



TESTIMONY

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SENATE BILL 721: CREATES THE “SHOW MISSOURI FILM AND DIGITAL MEDIA ACT”

By Corianna Baier, David Stokes, and Elias Tsapelas

Testimony Before the Senate Economic Development Committee

TO THE HONORABLE MEMBERS OF THIS COMMITTEE

Thank you for the opportunity to testify. My name is Corianna Baier, senior policy analyst at the Show-Me Institute. I’m testifying on behalf of myself; David Stokes, director of municipal policy; and Elias Tsapelas, senior policy analyst. We are from the Show-Me Institute, a nonprofit, nonpartisan, Missouri-based think tank that advances sensible, well-researched, free-market solutions to state and local policy issues. The ideas presented here are our own and are offered in consideration of proposals that will affect tax credits in Missouri.

Senate Bill 721 would reauthorize a tax credit for the film industry. As with previous versions of this tax credit and all other tax-credit programs, a film tax credit is meant to stimulate growth in the industry by reducing the tax liability incurred within Missouri. However, research

and history show that tax credits rarely generate enough economic activity to justify their use.

PAST PROGRAM FAILURE

Missouri’s previous film tax-credit program was a failure that did not permanently stimulate growth in Missouri’s film production industry.¹ The Tax Credit Review Commission went so far as to recommend that the tax credit be eliminated because it served too narrow of an industry and didn’t provide a positive return on investment.² Missourians were lucky that lawmakers allowed this program to sunset in 2013.

Research has shown that across the nation film tax credits have not resulted in job growth, have not affected market share or industry output, and have resulted only in short-term wage gains for those in the industry.³ Film tax credits in many

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states generated just cents on the dollar, making them a huge waste of taxpayer dollars. As a Tax Foundation analyst pointed out, “non-favored activities and businesses remain on the hook to bear the full impact of the state’s tax code.”⁴

Film tax credits have haunted the Missouri legislature for years and the question is always the same: Should one expect this tax credit to produce different results the second time around?⁵

LAWMAKER INTERFERENCE IN THE MARKET

Targeted economic development tax credits are just another way for lawmakers to pick winners and losers, a job that is better left to consumers in the market. When tax breaks are given to some, other taxpayers have to make up for the lost revenue. Through a reauthorized film tax credit, lawmakers would be sending tax dollars to private companies to artificially boost an industry. The desire to “do something” is understandable, but in the case of tax credits, it is often better to do nothing. While we’re sure many want a thriving film industry in Missouri, if an industry cannot succeed here without government assistance, then maybe it shouldn’t be here.

Companies call for tax credits for their industries frequently, as they are the ones who directly benefit from them. If you have read the recent investigative report by the *Post-Dispatch* on the activities involved with the state’s Distressed Area Land Assemblage Tax Credit, you can’t fail to notice how a small cadre of influential tax-credit peddlers consistently abuse these programs for personal profit at public expense.⁶

THE WRONG KIND OF LEADERSHIP

Missouri is already a national leader in state spending in the name of “economic development.” Over the past few decades Missouri has foregone billions in state tax revenue to a host of narrow incentives that have consistently yielded poor results overall. Just last year, Missouri spent more than \$618 million on its various tax-credit programs. To put that spending into context, that amount of money could pay for the elimination of the state’s corporate

income tax entirely,⁷ or alternatively, reduce the individual income tax by a smaller increment. Instead of continuing down the path of subsidizing chosen entities, lawmakers should consider offering a broad-based tax cut that would benefit all Missourians.

Tax-credit programs have not been successful in Missouri in the past, and the film tax credit program has been a great example of that. Even with minor changes, there’s no evidence that a reauthorization of this program would produce a different result. Missouri has a plethora of economic opportunities, and it doesn’t need lawmakers to artificially create more at the expense of taxpayers.

NOTES

1. Christine Harbin. “Film Tax Credits Are Bad for States.” Show-Me Institute. 2009. <https://showmeinstitute.org/blog/transparency/film-tax-credits-are-bad-for-states>
2. “Report of the Missouri Tax Credit Review Commission.” Missouri Tax Credit Review Commission. 2010. <https://www.semissourian.com/files/tcrcfinalreport113010.pdf>
3. “Lights, camera and no action: How state film subsidies fail.” USC Press Release. <https://pressroom.usc.edu/lights-camera-and-no-action-how-state-film-subsidies-fail/>
4. Katherine Loughead. “Illuminating the Hidden Costs of State Tax Incentives.” Tax Foundation. 2021. <https://taxfoundation.org/state-tax-incentives-costs>
5. Patrick Ishmael. “Film Tax Credits: The Campy-est Zombie Movie You Ever Did See.” Show-Me Institute. 2016. <https://showmeinstitute.org/blog/tax-credits/film-tax-credits-the-campy-est-zombie-movie-you-ever-did-see>; Patrick Tuohey. “They’re Back! Film Tax Credits Haunt the Missouri Legislature.” Show-Me Institute. 2020. <https://showmeinstitute.org/blog/tax-credits/theyre-back-film-tax-credits-haunt-the-missouri-legislature>
6. Barker, Jacob, “FBI investigated NorthSide Regeneration tax credit deals, report shows,” *St. Louis Post-Dispatch*, Jan. 14, 2022.

7. Patrick Ishmael and Michael Rathbone. "Cutting the Ties that Bind: End Missouri's Corporate Income Tax." Show-Me Institute, 2012. https://showmeinstitute.org/wp-content/uploads/2015/06/Essay_CorpIncomeTax_11_27_0.pdf



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