

Perspective on Tax Incentives for Film/Music/Commercials/Video Game Industry in Georgia

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Sitting near the bottom of ‘the Great Recession’ it is tempting to look to government action – which means intervention in the natural economy- to jumpstart economic growth. In fact, nearly all advocates for new spending and taxing add a tag line to their arguments. “It’s good for the economy...it will create jobs.”

That’s the argument here. Georgia incentives for film production will take those jobs from California or British Columbia or wherever and move them to Georgia. The name for this is ‘beggar thy neighbor’ strategy. And the problem is that the neighbor makes a counter offer to the production company. At the end of the chain, money is transferred from the taxpayers of the state that offered the highest kickback to the investors in the production company. So, in our case, taxpayers in Georgia are paying kickbacks to investors in Hollywood...and, perhaps, to California’s spendthrifts in Sacramento.

The economy is a system and a change in one sector will cause a change, sometimes dramatic, in other sectors. Or, as I say with tax reform, be careful if you impose a new tax on someone else. You’ll end up paying part or all of it.

Subsidies are investments in private companies that are made by our elected officials using our tax money. We can argue all day about whether that investment will eventually be good for Georgia’s economy and a range of Georgia taxpayers. My students work for a whole semester analyzing the effect of one investment into the state on the state economy. I can promise you that the studies predicting a certain number of new are inflated...sometimes wildly so. Remember such studies are usually produced and promoted by developers and subsidy recipients, not by the people paying the bill – the taxpayers.

My vote is that we hold film companies, legislators, anyone who wants to tap the taxpayer’s pocket for the funds, to the same high standards of proof that we hold private investors. If these incentives will really promote the welfare of regular Georgians and promote it significantly, they should prove it. Not just do it and expect the media and tax reform proponents to disprove it. We should hold them guilty and require that they prove themselves innocent.

Rather than lower taxes for one type of taxpayer and raise them for others, we should eliminate incentives, put the gained revenues into a big pot and use the pot to lower income tax rates for all taxpayers. Now that will help the economy!!!