

House FY22 budget a boon for private investors, Hollywood producers

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The Massachusetts House of Representatives' Fiscal Year (FY) 2022 budget proposal offers and maintains regressive tax breaks that benefit private investors and Hollywood producers while holding off on many people-centered policy changes.

Last week, House lawmakers made amendments to the House Ways and Means (HWM) budget proposal that [did not meet the moment](#). Amendments are not only an opportunity for lawmakers to add funding for community projects, but also to make changes to the budget bill.

Amendments that were offered to better support people struggling in the pandemic — like boosting rental voucher funding, expanding the Earned Income Tax Credit, or increasing higher education investments — mostly failed in the budget. (Some of these proposals could continue as separate legislation.) There were a few notable exceptions, such as an increase in the cash assistance grants for low-income families and individuals

Instead, the House budget includes tax giveaways that will benefit mostly wealthy people and businesses. Together, these giveaways could cost the state over \$100 million per year.

Tax changes in the House budget

There are two notable tax breaks in the House FY 2022 budget. Neither will benefit the economy as advertised.

The House's proposed tax cuts could also trigger a rule that would require Massachusetts to give back some of its federal relief money (through the American Rescue Plan). The U.S. Treasury will issue more guidance in coming weeks, but the House's proposed tax changes could leave the state with hundreds of millions of dollars less.

1) Proposal to make film tax credit permanent

The House unanimously adopted an amendment ([in Outside Section 18A](#)) to make permanent the state's film tax credit, by removing its scheduled January 2023 sunset (end) date.

A legislative commission [reported](#) that the film tax credit — which costs the state \$56-80 million per year — “is not the best use of the state's money.”

Key Takeaways

- The House FY22 budget proposes two tax changes that could cost the state over \$100 million per year and would benefit mostly wealthy people and businesses.
- MassBudget recommends the Senate *not* include these proposals in its FY22 budget proposal.

The report lays out other features of the film tax credit:

- It does not benefit low-income taxpayers or small businesses.
- It is largely spent (82%) on feature films, which often leave little or no lasting effect on the local economy.
- It mostly benefits workers and businesses outside Massachusetts.

The Senate can now decide whether to adopt the same change as the House (to make the film tax credit permanent).

MassBudget recommends leaving the law unchanged and allowing this unjustifiable credit to sunset out of the tax code.

2) Proposal for a “Rural Growth Fund”

In its budget, the House proposes that the state create a “Rural Growth Fund” ([in Outside Section 12](#)). This fund will amount to a \$60 million tax break mostly benefiting a handful of investment firms.

More perplexing is the story behind the Rural Growth Fund proposal.

A group of investment firms lobby states around the country to pass legislation — like the Rural Growth Fund — with confusing language that includes specific terms that ensure only their firms can take advantage of the credit.

They make aggressive projections on job creation to convince lawmakers that this will benefit their economy. These can be misleading. A similar program in New York State, for instance, created only 188 jobs over its 14 year span.

Fortunately, Massachusetts already is part of a federal program that will help small businesses, including those in rural areas, to access capital: the U.S. Treasury’s [State Small Business Credit Initiative \(SSBCI\)](#).

Massachusetts is set to receive \$135 million through the SSBCI program under the 2021 American Rescue Plan Act.

These federal funds are:

- “Evergreen” — they can be reinvested into the program; and
- Efficient — [in 2010 Massachusetts used \\$20.5 million of SSBCI funds to deliver \\$133 million in new financing to businesses](#) (leveraging 6.5 private dollars for every \$1 public dollar).

MassBudget recommends that the Senate not include the Rural Growth Fund proposal in its budget. With a far superior option readily available to the Commonwealth, there is no need to consider adopting the approach in the House budget.