



The Voice of Small Business

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**Testimony on Film Production Tax Credits
Senate Government Operations Committee
Tuesday, June 9, 2015**

My name is Charlie Owens and I am the State Director for the National Federation of Independent Business, an advocate for Michigan small businesses owners since 1943. We are here today to support House Bill 4122 that would sunset Michigan's film credit program.

For a number of years, Michigan government has attempted to attract specific companies and certain industries to our state by offering generous tax credits and other incentives. While we are focused on the film industry with this legislation, similar incentives have been offered to other companies and industries such as alternative energy, life sciences and high technology companies.

It is important to point out that, while we do not support the film tax credit program, the current program is a far cry from the blank check, open-ended credits given out under the previous program. The changes implemented by Governor Snyder now require those seeking a tax credit under this program to seek an appropriation from a capped incentive (\$50 Million) rather than take advantage of an unfunded carve out in the tax code. This change allows for accountable budgeting and encourages a level of transparency that didn't exist in the previous program.

However, despite these improvements, our small business members are still wary of narrowly targeted economic development incentive programs. Too often, this approach becomes the quick-fix lazy way to promote development and job creation at the expense of the difficult and long term heavy lifting required to improve the overall state business economy and tax climate so that all businesses have an even playing field to compete and create jobs.

Targeted tax incentives are tempting because they provide more immediate gratification in the form of press events and ribbon cutting ceremonies than the substantive broad based actions necessary to improve a state's economy. These programs can quickly become the "tail that wags the dog" resulting in valuable taxpayer resources wasted on central planning by state bureaucrats and lawmakers trying to guess which company or industry will be the next "big thing". Meanwhile, thousands of businesses that are already in the state paying taxes and struggling to provide jobs (without a special handout) are left to struggle in a hostile business climate.

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The Governor and legislature deserve credit for shifting our focus away from this failed targeted approach and addressing the overall business climate of Michigan during these last four years. The progress has been remarkable and appreciated by the small business community. The difference in our business climate is night and day over what preceded these changes.

While targeted tax incentive programs have been curtailed significantly, they are still of questionable value when the state struggles with the basic challenges of road funding and other needs. It is difficult to convince taxpayers that the state has exhausted all possible options in realigning spending priorities when we still have \$50 Million dollars to spend on a superfluous program like these film credits.

To conclude, we urge members of the Committee to support House Bill 4122 to end the film credit program.

Thank you for your support of small business.