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Cuomo's Billion-Dollar Baby

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Two disturbing truths have surfaced recently about New York's \$420 million-per-year film and TV tax credit, which basically bribes major studios to produce their movies and shows here instead of somewhere else.

The first revelation, drawn from hacked Sony emails posted last week, is that the program is a fund-raising goldmine for Gov. Cuomo.

The second revelation, which goes a long way to explaining the first, comes from a state-commissioned study quietly published in late March: It shows that participating studios stand to collect \$38,000 for every job they directly create in New York — though many of those jobs are part-time, temporary or both.

No wonder studio executives were so eager to cut checks to a governor who stoutly defends such a giveaway.

Created in 2004 and boosted many times since, the program now reimburses studios for 30% of certain production costs in New York. Although called "tax credits," the payouts are based on total spending and usually far exceed any tax bill the production would have paid.

In 2013, Cuomo broadened the program so it covered "The Tonight Show" when it moved back to NYC with Jimmy Fallon as host — a perk worth millions to NBC.

Other beneficiaries, according to a database compiled by Gannett News, include HBO, Fox and Disney/ABC.

The effect on Cuomo's campaign coffers was documented in emails hacked from Sony's computer system, which WikiLeaks has catalogued and made public.

In a January 2014 message, Sony official Keith Weaver urged CEO Michael Lynton to cohost a California fundraiser for Cuomo, which entailed delivering \$50,000 in donations.

"\$50k is a heavy lift . . . but I recommend we do it," Weaver wrote. "Cuomo has been a strong protector of the film incentive — even amidst recent criticisms of the program ." Ka-ching!

Campaign donors typically deny that they support politicians as a reward for specific benefits, but this correspondence suggests otherwise. That event alone netted \$300,000 for Cuomo, part of at least \$900,000 he has collected from the film industry since 2011.

Clearly, his contributors view the tax credit as a good deal for them. As far as taxpayers are concerned, however, it's a very different story.

The study by Camoin Associates — commissioned by the state economic development agency on orders from the Legislature — does its best to paint a rosy picture.



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For example, it credits the program for every dollar spent and every job created by the productions that received tax credits. In reality, at least some of those movies and TV shows — “The Wolf of Wall Street” and Fallon’s “Tonight Show” come to mind — might well have chosen to film in New York regardless.

Second, it counts anyone hired for a production, even temporarily or part-time, as a full “job.”

Third, in calculating the economic impact, the study’s authors essentially double both the money spent and the number of people hired — on the theory that the salary paid to, say, a camera operator will then be spent by that person on groceries, fuel and what have you.

By that stretchy math, the \$1.2 billion in tax credits awarded for 2013 and 2014 resulted in \$9 billion in economic activity and 61,000 jobs over the two years.

Which works out to roughly \$38,000 for each “direct” worker — a lot of tax dollars for largely short-term jobs.

Supporters of corporate welfare often argue that tax breaks more than pay for themselves, by fostering economic activity that generates more government revenue in the end.

But not in this case. Despite the study’s forgiving analysis of the program’s direct and indirect benefits, it nonetheless estimates that the total state and local revenue generated in 2013 and 2014 barely covered the \$1.2 billion cost.

“Because this particular tax credit is so generous — even under pretty liberal assumptions — they have a hard time finding that there’s a positive return on investment,” says Tammy Gamerman of the Citizens Budget Commission.

The bottom line is that New York, like many states, has gotten sucked into a competition for Hollywood lights, camera and glamour — with each governor trying to outbid the tax incentives that others offer.

The studios fatten their profits. Cuomo fattens his campaign account. And the rest of us get stuck with the tab.