



STATE OF INDIANA  
OFFICE OF THE GOVERNOR  
State House, Second Floor  
Indianapolis, Indiana 46204

Mitchell E. Daniels, Jr.  
*Governor*

April 27, 2007

The Honorable B. Patrick Bauer  
Speaker  
Indiana House of Representatives  
State House  
Indianapolis, IN 46204

Dear Mr. Speaker:

By the authority vested in me as Governor of Indiana, under the provisions of Article 5, Section 14, of the Constitution of the State of Indiana, I do hereby veto House Enrolled Act. No. 1388, enacted during the regular session of the 115<sup>th</sup> General Assembly and related to tax incentives for qualified media productions.

Providing targeted tax and other financial incentives to encourage film and other media productions in Indiana is reasonable economic development and fiscal policy. In 2005 and 2006, I signed legislation which designated film production as a qualified activity for purposes of the Hoosier Business Investment Tax Credit and provided a sales tax exemption for purchases related to film production.

I also supported HEA 1388 in its original intent. Tax credits and other financial incentives make sense when there is a significant return on the taxpayer's investment, as in the form of new jobs and economic activity that would not have happened otherwise. Regrettably, a good idea became in the end a Christmas tree of giveaways at the expense of Hoosier taxpayers.

House Enrolled Act 1388 provides an unlimited refundable tax credit for all media productions under \$6 million. Much of that activity, including advertising productions, corporate media productions and other digital media productions, is already occurring in Indiana without any incentive. In addition, it provided a 15 per cent credit to an unreasonably wide variety of production-related expenses, including legal fees and script acquisitions. The result was a bill with a price tag, at \$30 million over the biennium, that is simply too high, especially when much of these subsidies would not lead to a single new job or purchase in our state.

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My concerns with the bloating of House Enrolled Act 1388 were made well known to those supporting the add-on of these costly incentives. We sought a balanced approach to encourage production activities in a targeted manner, most notably to secure projects that the state would not otherwise have attracted, and which offered the potential of substantial new employment and capital investment.

In the next legislative session, if the General Assembly returns to the original intent and purpose of this legislation—to provide reasonable and targeted tax and financial incentives to encourage film productions with significant employment and capital investment commitments in Indiana—I would be an enthusiastic supporter.

Sincerely,

*Witch Daniels*

# House Enrolled Act

No. 1388

*B. Peter Bauer*

Speaker of the House

*Christina*

Principal Clerk of the House

*Veto  
Mitch Daniels  
4/27/07*