NJBIZ

Murphy admin approves first reality TV show for NJEDA film tax break

Daniel J. Munoz | February 14, 2020

The New Jersey Economic Development Authority approved the first-ever film and television tax break application for a reality television show, as the Murphy administration expands the increasingly popular tool for luring media productions to the state.

That application, approved at the EDA board of directors' meeting Tuesday, was for a $6.1 million tax break was for Half Moon Pictures' production of the cops show Live PD, which is committing to a two-year lease at a studio in Jersey City.

The EDA has awarded more than $51 million – for projects including Oscar-winning Joker, Wrestlemania and HBO's "The Plot Against America" – since Gov. Phil Murphy signed the landmark bill in July 2018 reviving the program. His predecessor, former Gov. Chris Christie, a Republican, allowed a much smaller version of the program to fizzle out in 2011.

Christie's decision was motivated in part by his disdain for MTV's reality TV series "Jersey Shore," and he nicknamed the incentive proposal sent to his desk the "Snooki subsidy."

"As chief executive, I am duty-bound to ensure that taxpayers are not footing a $420,000 bill for a project which does nothing more than perpetuate misconceptions about the state and its citizens," Christie said in his veto statement.

The current version of the program is capped at a much larger $100 million a year for film and television programs and $10 million a year for digital media productions. It lasts until 2028.

Producers can receive tax breaks equal to 30 percent of production expenses, or 35 percent for filming in South Jersey, but only if at least 60 percent of their expenses or at least $1 million are on New Jersey vendors. To qualify for the tax break, reality TV shows must commit to a studio of at least 20,000 square feet for at least two years and invest no less than $3 million. The studio must be within one of the state's 32 Urban Enterprise Zones, generally considered the state's poorest communities. Once that initial studio is approved, the producer can apply for multiple tax breaks for content produced at that facility.

The program has garnered some wariness from critics worried that because the incentive lacks a net-benefits test – a formula the EDA employs to determine how the money spent on an incentive would be exceeded by the dollar amount of economic activity generated – there is no way to determine whether New Jersey actually gets a return on its investment, or has simply flushed money down the toilet.

According to the Office of Legislative Services, the expanded incentive could cost the state $700 million over the life of the program, but the office indicated it could not peg a number on the gains for the state, because of the lack of the net-benefits test.

Meanwhile, according to the National Conference of State Legislatures, 13 states have ended their film tax credit programs since 2009, citing questionable levels of economic benefit.

"The payback is immediate," Murphy countered at an October event at Rowan University. "This comes to town, the circus comes to town … and you get immediate payback."

As part of the expansion Murphy approved in January, the state can carry over up to $50 million in unused tax breaks into the following calendar year. That means the state has $150 million of tax breaks under the program to start with, $92.7 million of which is still available, according to the EDA.

Eighteen projects are currently under review worth a combined $63.4 million, the EDA added. ■