



The District's Dime

Going Beyond the Budget Book

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DC's Film Economic Incentive Fund: Big Bucks For Moviemakers, a Flop for DC

By Jessica Fulton

This post-Labor Day Tuesday, we're taking a little diversion from our weekly focus on the Tax Revision Commission to look at one specific and controversial DC economic development subsidy: the District's Film Economic Incentive Fund. This fund offers cash and tax rebates to lure filmmakers to DC, but the return on investment to DC tax payers isn't such a hit. A recently released [study](#) commissioned by the city shows that for three movies which received DC tax dollars between 2007 and 2009, the District lost 77 cents for every dollar it spent.

Do you remember those scenes of DC in [How Do You Know?](#) Not too many people do. The James L. Brooks produced movie didn't do very well at the box office and didn't do too well for DC, either. Through the Film Economic Incentive Fund, the movie got a \$2 million subsidy. It's estimated the movie generated \$1.5 million in local expenditures, which means that the city actually lost \$500,000 on the deal.

The study done by Portland, Ore.,-based ECONorthwest was commissioned by the city to assess the effectiveness of the incentive program. As noted in a [memo](#) from the Deputy Mayor for Planning and Economic Development, the study did not reflect the entire scope of work, such as an analysis of the economic drivers in the DC film industry and whether film and video makers will come to DC without an incentive. Nevertheless, the memo concludes: "The report makes it clear that the current incentive fund is not a practical use of D.C. taxpayers' money."

The ineffectiveness of the District's film incentive is no surprise. It is consistent with the findings of a 2010 Center on Budget and Policy Priorities [report](#), which found that "film subsidies offer little bang for the buck." At the time of the report, 42 states offered incentive programs. Very few paid for themselves.

There are several reasons why DC's incentives are a bit of Hollywood fantasy:

- **Many of the best jobs created by the film industry are filled by non-residents.** Most filmmakers import talent, and most of the jobs available for DC residents are temporary, part-time, and low-paying. And given that DC cannot tax income earned inside city limits by non-residents, the income tax benefits are very little. Most revenue comes from the sales tax and expenditures made with local businesses.

- **DC is extremely generous in handing out tax dollars, at a rate almost twice the state average.** For example, in 2006, DC's incentive program offered production companies a rebate of up to a 42 percent on those production expenditures that were taxable in DC, whereas the average across the country was 25 percent. What this amounts to is a huge giveaway to filmmakers, without receiving much of anything in return.
- **The subsidies might be wasted on films that would have come to DC anyway.** DC offers a unique location, with the White House, federal monuments and the Capitol. For other cities and states, a film may generate interest in tourism. As the nation's capital, the District already has a thriving hospitality and tourism industry.

That's not such great news considering that the District just approved putting an additional \$4 million into the program in fiscal year 2014. That's money that could have been spent on any number of things—schools, assistance for needy families, or affordable housing.

In its memo, the Deputy Mayor's office said it planned to work with the Council on a program that would not only generate more revenue but “be a more effective tool to provide sustainable jobs in the local film and media industry.” DCFPI encourages that focus. As ECONorthwest's report shows, the city has a large indigenous film and video industry. Focusing on homegrown companies and talent—rather than luring Hollywood with big tax incentives—might be a much bigger bang for our buck.

Read and listen to the WAMU-FM report, featuring DCFPI executive director Ed Lazere: [DC's Attempt to Lure Filmmakers to City Gets Two Thumbs Down](#)