

actors and directors who shot movies in Massachusetts between 2006 and 2009. There was no further explanation, but the implication was that actors and directors like Ben Affleck, Steve Martin, Tom Cruise, and Martin Scorsese aren't paying all the taxes owed on money they technically earned in Massachusetts.

Robert Bliss, a spokesman for the Revenue Department, says the agency is looking into the issue. He declined to



elaborate.

Residual payments are one of the quirks of the movie business. Actors and directors are typically paid salaries for their work on a movie, but many also get a cut of any revenues or profits generated after the film's release. These residual payments often are triggered when a movie goes into DVD release or is sold to television.

Proponents of the state's film tax credit often call the salaries of big stars the gift that keeps on giving, since big-name actors pay taxes on their initial salary for a film and are supposed to keep paying taxes to the state as income from residuals flows in. But so far tax revenue from residuals has been the gift that never arrived.

Revenue Department officials aren't sure why they aren't receiving tax payments on residuals. Part of the problem is they aren't privy to deals on income derived after a movie wraps and is released. Indeed, DOR officials have had some problems even collecting taxes on the initial salaries paid to actors and directors.

"The first priority for DOR has been to make sure that nonresident actors are paying income withholding tax on the salary paid for their work in Massachusetts at the time of production," Bliss says.

Movie productions are fond of creating complex financial structures to reduce their tax exposure. Producers often pay stars through intermediary companies called loan-outs, an arrangement that makes it difficult to determine how much has been paid and to whom.

To end the confusion, DOR last year approved new regulations requiring movie production companies to remit withholding taxes from a star's check before an application is submitted for the state's film tax credit. But those regulations did nothing to address the payment of taxes on income generated after the film wraps and all the actors and directors have gone home to California.

Joe Maiella, president of the Massachusetts Production Coalition, a trade group formed to boost the state's budding film industry, often mentions taxes on residuals as a benefit of the state's film tax credit. He says the fact that the state hasn't received any of the tax revenue means the Revenue Department will probably need to do some detective work to track it down.

"To accurately assess this, it would seem the DOR would have to identify every principal actor and director who has worked on a feature film, commercial, TV pilot, or PBS program since 2005, determine who of those are out-of-state residents, and determine if taxes had been paid on residual income over

the last six years," he says.

The Revenue Department's most recent report on the film tax credit generated some concern among supporters of the credit—and provided fresh ammunition to those who oppose it. The report said the credit had spurred \$319 million in new spending on movies, TV shows, and commercials in 2009, but only a third of the money went to Massachusetts residents or businesses. The rest flowed out of state.

A delegation, led by Secretary of Housing and Economic Development Greg Bialecki and former actor and now ad man John Dukakis traveled to Hollywood in February seeking to reassure studios that the state's film tax credit wasn't going to fall victim to state budget cutbacks. No one was releasing details of the discussions with Hollywood studios, but it's a good bet the subject of unpaid taxes by actors and directors never came up.

Fall River gambler

► PAUL MCMORROW

IN UPENDING A planned 300-acre biotech park, Fall River Mayor William Flanagan picked a fight with the governor, angered the state university, junked a decade's worth of planning, and endangered a \$23 million development project. He did it all for a roll of the dice with the Mashpee Wampanoag, who promised to bring a casino to the land that was supposed to become the biotech park. And he'd do it all again tomorrow.

"We didn't lose anything," says Flanagan, who ended his dance with the Mashpee and went back and cemented a deal with the biotech park's anchor tenant, UMass Dart-

mouth, earlier this year. “My responsibility is to go after every economic development opportunity. My constituency would expect nothing less.”

Flanagan shocked the state last May, when he called a press conference announcing a deal to sell 300 acres off Route 24 to the Mashpee. The tribe promised to abandon plans to build a resort casino in Middleboro, and instead erect a \$500 million gambling palace on the Route 24 parcel.

Fall River’s deal with the Mashpee immediately ruffled feathers inside Gov. Deval Patrick’s administration—and not just because officials first learned of Flanagan’s deal with the tribe when they began receiving phone calls from reporters.

A year before, the state had sold the 300 acres to Fall River’s economic development arm for a scant \$2.5 million. The land transfer capped a decade of planning, which envisioned the creation of a new commercial park in the jobs-starved region. Patrick opened up the potential biotech cluster for development by committing \$33 million in federal stimulus funds to build a new exit linking Route 24 to the park. Patrick also promised state funds to the park’s anchor tenant, a new \$23 million UMass Dartmouth biomanufacturing facility.

The administration tried to back Flanagan down by

threatening to demand repayment for the Route 24 road-work. Inspector General Gregory Sullivan warned that the sale to the Mashpee could run afoul of state bidding rules, and would violate a deed restriction explicitly banning casino development on the 300-acre parcel. Flanagan didn’t blink, even after legislation legalizing casinos failed on Beacon Hill. “This is not a bridge to nowhere or a folly,” he insisted. “This is a \$500 million project.”

Pressure from a rival Wampanoag tribe and UMass ultimately forced Flanagan to backtrack. In November, weeks before the first round of the \$21 million land deal was supposed to close, a group of 10 taxpayers sued to block the sale. That group was led by the chief of Fall River’s Pocasset Wampanoag tribe. The Pocasset saw the Mashpee land deal as an incursion into their territory. The group also included several environmental and anti-gambling activists. “To me, the whole thing smelled,” says Lesley Rich, the attorney for the Pocasset and the taxpayer group. “It was obvious the mayor had cut a deal and he just lunged forward and tried to ram it through.”

Flanagan bristled at the lawsuit. He characterized it as “a war on jobs.” But he reversed course after two judges blocked the land sale, and UMass Dartmouth said it would rather not build its biomanufacturing plant at all, rather



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than settle for a site outside the 300-acre park. That was enough for Flanagan. He told the Mashpee the deal was off, called up UMass and the Patrick administration, and got them to recommit to building at the park.

"I always thought we were walking a very tight rope," Flanagan says. "It would be too detrimental to lose the casino and lose the tech park, given the unemployment in the region. The goal was to entertain both. Once I saw signals that we were close to losing both, it was time to huddle back up on the definite project."

Rich says the mayor had little choice. "Politically, the mayor realized it was a dead end, and if he didn't do something, he'd be sitting empty-handed the next election," he says.

Paul Vigeant, vice chancellor for economic development at UMass Dartmouth, says that by building the \$23 million bio plant in a pad-ready green field off Route 24, rather than downtown or on campus, the university hopes to spur private biotech and pharmaceutical manufacturing in the park. Those linkages weren't available anywhere else, he argues.

"There's efficiency to the real estate transaction," Vigeant says. The new facility will let Cambridge researchers test-manufacture new drugs at dramatically discounted rates.

"When their product is ready to go and they need a site for manufacturing, they'll see these sites are available, and they'll compare the costs. The price reasons why people leave the state don't evidence themselves here."

The UMass facility, which is being built with a \$15 million state grant, should be ready for construction bids by this fall. Flanagan calls it "a game-changer." So does he regret putting it on hold for a year while he chased a casino? "Not at all," he says. "The casino is still a possibility. Once the Legislature passes a gaming bill, we will be at the table for that, too."

Schools set aside funds for special ed increases

► ANDREA DOWNS

BROOKLINE PUBLIC SCHOOLS are scrambling to close a nearly \$1.5 million budget gap for the fiscal year beginning in July, yet the School Committee is nevertheless setting aside \$400,000 in case the city's cost for private special education rises.

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