



Spending Our Tax Credit Dollars Wisely: Thoughts on Iowa's Film Credit

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We need to be smarter about how we spend our economic development dollars. At a time when we are cutting state services, we should not take one part of the budget — tax credits and subsidies for economic development — and leave it running on autopilot. The future growth of the state depends to a substantial degree on our ability to fund quality education, infrastructure and health services in a sustainable fashion. To do this in a time of fiscal stringency, we need to focus a pared-down economic development budget on areas where we get the most for our money.

Maximizing Leverage

The goal of tax credits and other business assistance programs should be to find developing sectors where Iowa has some natural advantages, and where a modest subsidy could make a difference to some firms. Subsidies should provide just what is needed to tip the balance in favor of viability, no more, in order to maximize the leverage we obtain with our economic development spending. This also means targeting assistance on industries where such subsidies can in fact be modest.

What Does a Good Credit Look Like?

Subsidies to wind energy are a good example of targeting an industry where our leverage is high. Iowa has natural advantages, and the wind industry simply needs a boost to get going. It will be able to thrive on its own as economies of scale increase, technology advances, spinoff production of components is located here and reduces costs, and conventional energy becomes more expensive. Then the credits can end; they will have done their job.

Why the Film Credit Fails the Test

The film credit, however, is a prime example of a bad credit, not just because it was administered poorly and abused by some in the industry, but because it was an open-ended commitment to an industry for which Iowa provides few natural advantages. This is an industry that really doesn't have good economic reasons to be here, as is evidenced by the small size of the sector before credits were enacted. That is why the subsidies were so incredibly high, much higher than most any other kind of subsidy in Iowa. When an industry doesn't really make sense in Iowa, it becomes very expensive to keep it here. We could buy any industry we wanted, even surfboard manufacture, if we spent enough money. But the film industry, or any industry that has to be subsidized at such levels, could never stand on its own. If it takes a 50 percent cost subsidy to be a player in the hunt for the film industry, then it is a fool's game. We should let other states squander their money on film subsidies, and put our money to better use.

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