

TV, film people make their pitch to lawmakers

01:00 AM EDT on Friday, March 14, 2008

By Steve Peoples

Journal State House Bureau

PROVIDENCE — It was a dramatic moment for a man who loves drama.

An emotional Steven Feinberg faced the Senate Committee on Finance yesterday afternoon, fighting for a tax credit he says will keep Hollywood in Rhode Island. The room behind him was stuffed with supporters — actors, local business owners, truck drivers — who indirectly benefit from the film and TV tax credit that will cost the state \$18.6 million this year in lost revenue.

“In the last couple weeks I felt like a lone reed in a vicious wind. Today I feel like George Bailey at the end of *It’s a Wonderful Life*,” said Feinberg, director of the Rhode Island Film & Television Office, which administers the credit.

The committee yesterday was considering a bill, sponsored by its chairman, Sen. Stephen Alves, D-West Warwick, to cap the annual value of tax credits redeemed at \$10 million.

The proposal would save \$8.6 million this year, according to the Senate fiscal office. But supporters of the credit fear the cap would kill Rhode Island’s recent movie production boom.

“We have to see that we’re getting a bang for our buck,” Alves said. “We’re talking about knocking children off health care.”

Indeed, the film and television tax credit has drawn its fair share of criticism in recent weeks as lawmakers ponder budget solutions in the face of deficits estimated at \$151 million this year and \$384 million the next.

The General Assembly is already considering cutting subsidized health-care coverage for 2,850 immigrant children and 7,400 low-income parents, in addition to massive spending reductions in long-term care programs for the elderly and disabled.

“It’s really easy to take a look at social services versus the movie business. I can understand why we’re an easy target,” director Michael Corrente told the committee. “But I moved back after 25 years in New York because of this tax credit. It would be a real shame for me to make *The Prince of Providence* in Massachusetts because there were no tax incentives here.”

Social-service advocates did not testify at the hearing. But reached by phone afterward, Ellen Frank, chief economist for the Poverty Institute at Rhode Island College, said she's glad that the program is being examined.

"We're talking about cutting \$11 million out of RIte Care at a time when the film office is spending considerably more than that," she said. "We're glad that Senator Alves is bringing balance to the budget by trying to make these programs more affordable."

The committee was particularly concerned that movie production companies have earned millions of dollars in tax credits in recent years for expenses that may not have directly benefited Rhode Islanders.

Here's the way the current system works: to get a tax credit equal to 25 percent of its Rhode Island production costs, a company has to spend a minimum of \$300,000 on items that are "directly attributable to activity within the state."

Feinberg has interpreted that to mean "All goods and services purchased for use in the production of the film in the state of Rhode Island will be included as a 'state-certified production cost' even if purchased outside of Rhode Island or from a non-Rhode Island vendor."

Production companies have earned credits for using wardrobe companies from California or caterers from Massachusetts, for example.

Neither the tax administrator's office nor Feinberg could tell the committee how many expenses that qualified for Rhode Island tax credits were paid to out-of-state companies.

The Film & Television Office has proposed rule changes, however, that would tighten the definition of qualified expenditures.

The new rules would say film companies "can't use an outside caterer unless that caterer decides to come to Rhode Island, set up a business in Rhode Island or work with a Rhode Island catering company," according to Feinberg. Similar limits would apply to wardrobe costs.

The speakers who testified yesterday did not object to the proposed rule changes.

But they repeatedly said the cap would mean the end for Rhode Island's television and film industry, which hosted 12 major projects in 2006, the last full-year data available; 22 productions of all sizes have applied for the credits, since they were adopted in law in 2005.

"You'd be driving work out of Rhode Island," said David Cambria, a partial owner of Red Herring Motion Picture Lighting, which moved its headquarters to East Providence three years ago and currently does lighting work for the Showtime series Brotherhood.

And people like Barry Dugan, 63, of Exeter, fears he may lose a part-time job as an extra on Brotherhood.

“Once a week, they call me up and I play a drunk at a bar,” he told the committee. “We’ve got the industry here. How could we give this away?”

Complicating lawmakers efforts’ to curb Rhode Island’s program are recent moves by Connecticut and Massachusetts to expand film-credit programs of their own. Connecticut offers credits worth 30 percent of qualified production costs, while Massachusetts gives 25 percent. Neither state caps its credits.

Corrente said that any substantive changes to Rhode Island’s system would have disastrous effects.

“People will be going from Connecticut to Massachusetts through Rhode Island, which doesn’t have a film program, so that they can make their movies on either side of our little state here, and stop in to get gas,” he said.

speoples@projo.com