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[Report criticizes tax credit \(http://www.registerguard.com/csp/cms/sites/web/updates/15726465-55/story.csp\)](http://www.registerguard.com/csp/cms/sites/web/updates/15726465-55/story.csp)

An incentive used to promote movie production in Oregon is called too generous to wealthy donors

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SALEM — A tax credit used primarily by wealthy Oregonians — a disproportionate share of them from Eugene — is unnecessarily generous, allowing participants to pocket \$100 for every \$90 they donate to a fund used to lure Hollywood productions to Oregon, according to a report issued Thursday.

The nonprofit Oregon Center for Public Policy, which issued the report, also called for an audit by Secretary of State Kate Brown, to determine whether the tax credit program is being administered “in a manner that fails to use resources economically and efficiently and misuses state resources,” as the center charges.

The program in question, the Oregon Production Investment Fund, is overseen by the Oregon Film and Video Office.

The fund and tax credit that provides its revenue was created by the 2003 Legislature. State law allows the office to sell tax credits for up to \$5 million a year. Of that amount, \$4.5 million goes into the Oregon Production Investment Fund. The rest is credited back to those who buy the tax credits.

The fund, like similar accounts in 38 other states, is used to rebate the costs incurred in TV and movie productions coming to Oregon.

Vince Porter, executive director of the Oregon Film and Video Office, said the rebate program is a key to Oregon’s success in attracting Hollywood productions to Oregon.

Chuck Sheketoff, executive director of the public policy center, charged that the rebate program comes at the expense of other state programs.

State law allows the Oregon Film and Video Office to sell tax credits to investors for a discount of up to 90 percent. That means someone can pay \$9,000 to buy a credit to reduce their tax liability by \$10,000. Sheketoff said the program comes at the expense of government programs that would receive the tax revenues that are instead siphoned off. Most of Oregon’s income tax revenues go to education, human services and public safety.

The beneficiaries are Hollywood, and well-off Oregonians, he said.

“The data shows it’s disproportionately the people who are in the top 5 percent” of income earners, said Sheketoff, whose Silverton-based think tank does research and advocacy work in support of tax and spending policies that benefit low-income and working-class households.

The majority of those Oregonians using the credit appear to come from Lane County. Out of the 421 tax credit purchases between 2005 and 2008, 279, or 66 percent, were from Lane County residents.

The list of Lane County contributors includes several well-known business people, including homebuilder Bruce Wiechert, sports cap company owner Kelly Richardson, investment advisers Fred Sittner and Tom Roehl, and Century Bank president Tom Widmer. But other residents, including doctors, real estate agents and retired University of Oregon faculty, also contributed.

Eugene-Springfield certified public accountants who recommended the fund as a way to reduce their clients’ tax liability also contributed to the relatively large number of Lane County participants.

“I’m a CPA and there are some partners here and we are very aware of that film credit,” said JoAnn Shotola, of McElhany, Shotola and Hale in Eugene. “We knew it was a good thing for our state and taxpayers as well.”

Shotola and her husband contributed \$9,000 to the fund in 2007 and \$16,500 in 2008.

The credit could reduce someone’s tax liability, but, in most cases, probably not eliminate their entire state tax bill, she said.

In spite of the OCPP criticism, Shotola said the tax credits are good for Oregon because they help bring revenue to the state.

“What about the revenue that is generated when people come to our state, when they stay in hotels, produce movies and create jobs?” she said. “That is the thought behind it. The credit generates more than the (tax dollars) that is lost.”

The film production credit is one of several state tax credits for energy efficiency, child care, cultural preservation and other purposes, Shotola said.

“As taxpayers in Oregon, it’s nice to know that we have a choice to participate in some of these things,” she said.

Sittner, of Roehl & Sittner Investment Advisors in Eugene, said he and his partner contributed to the fund last year after hearing about it from a client’s accountant.

“In the beginning we didn’t quite understand it because it sounded too good to be true,” said Sittner who contributed \$20,000.

“Essentially it’s directing our tax dollars to a certain project, but did we find out that it created, for example, 550 jobs? We don’t know. We assumed that the politicians look that over because they are the ones who made that call” to create the fund.

Porter said he thinks the credits have been especially popular among Eugene area residents because of the way the program is promoted. His office promotes the program among

accounting firms across Oregon as a way their clients can help attract TV and movie crews to the state while also cutting their taxes.

“For whatever reason, the attentive CPA firms in Eugene seem to be picking up on this,” Porter said.

Secretary of State Brown’s spokesman, Don Hamilton, said the audit request from the public policy center will be given serious consideration.

Senate Revenue Committee Chairwoman Ginny Burdick, D-Portland, said she supports the credit and the fund it has created. But Burdick said she expects that the Oregon Film and Video Office will make the tax credits less generous. Porter said he could not confirm that such a move was under consideration. He acknowledged, however, that the 10 percent tax-credit discount was established during different economic times, when investors could get a much better return on their investments.

House Revenue Committee Chairman Phil Barnhart, D-Eugene, said the Legislature delegated authority to adjust the tax credit to the Film and Video Office, which is under the governor’s direction.

“This agency works for the governor,” Barnhart said. “I expect the governor’s office will get this fixed.”

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