dern, David Carradine, Rip Torn and Mariel Hemingway was investigated too. In some cases [trafficking in tax shelters can mean jail](#). See [Snookered By The Snooki Tax Credit?](#)

The numbers are surprising. According to the Center on Budget and Policy Priorities, \$1.5 billion in subsidies for film could have paid for thousands of teachers, police officers and firefighters. See [As Oscar Nominated Hollywood Moguls Bag Tax Cuts, They Seek To Raise Yours](#). As enticing as films and the industry can be, that hurts.

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