



SB 1524 SECTION 1: About the tax subsidy for movies and millionaires

Senate Committee on Finance | Bennett Minton | 2/7/2022

Mr. Chair and members of the committee:

My name is Bennett Minton, on behalf of Tax Fairness Oregon, a group of volunteers who advocate for a rational and equitable tax code.

We must look hard for a tax provision less rational than the funding mechanism for the Oregon Production Investment Fund (OPIF). From an auction of tax credits, fund receipts are dispensed by the Oregon Film and Video Office (Oregon Film) to producers of qualifying movies and TV shows.

If the legislature chooses to spend taxpayer money on making movies, that's a policy decision. But this mechanism is suitable for William Proxmire's Golden Fleece Award.

Last year, according to Oregon Film's [public data](#), the state auctioned \$14 million in tax credits for about \$12.73 million. Put another way, the legislature spent \$12.7 million on moviemaking and \$1.3 million in benefits for the citizens who bought the tax credits.

Number one among beneficiaries was Kelly Richardson, president of [Richardson Sports](#), an apparel company based in Eugene. Mr. Richardson bought \$600,000 in tax credits for \$549,600. That reduced his Oregon income tax liability by \$50,400.

Next were Greg and Mark Goodman, co-presidents of Downtown Development Group, [whose website boasts](#) of the firm's 1.8 million feet of commercial space and "25 parcels of shovel ready, developable land in Portland's Central Business District." They each purchased \$450,000 of tax credits for \$405,900—tax reductions of \$44,100. Seven members of the family, all listed at the company address, reduced their taxes a total of \$151,000 by buying credits for less than their tax value.

Good for them. Courtesy of the legislature, the rest of us are paying for the Richardsons and Goodmans to go to the movies every night, with all the popcorn and Good & Plenty they could want, and lots left over.

It seems the legislature believes in the movie industry. But rather than have the program compete with other priorities in the Ways and Means process, the tax committees need only change the sunset date. Last year, the Joint Committee on Tax Expenditures extended these auctions from 2024 to 2030 and the annual cap from \$14 million to \$20 million.

I'm not here to criticize your enthusiasm for the movie business. I simply note that the legislature could direct appropriate support for it without giving a cut to millionaire middlemen.

Here we are again. Section 1 of SB 1524 would double the wage subsidy to 20% and raise the payout for other expenses from 20% to 25%.

Last week, the committee held an “informational hearing” on this provision, but we didn’t learn anything. Instead, we wait till today’s public hearing to understand the rationale for the increase. Tim Williams of Oregon Film contends it is needed so that our state can compete with others. I’m sure every state film office makes the same argument for more taxpayer subsidies. But considering the public record, we can make two assumptions about the proposal.

First, increasing the reimbursement rates will drain the fund faster. As the [Oregon Film website](#) notes: “The OPIF program is capped each year at \$20M and often runs out.” The reference, I think, is to disbursements, not the cap. The 2021 auction returned 90.9% of the credits’ tax value—just above the 90% bid floor.

We can’t know the market for \$20 million—it was \$14 million last fall. It’s possible that demand will be slack—unless, say, my testimony on this risk-free investment goes viral.

Second, when the \$20 million is auctioned and the receipts are disbursed, the film office will return to request an increase to \$25- or \$30-million.

It’s one thing to subsidize an industry. It’s another to give millionaires a cut of it. What a strange choice you have made.

Two Methods of Funding Oregon Movies

Biennial Budget (Ways and Means)

**General Fund -----→ Movie maker
(\$20 million/year) (\$20 million)**

Ways and Means appropriates \$40 million, reviews ever two years

Tax Credit (Joint Committee on Tax Expenditures)

**Tax Credit Auction -----→ Tax Credit Purchasers -----→ Movie maker
(\$20 million/year) (\$2 million) (\$18 million)**

Joint Tax reviews and reauthorizes every six years (or when it wants)