

Summary: Coburn Amendment #109 on “Hollywood Earmark”

What Is In the “Stimulus” for Hollywood?

The "stimulus" legislation provides a tax earmark for Hollywood in the amount of **\$246 million – or a quarter of a billion dollars – over the next 11 years.**^[1] It would allow large Hollywood studios the opportunity to choose between the existing tax break for movie studios, or to write off 50 percent of the entire production costs for movies and TV shows made in 2009. In the years that follow, the remainder of the production costs would be written off according to existing depreciation law. The 50 percent accelerated depreciation deduction in the first year is “bonus depreciation.”

Summary of Coburn Amendment

The amendment would strike the special tax earmark allowing Hollywood to write off 50 percent of the cost of movie production equipment put to use in 2009. The purpose of the amendment is to ensure that taxpayers are not subsidizing Hollywood with special tax breaks during an economic downturn.

Hollywood Can Already Write Off Production Costs

Current law allows TV and movie studios to write off 100 percent of production costs, up to \$15 million, for productions filmed in the United States.^[2] If productions are filmed in low-income areas, they can qualify for an additional deduction up to \$20 million.

Hollywood Had Its Biggest January Ever in 2009

The latest numbers show that Hollywood raked in over \$1 billion in January 2009 – **the biggest January ever** for the movie industry.^[3]

Box office receipts were up nearly 20 percent in January 2009, and ticket sales up 16 percent, over January 2008 – January is typically considered a weak month for the industry.^[4]

Batman: The Dark Knight alone has earned \$63 million in box office receipts from just 130 IMAX screens around the nation – making it the most successful Hollywood IMAX movie ever.^[5]

Tax Breaks Should Be Directed to All Businesses and Families, Not Favored Industries

Movie director Rob Reiner was recently asked about Hollywood's relationship with Washington, D.C., and claimed: "We are a special interest group that doesn't ask for anything," like earmarks, legislation or tax breaks. "We're the one industry that doesn't ask for a quid pro quo."^[6]

This tax break for Hollywood is an earmark.

Rather than targeting tax breaks at big-time political donors, the "stimulus" should have targeted its tax breaks toward Main Street America by giving permanent marginal tax relief.

^[1] http://www.nationaljournal.com/congressdaily/cda_20090127_9337.php

^[2] 26 U.S.C. 181

^[3] <http://www.cnbc.com/id/28978391>

^[4] <http://www.cnbc.com/id/28978391>

^[5] <http://www.pcmag.com/article2/0,2817,2339963,00.asp>

^[6] <http://www.politico.com/news/stories/0708/11746.html>