California film and television tax breaks: Subsidizing corporate profits at the expense of workers

Marc Wells
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The State of California's tax initiatives aimed at bolstering the film and television industry, particularly in Los Angeles, have been widely touted by Gov. Gavin Newsom and Los Angeles Mayor Karen Bass as essential measures to "keep jobs in California" and revitalize the state's cultural and economic engine.

These tax breaks, however, are anything but the beneficent measures they are advertised to be. In reality, they represent another example of the government funneling public funds into the coffers of wealthy corporations while workers and local communities bear the brunt of austerity and exploitation.

This dynamic is not unique to California. Similar initiatives in states like Georgia have enriched corporations while degrading wages, benefits and working conditions for rank-and-file workers who form the backbone of the film industry. What is unfolding in California underscores the broader alignment of both Democrats and Republicans with corporate interests, as well as the complicity of union bureaucrats in facilitating these arrangements.

The California Film & Television Tax Credit Program has been expanded repeatedly under Gov. Newsom, who claims the initiative is necessary to combat "runaway production" to states like Georgia, New York, New Mexico and Montana, or Canadian cities such as Vancouver and Toronto.

The program allocates hundreds of millions of dollars annually in tax credits to major studios, ostensibly to incentivize them to keep production in California. In October, Newsom announced he was planning to increase California's current cap from $330 million to $750 million a year.

Statistics released by the California Film Commission reveal that since the inception of tax incentive program for film production companies, the program has approved 702 projects, with total California expenditures reaching $26 billon, with $3.3 billion of that being for tax credits.

Graph credit: California Film Commission Tax incentives for 2023

However, the beneficiaries of these subsidies are not the struggling writers, actors, or crew members who face increasingly precarious working conditions. Instead, they are the corporate behemoths like Disney, Warner Bros. and Netflix, whose stockholders see significant returns. Most of these credits go to productions backed by major studios, not independent creators.

Meanwhile, talent and crew have seen stagnant or declining wages when adjusted for inflation, despite record profits for entertainment conglomerates. The strikes by the Writers Guild of America (WGA) and Screen Actors Guild–American Federation of Television and Radio Artists (SAG-AFTRA) in 2023 highlighted these disparities. Yet even as workers picketed for fair contracts, Newsom and Bass continued their public relations blitz in favor of the tax credits, asserting they were essential for "protecting middle-class jobs."

The latter claim is belied by a report from governing.com released in late July, which observed that audits by the various states have shown that film tax credits often cost more than the revenue they bring in. Despite this, 19 states continue to offer or even expand these tax bonanzas for film production companies, while only a few have blocked such programs.

The report states that,

> This is a game that not every state can win. An analysis from New York's Department of Taxation and Finance found that its film tax credits deliver underwhelming returns. For every dollar in tax breaks, the state receives around 15 cents in direct tax revenue. Taking into account jobs for people who don't work on productions but help feed or support them increases that number to 31 cents.

A Georgia audit notes that film tax credits "induces substantial economic activity" in the state, but costs taxpayers nearly $1 billion annually, with a return of investment of only 19 cents per dollar spent.

Last July, Mayor Bass inaugurated the Entertainment Industry Council, which now plays a key role in shaping and administering these tax credit programs. The Council is a veritable who's who of corporate executives and union officials. While union leaders ostensibly represent the interests of workers, their participation in such bodies reveals their deep integration into the corporate apparatus.

For the corporate executives on the council, the tax credits represent a guaranteed return on investment. With subsidies effectively underwriting a significant portion of production costs, studios can maximize profits while minimizing risk. With the increasing availability of transferable tax credits, the credits even become an asset for corporations without tax liabilities, who can sell credit to third parties. The working class, meanwhile, shoulders the financial burden through wage cuts, diminished public services and higher local taxes that weigh disproportionately on working families.

The trajectory of Georgia's film industry offers a cautionary parallel. Since the implementation of its aggressive tax credit program in 2008, the state has become a production hub, earning the nickname "Hollywood of the South." Yet while studios have reaped enormous profits, workers have faced declining wages, deteriorating working conditions and a lack of union protections.

Most crew members in Georgia are earning far below the national average, even as the state's film industry generated billions in revenue. ZipRecruiter shows that the average hourly pay for the category in Georgia is $17.97 an hour. Safety conditions have also deteriorated, with several high-profile accidents highlighting the lack of oversight and accountability. Despite these issues, Georgia's tax credit program remains one of the largest in the country, a testament to the political influence wielded by the entertainment giants.

Proponents of the tax breaks argue they bring opportunities to underserved communities by creating jobs and boosting local economies. The reality is starkly different. A significant portion of production spending occurs in affluent areas, while working-class neighborhoods see little to no direct benefit.

Moreover, the jobs created by these initiatives are often temporary and precarious, offering no long-term stability, while imposing difficult working conditions for crew members. Behind every high-profile success story, there are thousands of workers struggling to make ends meet in an industry increasingly dominated by exploitative gig-economy models.

The Entertainment Industry Council is an organ of corporate power, contrary to Mayor Bass' soothing words:

> We are bringing leaders together through the Entertainment Industry Cabinet to inform solutions that will help Hollywood better reflect Los Angeles workers and make sure that the City is an advocate rather than an impediment to local film and TV production.

It is necessary to look more closely at the organization's makeup. The Council includes figures like Charles H. Rivkin, Chairman and CEO of the Motion Picture Association (MPA), whose members currently include Disney, Netflix, Paramount, Prime Video & Amazon MGM Studios, Sony, Universal and Warner Bros. Discovery.

Other major corporate figures on the Council include Amy Lemisch, Manager of Studio & Production Policy at Netflix, and Yvette Estrada, Vice President of Government Affairs, NBCUniversal. They represent companies that have overseen mass layoffs and cost-cutting measures in recent years, even as their personal compensation has skyrocketed. These conglomerates view the tax breaks not as a means of supporting the industry as a whole, but as a tool for maximizing shareholder value.

For good measure, the mayor also included a representative of the class-collaborationist union bureaucracy, Michael F. Miller, Jr., IATSE's 3rd International Vice President/Department Director, Motion Picture & Television Production.

IATSE has never called a national strike in its history, and the latest contract forced through this summer—much like the previous one which was pushed through even though it was voted down by a majority of the membership—does nothing to alleviate the brutal and grueling work schedules that the production companies foist upon below-the-line workers, making 14-, 16- and even 18-hour shifts a staple of the industry in the US. The much vaunted wage increases left workers making less money in real terms than they were making before the pandemic hit in 2020.

The California tax credit program is not an investment in the future of the film and television industry—it is a giveaway to the rich, financed by public funds.

To resist this trend, workers must organize independently of the big business politicians and the unions that have repeatedly betrayed them. The 2023 strikes demonstrated the power of collective action, but also the limits of a movement constrained by union bureaucracies and tied to the Democratic Party.

A genuine fight for workers' rights in the entertainment industry requires breaking with these institutions and building a movement rooted in the formation of rank-and-file committees against the profit system. Only through such a struggle can workers challenge the stranglehold of corporate power and secure a future that prioritizes their needs over the profits of the few.