

Written Testimony for the Record
Submitted to the
California Senate Revenue and Taxation Committee
For the Hearing Regarding the Governor's Proposal to Further Expand the
Motion Picture and Television Production Tax Credit
March 26, 2025
Professor Michael Thom
University of Southern California, Sol Price School of Public Policy

Chair McNerney, Vice Chair Valladares, and members of the Committee, thank you for considering my written testimony regarding California's tax incentive for film and television production. I regret that I cannot participate in person.

My name is Michael Thom. I have been a professor at the University of Southern California's Sol Price School of Public Policy since 2012.¹ I teach graduate-level public budgeting and public finance courses and conduct research in those fields, including two books and several peer-reviewed studies. My research includes four peer-reviewed studies on tax incentives for film and television production. Each one shows the incentives fail to stimulate enough economic activity to justify their substantial cost:

- The first, a nationwide study, concluded that the incentives failed to increase the industry's contribution to gross state product and its concentration within a state's economy. Wage and employment impacts were negligible and temporary. There was no evidence that spending more would result in better outcomes.²
- The second study focused on California's existing incentive. I found little correspondence between the incentive and job creation. Instead, the industry's employment in California tends to expand and contract with the industry's employment nationally and the overall labor market.³
- The third study focused on high-spending states: Georgia, New York, Louisiana, Connecticut, and Massachusetts. The evidence showed negligible employment gains in some states but not in others; moreover, those gains coincided with lower wages.⁴
- The fourth study examined incentive repeals. I found that, through 2018, twenty-three states produced an independent evaluation of their incentives, and every single one concluded that it was strongly revenue negative.⁵

¹ The opinions expressed herein are my own and do not necessarily reflect those of the University of Southern California, its employees, representatives, or affiliates.

² Thom, Michael. 2018. "Lights, Camera, but No Action? Tax and Economic Development Lessons from State Motion Picture Incentive Programs." *American Review of Public Administration* 48(1): 33-51.

³ Thom, Michael. 2018. "Time to Yell 'Cut?' An Evaluation of the California Film and Production Tax Credit for the Motion Picture Industry." *California Journal of Politics and Policy* 10(1): 3rf6v988.

⁴ Thom, Michael. 2019. "Do State Corporate Tax Incentives Create Jobs? Quasi-Experimental Evidence from the Entertainment Industry." *State and Local Government Review* 51(2): 92-103.

⁵ Thom, Michael. 2021. "Does Program Evaluation Affect Program Termination? Insights from the Repeal of Corporate Tax Incentives for the Motion Picture Industry." *Policy Studies Journal* 49(4): 1135-1159.

Other peer-reviewed studies likewise conclude that tax incentives for film and television production produce little economic return, which means they are a negative for governments and taxpayers. For example:

- A fellow at the University of Calgary concluded that Canadians were “poorer, not richer, as a result of the film tax credits.”⁶
- A New Mexico State University professor found “[t]here is little evidence to suggest that film-production incentives widely impacted film-production employment.”⁷
- A Tulane University study determined that the incentives have “no meaningful effect” on production location decisions, employee wages, or job growth.⁸
- A professor at Kennesaw State University concluded that available research fails to “support the hypothesized positive impacts...on state economies.”⁹
- Professors at Penn State University and Middle Tennessee State University concluded that the incentives “are all revenue-negative” and “efforts to attract film production to a state do not ‘pay for themselves.’”¹⁰

I would be remiss not to acknowledge that some reports suggest the opposite—*i.e.*, that these incentives create jobs and eventually return their costs to state treasuries. Such reports have questionable methodologies, which puts them at odds with peer-reviewed scholarship.

Not surprisingly, favorable research also tends to have funding from the entertainment industry or its lobbyists. That includes financial support for organizations like the Los Angeles Economic Development Corporation, which has been less than transparent regarding its financial ties to the industry.¹¹

Members of the Committee, as you know, California faces an operating deficit for the next several years. The evidence is consistent and clear that increasing tax incentives for film and television production to three-quarters of a billion dollars annually will only worsen the state’s budget situation.

Simply put, California cannot afford the existing incentive, much less a substantial expansion to it.

I welcome the opportunity to meet with any member of the Committee to discuss this issue further.

Thank you, again, for considering my testimony.

⁶ Lester, John. 2013. “Tax Credits for Foreign Location Shooting of Films: No Net Benefit for Canada.” *Canadian Public Policy* 39(3): 451-472.

⁷ Adkisson, Richard V. 2013. “Policy Convergence, State Film-Production Incentives, and Employment: A Brief Case Study.” *Journal of Economic Issues* 47(2): 445-454.

⁸ Burton, Patrick. 2019. “Do Tax Incentives Affect Business Location and Economic Development? Evidence from State Film Incentives.” *Regional Science and Urban Economics* 77: 315-339.

⁹ Bradbury, John Charles. 2020. “Do Movie Production Incentives Generate Economic Development?” *Contemporary Economic Policy* 38(2): 327-342.

¹⁰ Owens, Mark F., and Adam D. Rennhoff. 2020. “Motion Picture Production Incentives and Filming Location Decisions: A Discrete Choice Approach.” *Journal of Economic Geography* 20(3): 679-709.

¹¹ Michael Hiltzik. 2011. “Upon Review, Shine Comes Off Glowing Report on Film Tax Credit.” *Los Angeles Times*. Retrieved from <https://www.latimes.com/business/la-xpm-2011-jul-20-la-fi-hiltzik-20110720-story.html>.