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1,065,240 Viewers

N.Y. production incentives in danger

Program no longer considering new projects

By [SAM THIELMAN](#)

Sensing they had struck gold with tax incentives that helped lure films including "Enchanted" and TV shows such as "Ugly Betty" to Gotham, New York state lawmakers dramatically expanded the program last year.

But the tax incentive program is now the victim of its own success. The \$515 million in incentives designed to last through 2013 have been allocated in less than 10 months, just in time for the state to enter a financial black hole.

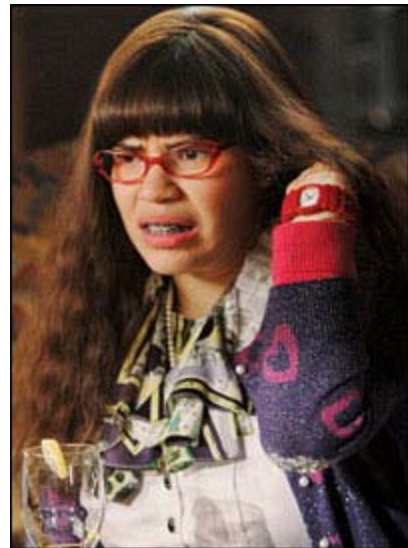
Until the state allocates more money for the credits, the incentive program cannot process applications for new film and TV projects.

Series including ABC's "Ugly Betty" and Fox's "Fringe" -- that moved to Gotham specifically to take advantage of the tax credits -- are not, however, in danger of losing those credits.

Crippled by Wall Street's sharp downturn, the state is now prepping a budget that will squeeze almost every segment of society -- and the entertainment biz is perceived by many as expendable. The state budget is expected to be finalized by April 1, and the mood is getting tense. Petitions are being circulated, and buses are being rounded up for trips to Albany.

The message Gotham industryites are trying to send to lawmakers is that failing to extend the program will hurt more than just the film and TV biz; it will curtail broader spending (in such segments as food, retail and hotels) at precisely the wrong moment.

"I know that this program is highly valued across the state, and I'm sure that all the powers that be will have to explore ways to make sure the program stays viable," Pat Swinney Kaufman, exec director of the governor's office for film and TV development, told *Daily Variety* last month.



By now, there's ample evidence that the tax program succeeded in attracting production back to Gotham from Toronto and other simulated locales. An Ernst & Young study predicts that taxes generated by industry and production-related spending for New York will exceed by \$2 billion the total credits claimed through the program for the fiscal years 2005-10.

New York's program grew out of a smaller incentive program (10%, sweetened by 5% from the city) launched in 2004 by then-Gov. George Pataki. Local notables like studio chiefs Hal Rosenbluth and Douglas C. Steiner as well as "Law & Order" impresario Dick Wolf threw their weight behind the initiative.

The scaled-up version (a refundable 30% tax break on below-the-line expenses for productions in New York, coupled with the city's 5%) debuted in April 2008.

Even in a national landscape in which the tax-credit arms race was on and it became enticing to shoot in places like New Mexico, the industry pounced on New York for the simple fact that it's New York. "People were rewriting their pilots just to set them in New York," Rosenbluth recalled. One such pilot, the '70s-set cop drama "Life on Mars," is now shot at Rosenbluth's Kaufman/Astoria Studios. As a result, the only place in Astoria that looks like gritty, 1970s New York is inside the studio. "One landlord was getting \$8 a foot from Gold's Gym," Rosenbluth said. "Now (bakery-cafe) Panera gives him \$40."

In a nutshell, business is booming, and it's benefiting everyone. "It has proven to be by far the most successful economic development program in the history of the state," said Steiner, prexy of the Brooklyn Navy Yard's Steiner Studios.

And now, though filmmakers will always want to work in New York, many of them may no longer be able to do so at the same profitable rate.

If the credit goes away in this shaky economy, the danger is not that productions won't come to Gotham -- it's that those films and TV shows might not get made at all. That's bad news for the industry, but it's also bad news for the state: New York lawmakers have insisted that the money be spent before the incentive kicks in, so the state has seen an instant boost (this is a first -- similar incentive programs are all for capital investment).

If production goes away, that boost will vanish, and New York will be stuck with the bills for all the TV shows and movies owed tax refunds from years past.

Many industryites suggest legislators need a fig leaf. Replenish the tax credit, but decrease the percentage, offer fewer incentive dollars, or tinker with the structure. That way Gov. David Paterson will have his "shared sacrifice" and spats with groups like the already incensed teachers' unions might be avoided.

"This is a business that is making money. It's a bright light in a really dismal time," Steiner said. "The only time it will be a problem is if the program stops and we get a pileup from previous years, which is the situation now."