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## **Georgia on Her Mind: Hochul Pushes Film Tax Credit Boost as Other States Snag Shoots**

Local soundstages have taken a hit in an industry subsidy arms race that has NYC losing productions across the Hudson River and beyond.

By Greg David



A film crew sets up lighting on Wall Street for a shoot. Ben Fractenberg/THE CITY

New York's once-thriving film and television production industry has suddenly hit a bump. Work has fallen by 30%, according to some estimates, and sound stages are sitting empty.

Meanwhile, across the Hudson River, productions in New Jersey just set a record. And Georgia has built a film and TV business that now tops \$4 billion a year.

The problem, say Gov. Kathy Hochul and industry representatives, is a New York tax credit incentive program that must be made more generous as other states up the ante.

“The competitive landscape has changed dramatically,” said Doug Steiner, president of Steiner Studios, which operates 17 stages at its sprawling campus at the Brooklyn Navy Yard. “At this point New York is not being chosen because the tax break is uncertain.”

Nonsense, say the credit’s many critics.

“The last thing we need is to be suckered into a bidding war on the budget’s biggest corporate subsidy,” said E.J. McMahon of the conservative Empire Center for Public Policy that monitors state policy.

The issue will be decided in the next month when the state legislature decides whether to support the governor’s proposal to greatly expand the credit or to side with the critics who say the industry will survive without it.

The Adams administration will support the Hochul proposal at a City Council hearing Tuesday because even as sound stages expand, threats to the film and TV economy are increasingly evident. “National and local trends including corrections in streaming, downsizing at companies and weaker incentives have presented challenges to the industry’s recovery and our economy,” said Anne del Castillo, head of the Mayor’s Office of Media and Entertainment, in a statement in advance of her testimony Tuesday.

“We need to address these challenges with whatever tools we have in order to stay competitive. Certainly a more robust and competitive state tax credit is a vital tool in our arsenal to draw and retain production, and ensure that our industry fully recovers,” del Castillo added.

The state allocates \$420 million per year to the tax credit, although when demand exceeds that, it can draw money from future years. The Hochul administration did not respond to a question about whether the state had dipped into future years’ allocations.

### **Race to the Bottom?**

Before the pandemic struck, the city’s film and TV business was booming.

In 2019, its many strands — including motion picture and video production, talent acquisition, subscription programming, television broadcasting, advertising and media-buying, post-production and distribution — accounted for about 100,000 jobs that paid \$12.2 billion in wages and added \$64 billion to the local economy, according to an economic impact study done by the city.

After a major decline in 2020 as the pandemic shut down production, the industry has been rebounding. Last year, the city saw the number of projects increase by about 5% to 2,116, though the figure remained well below the record of 2,839 in 2019.

While still just a fraction of New York’s size, New Jersey’s industry saw production increase to a record \$650 million last year while landing films including “Oppenheimer” and “Mean Girls the Musical,” and television shows including “Shelter” and “The Walking Dead: Dead City.”

Steiner, among others, say some of those would have been shot in New York if the state's tax credit was more competitive.



A production crew sets up a shoot in Chelsea for the show "The Other Two," Oct. 12, 2022. Ben Fractenberg/THE CITY

Meanwhile, Georgia also set records last year. The state, which boasts the most generous incentive in the nation, handed out \$1.3 billion in incentives for the fiscal year, luring 412 productions that spent \$4.4 billion in the 12 months that ended June 30.

Meanwhile, Steiner Studios in Brooklyn, which was fully booked much of last year, had 7 of 17 stages vacant on Friday. It was able to ink deals for three of them over the weekend.

Production activity is down at least a third from a year ago, says Thomas J. O'Donnell, president of Teamsters Local 817, whose 2,500 members work on production sites in New York and northern New Jersey. Many of his members simply cross the Hudson to continue working. Their pay averages more than \$100,000 a year, although they often put in 60- and 70-hour work weeks.

Both Steiner and O'Donnell agreed that cutbacks at streaming companies like Netflix and HBO are partly to blame, but also insist that it is a no-longer competitive New York tax credit that is the primary cause of the decline.

The Hochul proposal would greatly expand the state's tax credit by raising the annual cap to \$700 million a year from \$425 million. It would also increase the amount of the credit to 30% of expenses, where it had been before it was reduced to 25% by Gov. Andrew Cuomo in 2020. Payment of the credit, which can lag for several years, would be speeded up as well.

For the first time, the New York tax credit would cover what are called "above-the-line" costs for actors, directors and producers.

Most states already allow above-the-line costs to be included. New Jersey's credit, which was restored in 2018, ranges from 30% to 39%. Georgia's credit is 30%, has no cap, and is transferable so that film companies can immediately sell the credit to Georgia firms that can use it at a small discount.

California instituted a 25% credit in 2021 and increased that to 30% for productions relocating from other states. Gov. Gavin Newsom in January proposed spending \$330 million a year on it and making it more attractive by allowing companies to get the credit even if it exceeds their tax liability.

### **Origin Story**

The growth of the modern film industry in New York began when producer Dick Wolf insisted in 1990 that the original "Law and Order" TV series be shot in New York — rather than Toronto or other less costly cities where shows supposedly set here were filmed. In 2004, the state instituted the film tax credit.

Kaufman Astoria Studios, which had been a home for silent films in the 1920s, was revived, Silvercup Studios was established in Queens in the 1980s, and then Steiner Studios opened in Brooklyn in 2004 and has been expanding ever since.

Buoyed by the recent explosion in shows produced for streaming services, studio space continues to expand. In the next few years the city expects companies to double the 2 million square feet of existing sound stages, located across some 60 facilities.

And the local talent pool of technical staff, writers, actors and directors is unmatched outside California. New York is particularly attractive to people working on long-running TV series because they live here, and like other people want to go home at night. "The Good Wife," a series set in Chicago, was shot in New York because it was the home of its stars, Chris Noth and Julianna Margulies.

Given those strengths, the city should not be subsidizing the industry, the critics insist.

"The film tax credit is bad for all the same reasons it's always been bad — an outright giveaway to an industry that needs less incentive than ever to produce in New York, which it did plenty of before the credit existed," said McMahon of the Empire Center.

He and Ana Champeny, vice president for research of the Citizens Budget Commission, said that the industry and the state have never produced a robust analysis showing how many productions the credit alone is responsible for bringing to the state.

National critics of the incentive decry what they call a race to the bottom.

"These subsidies are actually huge cash gifts and every independent study finds that states only get back two or three dimes on these dollars," said Greg LeRoy, executive director of the anti-incentive group Good Jobs First. "New York should abolish or prune its film and TV giveaways, not chase black holes like Georgia."

Studio heads like Steiner and union leaders like O'Donnell say that the New Jersey and Georgia numbers show that producers will film movies and shows elsewhere if offered better tax credits. They note that when the credit was uncertain in 2009, the number of TV pilots shot in the city dropped dramatically, which resulted in many fewer series being filmed in New York the next season.

And they ask, what other industry offers what their industry does?

“This is not a tax credit but a targeted investment that’s good for New York, and an industry that pays workers an average of \$90,000. And half of the jobs don’t need a college degree,” said Steiner.