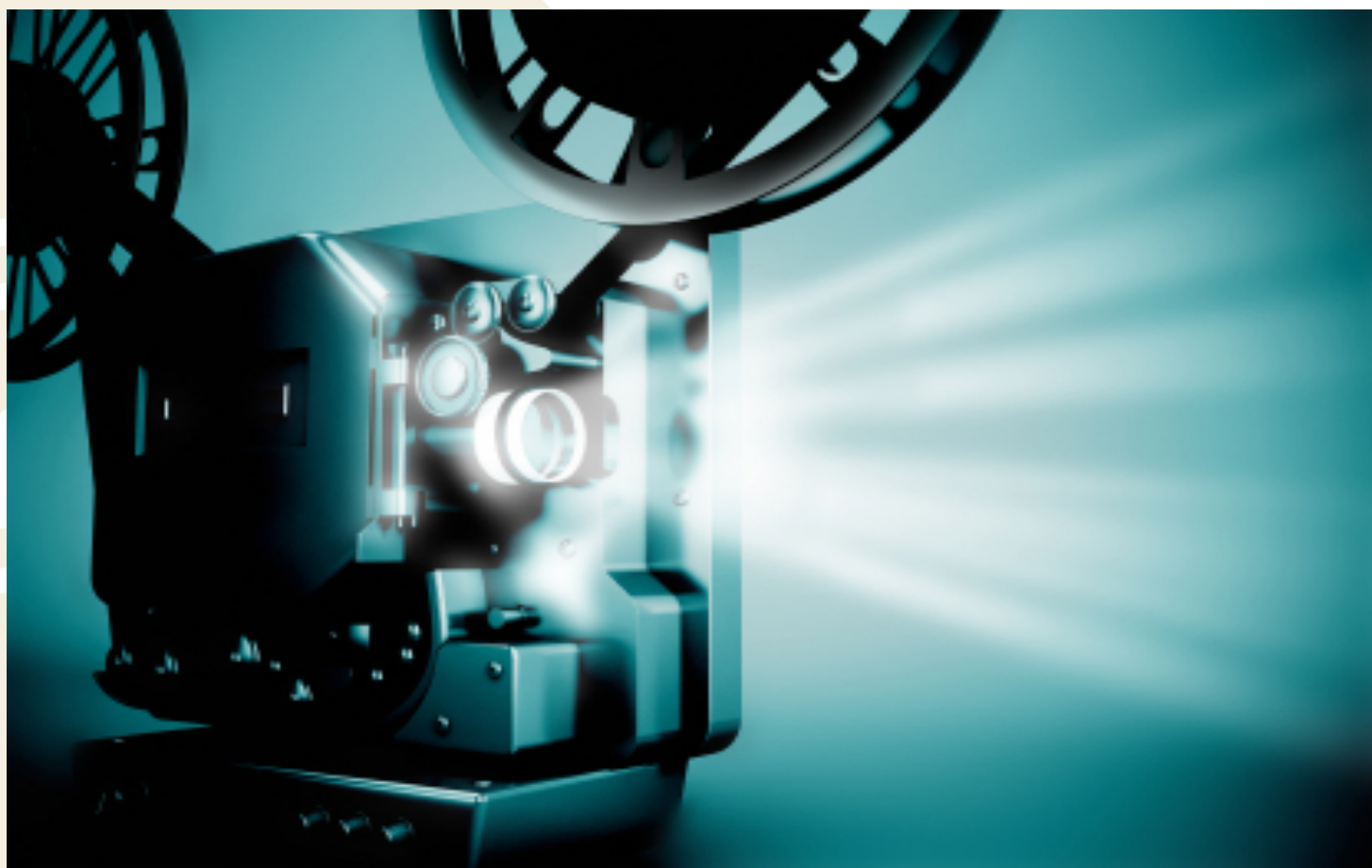




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Let the Credits *Roll*:

Inside a Film Tax Credit System Built to Enrich
Politicians, Lobbyists, Bureaucrats, and Other
Insiders.



www.g-a-i.org

I'm shocked, shocked to find that gambling is going on in here!

- Captain Louis Renault, *Casablanca*



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Executive Summary

Each year, American taxpayers spend an estimated \$1.51 billion subsidizing television and film projects.¹ States offer filmmakers generous tax breaks and cash payouts to lure film crews to their states in the name of job creation and boosting tourism, gains that several studies have largely dispelled as myth.²

Still, the practice continues. This year, Quentin Tarantino's *Django Unchained* applied for an estimated \$8.4 million in tax credits from Louisiana, pending audit and review by the state.³ *Silver Linings Playbook* hauled in over \$5.6 million from the State of Pennsylvania.⁴ Ben Affleck's seven-time Oscar nominated film, *Argo*, received \$6.21 million in tax credits from the California Film

Fast Facts

- ➔ States spend approximately \$1.51 billion on handouts and subsidies to television and film projects annually.
- ➔ New York's Empire State Film Production Credit gave away \$359 million last year, making it the most generous state film incentive program.
- ➔ 40 states offer some form of subsidy or incentive to the film industry.
- ➔ In the thirteen states, as well as Puerto Rico, it exists, the transferrable film tax credit market totals up to approximately \$785 million annually, netting brokers between \$39 and \$78 million in fees and mark-ups.

¹ Louise Story, Tiff Fehr, and Derek Watkins, "Common Industries," New York Times, December 1, 2012, <http://www.nytimes.com/interactive/2012/12/01/us/government-incentives.html#film>.

² William Luther, "Movie Production Incentives: Blockbuster Support for Lackluster Policy," Special Report 173, Tax Foundation (January 2010), <http://taxfoundation.org/sites/taxfoundation.org/files/docs/sr173.pdf>.

³ Email conversation with the Executive Director of Louisiana Entertainment

⁴ Pennsylvania Department of Community & Economic Development Investment Tracker, database from Pennsylvania state government, <http://www.dced.state.pa.us/investmenttracker/Default.aspx>.



Commission.⁵ These funds may be used to defray income and sales taxes incurred during filming. Steven Spielberg's film, *Lincoln*, featuring Daniel Day-Lewis, Sally Field, and Tommy Lee Jones raked in more than \$3.5 million in taxpayer cash from the State of Virginia.⁶ These 2013 Oscar nominees have bagged millions of taxpayer dollars, even as the price of movie tickets has increased 37 percent over the last decade.⁷

With hundreds of millions of taxpayer dollars being shuttled to motion picture productions each year, the opportunities for corruption and cronyism are myriad. As this Government Accountability Institute report reveals, an entire film tax credit brokerage industry has quietly sprung up that allows businesses and individuals to buy and sell transferrable film tax credits, which act as "get out of tax free cards." Disturbingly, many of the players in the film tax credit brokerage business are former state legislators, lobbyists, and film commission bureaucrats who are well-positioned to leverage their connections to turn a profit on the backs of taxpayers.

Key findings include:

- In Louisiana, 4 out of 7 state-based brokerages are owned or operated by former lawmakers, lobbyists, state film officials, or other insiders who helped formulate their state's tax credit legislation. In Georgia, it's 2 out of 4.
- In Connecticut, former Speaker of the House James Amann spearheaded legislation to enact the film tax credit system. After leaving office, he started a film production company and a lobbying firm that states he orchestrated "a bold tax incentive plan, and now we can help you navigate it."
- In Louisiana, one former film commissioner, Mark Smith, was sent to prison for taking bribes from production companies to help increase the amount of tax credits they received. In another incident, Louisiana Film Studios sold more than

⁵ Email conversation with the Executive Director of the California Film Commission

⁶ Sandy Hausman, "Lincoln Biopic: Film Incentives Often Not Worth Cost," *Virginia Public Radio*, WAMU 88.5 NEWS, online article, December 1, 2011, http://wamu.org/news/11/12/01/lincoln_biopic_film_incentives_often_not_worth_cost.

⁷ Theatrical Market Statistics 2011, Motion Picture Association of America, Inc., <http://www.mpaa.org/resources/5bec4ac9-a95e-443b-987b-bff6fb5455a9.pdf>.



\$1.9 million in fraudulent tax credits to, among others, New Orleans Saints Drew Brees and Sean Payton.

- In Florida, one sponsor of the legislation to institute film tax credits in the state, Rep. Kevin Ambler, is a manager of two production companies, including one that attempted to claim state incentive dollars.
- In Georgia, one brokerage, Georgia Entertainment Credits, brags it is “organized by two of the principal architects” of the legislation that enacted the state’s film tax credits. The brokerage business is doing well for Ric Reitz and Wilbur Fitzgerald – they “make good money.”



Historical Narrative

Taxpayer-backed movie production incentives arose in the United States from concerns about “runaway productions” – films and television programs intended for release domestically but filmed outside the country. A 2005 report from the Center for Entertainment Industry Data and Research (CEIDR) claimed that many of these departing productions were due in part to foreign film subsidies and incentives, as well as economic factors such as exchange rates and labor costs.⁸ The recommendations in the CEIDR report included a U.S. federally-based incentive program.

Canada’s geographic proximity, shared language, and generous incentive program made it an especially fertile ground for runaway productions. CEIDR claims that some 90 percent of runaway productions end up in Canada, though other English speaking countries also remain popular production spots.

Louisiana was the first state to adopt production incentives in 1992.⁹ Minnesota, Hawaii, and Missouri enacted legislation a few years later, and the next decade saw an avalanche of new production incentives throughout the states. Now, 40 states have some form of incentive or subsidy for film and television production, and the incentives have often been expanded to include commercials, video games, concerts, and other entertainment media.

Film and television incentives come in numerous forms. Some, such as grants, cash rebates, or sales tax exemptions, are relatively straightforward. One of the most popular forms of incentive, tax credits, can become far more complicated. Tax credits allow a production company to exempt a portion of its owed taxes. The structure and operation of many

⁸ Stephen M. Katz, “The Global Success of Production Tax Incentives and the Migration of Feature Film Production From The U.S. to the World – Year 2005 Production Report,” ed. Mark A. Rosenthal (The Center for Entertainment Industry Data and Research, 2006), <http://ceidr.org/2005CEIDRReport.pdf>.

⁹ Nick Zaiac, “Map: Film Credits by State, 1992-Present,” April 20, 2010, Tax Foundation’s Tax Policy Blog, <http://taxfoundation.org/blog/map-film-tax-credits-state-1992-present>.



production companies allows them to receive tax credits with a value far greater than their tax liability, rendering the incentive partially, or in some cases completely, unusable. States combat this problem in two ways: they make the credits refundable, allowing the state to issue a cash rebate to make up the difference, or they make them transferable, so that the credits can be sold to other individuals and businesses to offset their own tax liability.

Legislators seem to be fond of these transferrable credits because they are a subsidy that does not look like one on its face. The lawmakers know that the value of the credit will far outweigh the production's tax burden – by making the credits easily saleable and transferrable, legislators created a way to make a cash hand out look like modest tax savings. One New York based entertainment lawyer said, “I’ve never seen a state be honest about this.”¹⁰

Currently, 28 states offer some form of tax credit for film and television production. Today, 13 states (Alaska, Connecticut, Florida, Georgia, Illinois, Louisiana, Massachusetts, Michigan, Missouri, New Jersey, Pennsylvania, Rhode Island, and West Virginia), as well as Puerto Rico, have currently offered transferable film tax credit systems.¹¹

Investigative Findings

The creation of transferable tax credits allowed lawmakers to create a commodity that could be used to escape certain tax liabilities – a “get out of tax free card.” A market naturally sprang up to facilitate the transfer and sale of these credits, forming middlemen in the form of brokerages. Brokerages typically work by either finding a buyer for a production's tax credits and receiving a commission, as a real estate agent would operate, or by purchasing the credits themselves and selling them at a mark-up. A company or

¹⁰ Dorothy Pomerantz, “Tinseltown Tax,” *Forbes.com*, Money & Investing, March 27, 2006, <http://www.forbes.com/forbes/2006/0327/093.html>.

¹¹ Louise Story, Tiff Fehr, and Derek Watkins, “Common Industries,” *New York Times*, December 1, 2012, <http://www.nytimes.com/interactive/2012/12/01/us/government-incentives.html#film>.



individual with a tax liability can potentially save millions by purchasing these credits at 80 to 95 cents on the dollar. For example, a company that owes \$1,000,000 in state income taxes could purchase a credit from a broker for \$900,000, resulting in the state's loss of \$100,000 in revenue it would have otherwise received. The production company, the brokers, and the tax credit buyer all profit at the expense of the taxpayers.

Additionally, brokers also advertise themselves as experts in navigating the often byzantine regulations of the incentive systems. The key selling point for many brokers is not their financial or legal expertise, but their involvement in the drafting or passage of the bills that created the tax credits.

According to their state budgets, the 13 states that offer transferrable credits boast a combined budget of approximately \$785 million per year for film tax credits. With industry standard fees and mark-ups that can range between 5 and 10 percent of the value of the credits, brokerages together in these states could see potential revenues between \$39 and \$78 million annually.

Disturbingly, this network of brokers is comprised of a large number of former legislators, lobbyists, and film commission bureaucrats. Evidence across a number of states demonstrates that government insiders use their connections to enrich themselves, arousing suspicion that these film tax credits are not just created to spur job creation, but also to enrich those who can buy and sell them.

This report makes no attempt to evaluate the effectiveness of film and entertainment subsidies and incentive programs, but it instead aims to highlight and expose the cronyism and corruption that exists within tax credit systems. An analysis of all 13 states with transferrable credits revealed four states with a network of cronyism that is especially blatant and pronounced:

Louisiana - \$231 Million Annually In Film Tax Credits (See Figure 1)

Louisiana adopted a tax credit system in 2002 through legislation shepherded by then-state legislator Steve Scalise, now the representative for the state's 1st congressional



district.¹² The state's incentive provides a 30 percent tax credit on film production expenditures and an additional 5 percent credit for payroll expenditures for Louisiana residents. During the 2011-12 fiscal year, Louisiana spent \$231 million on tax credits – a growth of over 29 percent from the previous year. In the decade since the 2002 legislation, the state's taxpayers have doled out more than a billion dollars in credits.¹³

In the last eleven years, the state's film industry has skyrocketed. Only California and New York produce more films. However, an analysis of the state's film tax credit system reveals a complicated web of brokers, lobbyists, and former bureaucrats all profiting from the system they built with tax dollars.

The Louisiana Film and Entertainment Association (LFEA) is a non-profit trade group that works to, among other things, promote and protect film subsidies in the state.¹⁴ To this end, LFEA is fully managed by the Tatman Group, a lobbying and government relations company. Representatives of two tax credit brokerage firms sit on LFEA's board – President Patrick Mulhearn of Celtic Media Centre, part of the Celtic Group, and Treasurer William French of Film Production Capital.¹⁵ Additionally, LFEA's Government Relations Chair, Lampton Enochs, is a partner of another brokerage, Louisiana Production Consultants, as well as a former employee of the state agency responsible for overseeing

¹² Bill Capo, "Louisiana film industry booming on 10-year anniversary of tax credit," WWLTV.com, July 1, 2012, <http://www.wwltv.com/news/Louisiana-film-industry-booming-10-years-since-tax-credit-began-160999305.html>

¹³ Tim Mathis, "Louisiana Film Tax Credits: Costly Giveaways to Hollywood," Louisiana Budget Project, online report, August 2012, <http://www.labudget.org/lbp/wp-content/uploads/2012/08/LBP-Report.Louisiana-Film-Tax-Credits.pdf>.

¹⁴ Formerly known as Louisiana Industry for Film and Entertainment.

¹⁵ Louisiana Film Entertainment Association, Officers & Staff, <http://www.lfea.org/about/officers-and-staff>.



the film tax credits.¹⁶ Both LFEA and Louisiana Production Consultants have employed the same lobbyist: Markey Pierre from Southern Strategy Group.¹⁷

In addition to directing a film tax credit brokerage, Celtic Media Centre and its parent company, the Celtic Group, operate a large production center in Baton Rouge that has worked with the productions of numerous films, such as the *Twilight* series, and the show *True Blood*.¹⁸ Patrick Mulhearn, the Director of Studio Operations, worked as the Assistant Director of Film and Television for the State of Louisiana between 2006 and 2009.¹⁹

William French is the president of Film Production Capital, a tax credit brokerage that was founded to take advantage of the tax credit system. French's website bio brags that he has been "actively involved in the enactment of tax incentive legislation, rules and regulations throughout the United States, and helped to author the very first digital media tax credit program in the United States."²⁰ Film Production Capital's registered lobbyist, Phyllis Sims, also considers herself influential in the world of film subsidies. Her firm's website cites her experience in "lobbying and active involvement in drafting, modifications, and re-enactments of the Louisiana Motion Picture Incentive Act."²¹ In the past, she has also lobbied for the Motion Picture and Television Association of Louisiana.²² Her experience

¹⁶ Nexis search, subscription required, https://w3.nexis.com/new/seisint/shared/handleSSL.do?sslPersistenceDO=45_T16603785509.

¹⁷ Follow the Money, online database, "Lobbyist Summary: Pierre, Markey," <http://www.followthemoney.org/database/lobbyist.phtml?l=233625>.

¹⁸ Celtic Media Center, <http://www.celticmediacentre.com>.

¹⁹ "Panelist Bio: Patrick Mulhearn," *Louisiana Public Square*, from Louisiana Public Broadcasting website, http://beta.lpb.org/index.php/publicsquare/lps_bio/mulhearn_patrick.

²⁰ "Staff: William D. French, Esq." Film Production Capital, <http://www.filmproductioncapital.com/staff.html>.

²¹ "Phyllis D. Sims," Kean Miller Attorneys at Law website, <http://www.keanmiller.com/lawyer-attorney-1195275.html>.

²² Follow the Money, online database, "Lobbyist Summary: Sims, Phyllis D," <http://www.followthemoney.org/database/lobbyist.phtml?l=64292>.



and influence extends beyond lobbying - Sims is also the registered agent for yet another brokerage, Inner Media Capital.²³

Peter Loop, former deputy film commissioner for the state, founded Loop Garou Entertainment, a production services and tax credit brokerage firm. Loop Garou has been involved with films such as *Django Unchained* and *Battleship*, among others.²⁴ Loop is also in the process of opening another tax credit business: eTax Credit Exchange, an online marketplace to buy and sell credits.²⁵

Former Louisiana Film Commission Director Mark Smith was convicted of participating in a bribery scheme in which he exaggerated the budgets of movie productions so that the production companies could receive tax credits. Over a two-year period, Smith accepted bribes of more than \$65,000.²⁶

In 2010, Wayne Read of Louisiana Film Studios pled guilty to interstate transportation of stolen funds and wire fraud, selling \$1.9 million dollars in non-existent film tax credits. Among those who purchased the credits were 27 current and past members of the New Orleans Saints, including head coach Sean Payton and quarterback Drew Brees.²⁷

²³ Nexis search, subscription required,
<https://w3.nexis.com/new/search/flap.do?flapID=publicrecords&random=0.4341190857365067>.

²⁴ Loop Garou Entertainment, <http://www.loopgarou.com>.

²⁵ Zach Kupperman, "eTax Credit Exchange Closes \$350,000 Seed Round; Brings Tax Credit Trading Online," *Silicon Bayou News*, May 30, 2012,
<http://siliconbayounews.com/2012/05/30/etax-credit-exchange-closes-350000-seed-round-brings-tax-credit-trading-online/>.

²⁶ "Former Louisiana Film Commissioner Director Sentenced in Bribery Scheme," Press Release from the U.S. Attorney's Office for the Eastern District of Louisiana, July 29, 2009,
<http://www.fbi.gov/neworleans/press-releases/2009/no072909.htm>.

²⁷ Gordon Russell, "Film tax-credit scam that ensnared dozens with ties to New Orleans Saints leads to guilty plea," *The Times-Picayune*, May 13, 2010,
http://www.nola.com/crime/index.ssf/2010/05/film_tax-credit_scam_that_ensn.html.



Georgia - \$140 Million Annually in Film Tax Credits (See Figure 2)

Georgia introduced a sale and use tax exemption for film production in 2002, and later enacted a tax credit system with the Georgia Entertainment Industry Investment Act in 2005, which was later revised in 2008.²⁸ Georgia's current production incentives, which are managed by the state's Department of Economic Development, include a 20 percent tax credit, with an additional 10 percent if the production company puts a Georgia promotional logo on the project.²⁹ In 2010, more than \$140 million in these tax credits were claimed.³⁰

The state's film industry has boomed – it ranks just below Louisiana in production. The state is home to Turner Studios, owned by TimeWarner, and Tyler Perry Studios.

Ric Reitz and Wilbur Fitzgerald own Georgia Entertainment Credits, LLC, a brokerage firm. The company's website claims that it was “organized by two of the principal architects of the 2008 Georgia Entertainment Industry Investment Act.” Fitzgerald serves as President of the Georgia chapter of the Screen Actors Guild and American Federation of Television and Radio Artists. According to the firm's website, both men served on the “Governor's Film, Video & Music Commission Incentive Committee, which helped formulate the 2005, 2008 and 2012 Georgia Entertainment Industry Investment Act.”³¹

In an interview, Fitzgerald stated that he was part of a small group of four people who sat down with Governor Purdue to help create the tax credit system. He believes that the brokerages don't necessarily create any value for taxpayers but that they help monetize credits for the productions companies. He explained that he does not see anything wrong with so many of the brokers coming from government or lobbying firms – in fact he said

²⁸ “Entertainment,” Georgia Department of Economic Development, <http://www.georgia.org/industries/entertainment-industry/Pages/default.aspx>.

²⁹ “Production Incentives,” Georgia Department of Economic Development, <http://www.georgia.org/industries/entertainment-industry/Pages/production-incentives.aspx>.

³⁰ Meyers Norris Penny and W2 Entertainment Finance, “Economic Contributions of the Georgia Film and Television Industry,” February 28, 2011, http://www.stop-runaway-production.com/wp-content/uploads/2009/07/Georgia-Executive-Summary_Feb28.pdf.

³¹ “The Players,” Georgia Entertainment Credits, LLC, <http://gaentcredits.com/GECplayers.html>.



the politically connected “would probably make great brokers.”³² Reitz, his partner, stated their brokerage did well – “I make good money.”

The Georgia Production Partnership (GPP) is “a not-for-profit coalition of companies and individuals who are active in the state’s film, video, music, and interactive game industries.”³³ Reitz served as the former president of GPP and now sits on the group’s Government Affairs Committee as the vice chair, and Fitzgerald previously held the position of secretary. GPP helped form Economic Development through Georgia Entertainment (EDGE), a separate group whose explicit goal is to lobby the Georgia Legislature to “develop aggressive economic incentives for Georgia’s entertainment industry, specifically as they pertain to motion picture production...”³⁴ The man tapped to become President and CEO of EDGE, Mike Akins, was another member of the Georgia Film, Video & Music Advisory Commission, to which he was appointed by then Governor Sonny Perdue.³⁵ Akins is also the business agent for the International Alliance of Theatrical Stage Employees, another film industry union. Both GPP and EDGE retained the same three lobbyists: Bruce Bowers, Brandon Hembree, and Lewis Massey, according to data from the National Institute on Money in State Politics.³⁶

Former Georgia State Senator Ron Slotin also founded a film tax credit brokerage, Georgia Film Credits Consultants. His partner, Denise Elsbree claims she “was tapped to be a member of the team to write the business plan and to strategically campaign for the

³² Phone interview January 18, 2013.

³³ Georgia Production Partnership, “GPP Profile,” <http://www.georgiaproduction.org/gpp-profile/>.

³⁴ Georgia Production Partnership, “The EDGE Mission Statement,” January 1, 2004, <http://www.georgiaproduction.org/gpp-news-room/georgia-production-gains-an-edge/>.

³⁵ “Governor Perdue Announces Executive Appointments,” Georgia Production Partnership, August 3, 2004, <http://www.georgiaproduction.org/gpp-news-room/governor-perdue-announces-executive-appointments/>.

³⁶ Follow the Money, online database, “Client Summary: Georgia Production Partnership,” <http://www.followthemoney.org/database/lobbyistclient.phtml?lc=177210>.



approval and passing of HB 1100 – The Georgia Tax Incentive Plan for the Georgia Film, Music and Digital Entertainment Office.”³⁷

Connecticut - \$118 Million Annually in Film Tax Credits

Connecticut passed legislation in 2007 to adopt a film incentive system that would provide up to a 30 percent tax credit.³⁸ During the 2012 fiscal year, Connecticut issued \$118 million in tax credits to 27 productions.³⁹

Former Representative James Amann, who served as Speaker of the Connecticut House, spearheaded Connecticut’s tax credit legislation. After his departure from government following an unsuccessful gubernatorial campaign, Amann opened a lobbying firm, International Government Strategies. The firm’s website asserts that “as House Speaker, Jim Amann orchestrated the growth of Connecticut’s show business industry with a bold tax incentive plan, and now we can help you navigate it.”⁴⁰ He also founded LA Production & Entertainment, a production company.⁴¹ When reached for comment, Amann said the company had produced two movies so far that had not turned a profit, but “hopefully one day we’ll be able to produce films large enough to take advantage of the incentive program.”⁴²

Amann stated that he relied heavily on Kevin Segalla, President of the Connecticut Film Center, a brokerage, to craft the state’s film tax credit legislation. In 2007, a whistle-blower complaint alleged that Connecticut’s film office was inappropriately steering productions to

³⁷ “Who’s Behind the Scenes,” Georgia Film Credit Consultants, LLC, <http://gfcc.us/whos-behind-the-scenes/>.

³⁸ “An Act Expanding Connecticut’s Film Industry,” State of Connecticut, Public Act No. 07-236, <http://www.cga.ct.gov/2007/act/Pa/pdf/2007PA-00236-R00HB-06500-PA.PDF>.

³⁹ Annual Report: Fiscal Year 2011-2012, State of Connecticut, Department of Economic and Community Development, http://www.ct.gov/ecd/lib/ecd/decd_fy_2011_12_annual_report.pdf.

⁴⁰ International Governmental Strategies, <http://igovstrategies.com>.

⁴¹ Milford Mirror Staff, “From politics to film: Amann’s production ‘The Fence’ airs Milford,” *MilfordMirror.com*, June 25, 2012, <http://www.milfordmirror.com/144/from-politics-to-film-amanns-production-the-fence-airs-in-milford/>.

⁴² Phone interview January 18, 2013.



Segalla. However, the complaint was not subject to public disclosure, and the state was unable to substantiate the complaint.⁴³

Florida - \$49 Million Annually in Film Tax Credits

Florida introduced a transferrable tax credit system in 2010 designed to spur the state's film industry. The 2010 legislation specified a funding window that would sunset in 2016. The Florida Legislature has allocated a total of \$296 million to be spent on tax credits over six years.⁴⁴ The state's complicated tax credit system provides a base 20 percent credit, and provides numerous add-on credits the production company can take if it meets certain qualifications, such as:^{45 46}

- 5 percent if the production is determined to be "family friendly" by the state
- 5 percent if the majority of principal photography takes place between June and November
- 5 percent if production takes place in the north, central west, or south western regions of the states – which the state considers to be "underutilized"

Prior to 2010, the state utilized a 15 percent cash rebate system as an incentive, which was introduced in 2003. Florida's film commissioner at the time the legislation passed, Lucia Fishburne, stated that the rebate was replaced with a 20 percent tax credit system in order

⁴³ Brian Lockhart, "State's film tax credits a boon to brokers: Deals shrouded in secrecy from state lawmakers," *ctpost.com*, July 19, 2010, <http://www.ctpost.com/local/article/State-s-film-tax-credits-a-boon-to-brokers-582545.php>.

⁴⁴ "Fiscal Year 2011/2012 Film and Entertainment Industry Financial Incentive Performance Report," Florida Department of Economic Opportunity, Office of Film and Entertainment, <http://www.filminflorida.com/ifi/PDFs/annualReports/Entertainment%20Industry%20Financial%20Incentive%20Annual%20Report%202011%202012.pdf>.

⁴⁵ "Florida Film & Entertainment Industry Financial Incentive Program," The Florida Office of Film & Entertainment, <http://www.filminflorida.com/ifi/incentives.asp>.

⁴⁶ "Definitions," *filminflorida.com*: The Florida Office of Film and Entertainment, July 1, 2011, <http://www.filminflorida.com/ifi/PDFs/FY%2011-12%20DEFINITIONS.pdf>.



to accommodate tax brokers' fees, stating that "it needed to go up to be more competitive."⁴⁷

Several industry associations (Digital Media Alliance Florida, Florida Film Production Coalition, Women In Film & Television Florida, Film Florida), unions (SAG, IATSE), and individuals, formed the Florida Alliance of Media and Entertainment (FAME) whose "primary purpose is to hire a government relations firm to advance the combined film/digital/entertainment industry's collective legislative interests in Tallahassee."⁴⁸ FAME retained David T. Caserta Government Relations, whose lobbyists include David Caserta and James Wyatt.

The Entertainment Industry Financial Incentive Program Act was sponsored by Representatives Stephen Precourt of Orlando, Kevin Ambler of Tampa, and Jennifer Carroll of Jacksonville, who now serves as the state's lieutenant governor.⁴⁹ The bill's language became part of a large economic development package that was enacted.⁵⁰ According to data from the Florida Division of Elections, both Caserta and Wyatt donated to Precourt's campaign in 2010. An unusually high number of officers and board members of the various groups affiliated with FAME also gave to Precourt - many of whom had previously given little or no political donations, or had given only to Democrats.⁵¹ Several had also given to the Florida Realtor's PAC, though none work in real estate - the Florida Realtors is one of Precourt's largest donors.

⁴⁷ Brian Lockhart, "State's film tax credits a boon to brokers: Deals shrouded in secrecy from state lawmakers," *ctpost.com*, July 19, 2010, <http://www.ctpost.com/local/article/State-s-film-tax-credits-a-boon-to-brokers-582545.php>.

⁴⁸ FAME: Florida Alliance of Media & Entertainment, <http://www.fundfame.org>.

⁴⁹ Florida H.B. 697 (2010), http://www.flhouse.gov/Sections/Documents/loaddoc.aspx?FileName=_h0697_.docx&DocumentType=Bill&BillNumber=0697&Session=2010.

⁵⁰ Florida S.B. 1752 (2010), http://www.flhouse.gov/Sections/Documents/loaddoc.aspx?FileName=_s1752er.docx&DocumentType=Bill&BillNumber=1752&Session=2010.

⁵¹ Florida Division of Elections, online database, "Campaign Finance Database," <http://election.dos.state.fl.us/campaign-finance/contrib.asp#cand>



Then Representative Kevin Ambler, another sponsor of the bill, serves as the agent and a Manager of Camelot Film Productions, LLC and as the agent and a Manager of Strawman Entertainment, a small production firm.⁵² Robert Nowonty, another officer in Strawman Entertainment, said that Ambler offered to assist the company with getting state dollars for a television production. Ambler succeeded in lining up the state incentives, but the production fell through because the company could not line up outside financing.⁵³

Ambler even sat on the board of Directors for Digital Domain Media Group, a now bankrupt film and animation studio. He received an annual retainer of \$20,000 from the company, as well as \$2,000 for every board meeting he attended in person. In 2009, the company received a \$20 million dollar grant from the state – without the usual state review. Enterprise Florida, the state agency responsible for these incentive grants, refused to sign off on the deal, so Ambler added an amendment to another bill to distribute the money without the agency’s approval.⁵⁴ Additionally, Ambler’s son, Jason, was employed by the company as a “special projects” director before the company collapsed in September 2012.⁵⁵

⁵² Nexis search, subscription required, <https://w3.nexis.com/new/search/flap.do?flapID=publicrecords&random=0.4341190857365067>.

⁵³ Michael Sasso, “Studio hired Ambler son,” *The Tampa Tribune*, September 12, 2012, <http://www2.tbo.com/news/breaking-news/2012/sep/12/namaino1-studio-hired-ambler-son-ar-494470>.

⁵⁴ Pat Beall, Joel Engelhardt, and Jeff Ostrowski, “Florida is out \$20 million on Digital Domain deal,” *The Palm Beach Post*, September 7, 2012, <http://www.palmbeachpost.com/news/business/digital-domain-to-shut-down-port-st-lucie-operatio/nR5Zf/>.

⁵⁵ Michael Sasso, “Bankrupt studio that got state aid employed lawmaker’s son,” *The Tampa Tribune*, September 12, 2012, <http://www2.tbo.com/news/breaking-news/2012/sep/12/studio-files-bankruptcy-ar-494239/>.



Another interest group, the Florida Film Production Coalition, hired former Florida Film Commissioner Rebecca Mattingly as a lobbyist in 2009, before the legislation was brought to the floor.⁵⁶

Representative Michelle Rehwinkel-Vasilinda advocates fervently for film and entertainment incentives. She formed the Florida Film Entertainment and Television Caucus and held a reception for state lawmakers and industry insiders.⁵⁷ Her husband is the owner and namesake of Mike Vasilinda Productions.⁵⁸ The company provides film and video production, crews, and other services for television shows, commercials, and other productions that could be eligible for the state's tax credits.⁵⁹ In the past, the couple's relationship raised conflict of interest concerns when Mr. Vasilinda was awarded a \$4.1 million dollar contract from the state-run Florida Lottery to produce nightly drawing videos. Representative Rehwinkel-Vasilinda sits on the Governmental Operations Appropriations Committee, which oversees the lottery.⁶⁰

Florida is one of the most recent states to implement a transferrable tax credit system. The legislation's sponsors and backers seem to have a clear personal stake in Florida developing a more generous incentive program – whether it's needed or not. Though the state does not seem to have any in-state brokerages yet, it most likely will not take long for Florida to follow the lead of the other states and develop a brokerage system that benefits the well connected over other taxpayers.

⁵⁶ Follow The Money, "Lobbyist Summary: Mattingly, Rebecca Dirden," <http://www.followthemoney.org/database/lobbyist.phtml?l=192811>.

⁵⁷ "Rep. Rehwinkel Vasilinda to Launch Florida's Film and Entertainment Caucus this Fall," Film Florida: Organized Action for Promoting Florida's Entertainment Industry, <http://www.filmflorida.org/news/view.aspx?item=109>.

⁵⁸ Mike Vasilinda Productions, Inc. Website, <http://www.videoflorida.com/hdvideoproduction.html>.

⁵⁹ Mike Vasilinda, "Mike Vasilinda," Capitol News Service, October 29, 2006, http://www.flanews.com/?page_id=44.

⁶⁰ Lee Logan, "Lottery contract to Vasilinda raises concerns," *The Miami Herald*, December 16, <http://miamiherald.typepad.com/nakedpolitics/2009/12/lottery-contract-to-vasilinda-raises-concerns.html#more>.



Conclusion

There is little doubt that a considerable web exists between the “usual suspects” of cronyism - the advocates, beneficiaries, and administrators of these states’ various film tax credit systems. Campaign donations flow to sponsors of tax credit legislation. Industry insiders help craft legislation, then open businesses that profit from it. Government officials oversee the administration of the credit system, and then retire to run companies that profit from the system.

Taxpayers should demand more accountability and transparency in their state’s efforts to incentivize economic growth. Though these film tax credit programs may be enacted with honest and noble intentions, transferrable credits create an opportunity for government and industry insiders to profit at the expense of citizens. Lawmakers should consider:

- Removing the ability to transfer the credits, removing the opportunity for cronyism that exists for brokers.
- Instituting a waiting period for lawmakers and state officials who administer the film tax credits program, so that they cannot immediately enter into the business they once regulated.
- Developing an easily usable online clearinghouse for taxpayers to see what films and television shows have received subsidies from the state.



Figure 1: Louisiana

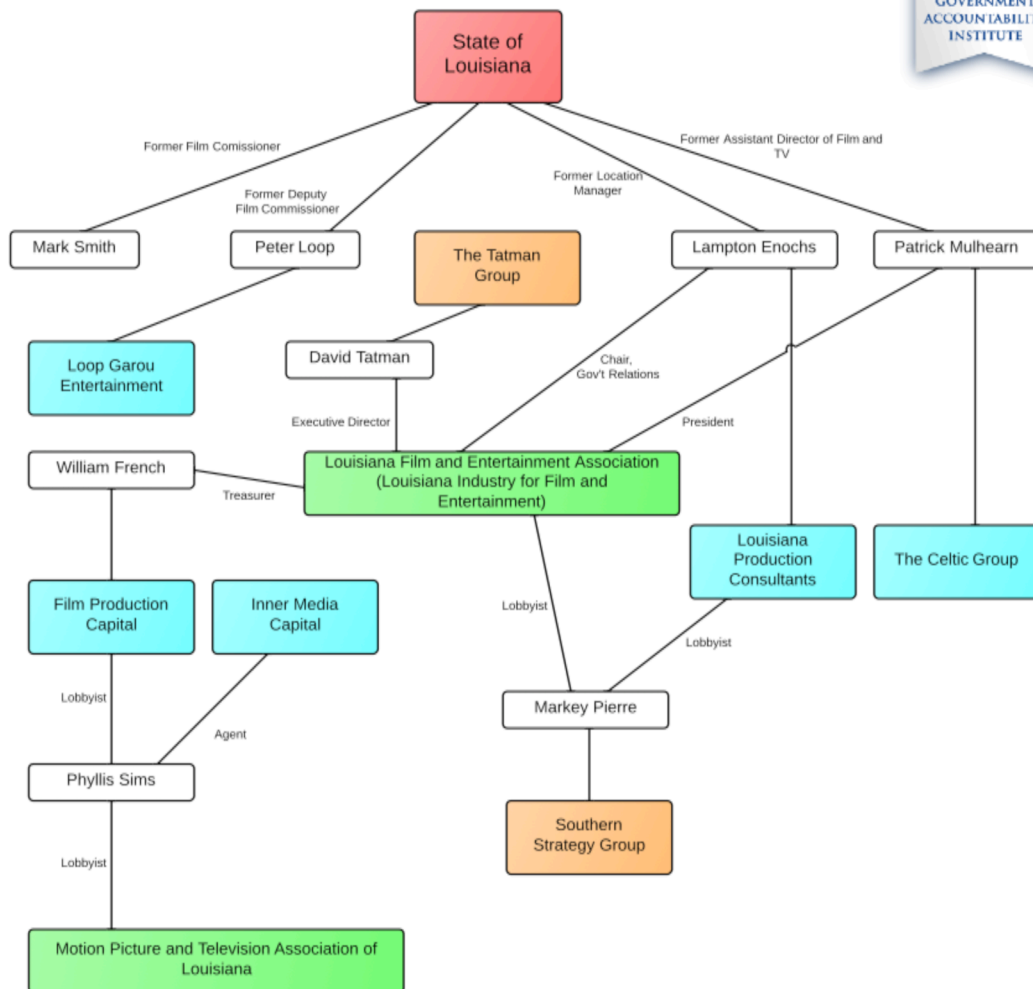


Figure 2: Georgia

