



## California Film & Television Tax Credit Program New Program Summary – AB 1839

Assembly Bill 1839, the *California Film & Television Job Retention and Promotion Act*, was signed by Governor Brown on Sept. 18, 2014. The **California Film Commission is currently developing regulations, program guidelines and other procedures to administer the newly expanded film and TV tax credit program.** Please check <http://www.film.ca.gov/Incentives.htm> periodically for updates.

### KEY CHANGES FROM PRIOR PROGRAM

#### The California Film & Television Job Retention and Promotion Act:

- Increases tax credit program funding from \$100 million to \$330 million per fiscal year.
- Expands eligibility to big-budget feature films, 1-hr TV series (for any distribution outlet) and TV pilots.
- Eliminates budget caps for studio and independent films. While there is no cap, tax credit eligibility will apply only to each project's first \$100 million in qualified spending (for studio films) or the first \$10 million (for independent films).
- Eliminates the state's existing tax credit lottery. Projects will instead be selected based on a "jobs ratio" formula and other ranking criteria.

Tax credits will be reserved based on this ranking within specific categories (i.e., TV projects will compete against TV projects; independent films against independent films, etc.)

- Includes penalty provisions for projects that overstate job creation.
- Provides for multiple allocation periods throughout the year. Instead of a single allocation period annually, there will be one or more allocation periods in Program Year 1, and two or more allocation periods in Program Years 2 - 5. Application period schedules and instructions are under development.
- Adds a 5% "Uplift" for productions that film outside the 30-Mile Zone, as well as for visual effects and music scoring/recording performed in-state.

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## FILM & TV TAX CREDIT PROGRAM SUMMARY:

### Allocation Process – Preliminary Timeline

#### April 2015 – Old Program: FINAL APPLICATION PROCESS VIA LOTTERY

- \$100 million in tax credits
- Credit allocations will be issued on or after July 1, 2015; principal photography may not begin prior to receiving a credit allocation
- Renewed TV series from current tax credit program will be selected prior to final lottery
- Projects selected based on old eligibility rules (i.e., no budgets over \$75 million)

#### May 2015 – New Program: FIRST APPLICATION PERIOD (FOR TV ONLY, application period for other categories will be announced shortly)

- \$230 million in tax credits
- Projects will be selected via a new Jobs Ratio competitive ranking system.
- Credit allocations will be issued on or after July 1, 2015; principal photography may not begin prior to receiving a credit allocation
- Funding may be split between two application periods during the 2015/16 fiscal year

### Eligibility and Tax Credit Allocation Percentages

The percentages below are applied solely to qualified spending (i.e., no above-the-line salaries).

See Qualified Expenditure Charts for details:

[http://film.ca.gov/Incentives\\_Qualified\\_Expenditures.htm](http://film.ca.gov/Incentives_Qualified_Expenditures.htm)

- To qualify, a production must film either 75% of its principal photography days entirely in California, or spend 75% of its total budget in California.
- Principal photography cannot commence prior to receiving a credit allocation.

#### **20% Tax Credit** (non-independent productions)

- Feature Films: \$1 million minimum budget. While there is no maximum budget cap, credit allocation applies only to the first \$100 million in qualified expenditures.
- Movies-of-the-Week and Miniseries: \$500,000 minimum budget
- New television series for any distribution outlet with \$1 million minimum budget per episode (at least 40 minutes per episode, excluding commercials); one-half hour shows, non-scripted series and other exclusions apply
- TV Pilots: \$1 million minimum budget

#### **25% Tax Credit**

- Television series, without regard to episode length, that filmed their prior season outside California. \$1 million minimum budget. Credit is reduced to 20% after the first season filmed in California.
- Independent Films: \$1 million minimum budget. While there is no budget cap, credits apply only to the first \$10 million of qualified expenditures. Projects must be produced by a non-publicly traded company. Publicly traded companies cannot own more than 25% of the producing company, in order to transfer the credit.

**5% Uplift Credit\***

Projects may receive an additional 5% tax credit for the following expenditures:

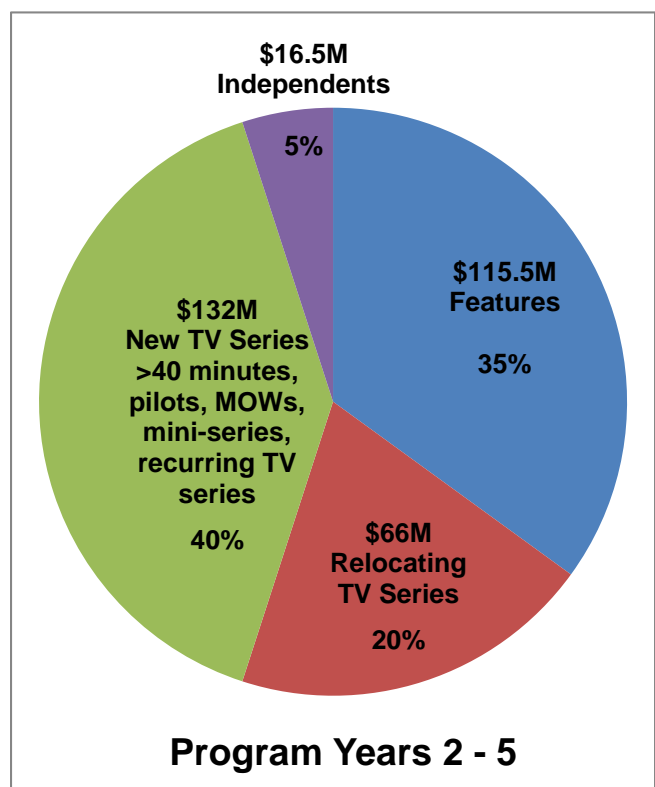
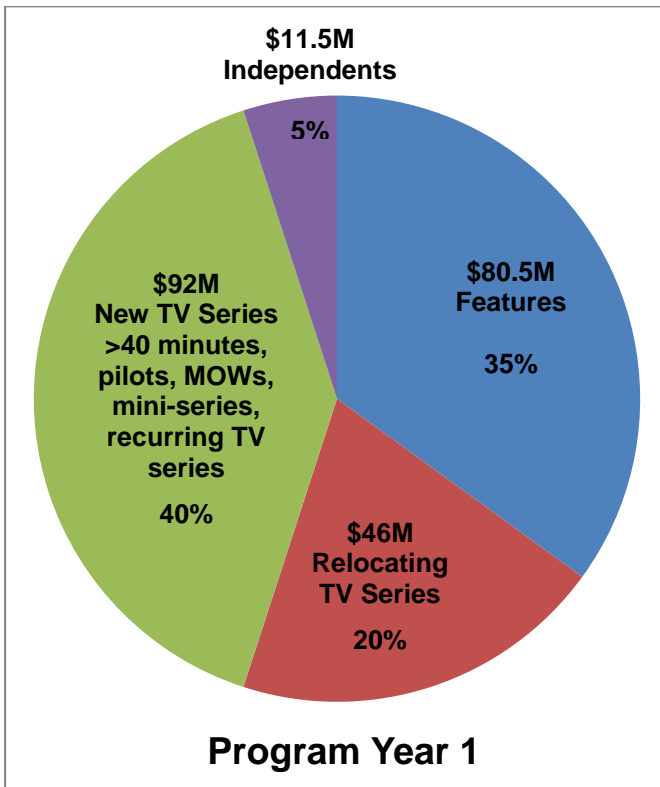
- **Out-of-Zone filming** - expenditures relating to original photography and incurred outside the 30-Mile Studio Zone (pre-production through strike). Eligible expenditures include qualified wages paid for services performed outside the Zone, and expenditures purchased or leased and used outside the Zone.
- **Music Scoring and music track recording by musicians**
- **Visual Effects** – To qualify, visual effects work must represent at least 75% of the VFX budget or a minimum of \$10 million in qualified VFX expenditures incurred in California.

**\*Note:** The above uplifts cannot be combined. The maximum credit a production can earn is 25%.

**Fiscal Year Funding Categories**

**Program Year 1    \$230 Million**

**Program Years 2 – 5    \$330 Million**



### **“Jobs Ratio” Selection Criteria**

Jobs Ratio = Qualified Wages ÷ Tax Credit (not including uplifts)

Projects will be ranked (within each allocation category) according to the highest Jobs Ratio (TV will compete against TV; independent films against independent films, etc.)

Jobs Ratio ranking may be increased if the project “increases economic activity in CA”. (The ranking criteria is being developed and will be implemented in regulations.)

#### **Penalties-**

If a Jobs Ratio estimate in the initial application is overstated, a reduction in tax credits will be levied unless there is a “reasonable cause” for the overstatement.

### **Tax Credit Utilization**

- Taxpayers are allowed a credit against income and/or sales and use taxes, based on qualified expenditures beginning in 2016.
- Credits applied to income tax liability are not refundable.
- Only tax credits issued to an “independent film” may be transferred or sold to an unrelated party.
- Other qualified taxpayers may carryover tax credits for 5 years and transfer tax credits to an affiliate.
- The fiscal year is July 1 – June 30.

### **New Requirements**

#### **Certification:**

Applicants must certify that the credit is a significant factor in their location decision.

#### **Career Readiness Requirement:**

All applicants will be required to participate in training and public service opportunities aimed at exposing high school and community college students to jobs in the industry. Applicants will choose from a list of options for participation. This program will be supervised by the California Department of Education.

#### **About the California Film Commission**

The California Film Commission (CFC) enhances California's status as the leader in motion picture, television and commercial production. A one-stop office for filmmakers, the Commission supports productions of all sizes and budgets. Services include film and TV tax credits, an extensive digital location library, free online permitting, low cost use of state properties as shooting locations, and production assistance.