## **Forbes**



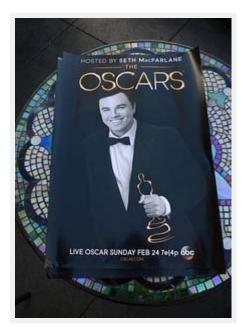
## Robert W. Wood THE TAX LAWYER

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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



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

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.

A <u>report</u> 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 <u>State Film Subsidies: Not Much Bang For Too Many Bucks</u>. 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 <a href="Iowa Film Tax">Iowa Film Tax</a> <a href="Credit Program Racked By Scandal">Credit Program Racked By Scandal</a>. 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 <u>Iowan judge</u> sentenced a Minnesota film producer to a long 10 years in prison. See <u>When Too Good Tax Deals</u> <u>Become Fraud</u>. 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 <u>General Motors</u> factory in Pontiac. The Michigan studio was supposed to make money, bring tourists, and be great.

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

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 <u>As Oscar Nominated Hollywood Moguls Bag Tax Cuts, They Seek To Raise Yours</u>. As enticing as films and the industry can be, that hurts.

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