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Study: Michigan's business tax breaks may be losers

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LANSING — Michigan doled out at least \$900 million in tax breaks to various businesses in 2008, but the state has little idea whether the jobs those companies created were worth the tax revenue the state gave up, according to a new study.

The report, issued today by the Anderson Economic Group, found that the most worthwhile are so-called PA 198 tax abatements commonly given to manufacturers to build or renovate plants in Michigan.

Among the least effective, it found, are tax credits to the film industry for making movies in Michigan. The study found the state paid the moviemakers \$50,000 for each job created by movies in the state in 2008.

“And that’s a conservative estimate,” said Patrick Anderson, CEO of the Anderson Economic Group in East Lansing. “It’s one of the most expensive credits we have.”

A new Senate Fiscal Agency report shows the state will pay moviemakers \$88.4 million in tax credits this fiscal year, and an estimated \$131 million next year.

Anderson said the state gets little in return because movie crews are transient, and it’s questionable how many permanent jobs the industry can create in a state that hasn’t had a movie industry to speak of.

In fact, Anderson said, it’s not known how many jobs that many of the state’s tax incentives have generated over the years. He said eliminating less productive tax credits would free up state money to give tax breaks to firms that will create jobs, or to provide general tax cuts.

Anderson said there is no inventory or accounting for the effect of business tax breaks on the state’s economy.

“We’re not saying tax incentive don’t work. Some of them work,” Anderson said.

The study was commissioned by the Michigan Education Association. MEA executive director Lu Battaglieri said inefficient tax credits drain the state of money that could go toward public schools or tax credits that actually produce jobs.

“It’s about creating jobs in this state. Our graduating kids need jobs, we want to keep them here,” Battaglieri said.

Sen. Nancy Cassis, R-Nov, a vocal critic of the state’s film tax credit, praised the study as a step toward refining the state’s tax incentives.

“What’s working, you keep. What isn’t working you cut or scale back,” Cassis said.