



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

The **California Film Commission is currently developing regulations 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 in 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.

Final Allocation Process – “Old” Program

April 1, 2015 – Old Program: FINAL APPLICATION PROCESS VIA LOTTERY

Due to the old program’s success in attracting and retaining numerous TV series (most of which will be returning for an additional season of production), the final tax credit lottery **will not** be open to studio (publicly traded company) projects. **Only Independent* projects may submit applications for April’s final lottery.**

- Program rules require Renewed TV series from current tax credit program to be selected prior to final lottery
- \$10 million in tax credits available for Independent projects; selection via lottery
- Credit allocations will be issued starting July 1, 2015; principal photography may not begin prior to receiving a credit allocation
- Projects will be selected based on old eligibility rules (i.e., qualified expenditures for independent projects may not exceed \$10 million)

First Allocation – “New” Program – California Film & TV Tax Credit 2.0

For fiscal year 2015-16 (July 1, 2015 – June 30, 2016) there will be two application periods for each type of eligible project.

May 11 -17, 2015 – New Program: FIRST APPLICATION PERIOD (FOR NON-INDEPENDENT TV PROJECTS ONLY, application period for other categories will be this summer, dates to be announced)

- \$55.2 million in tax credits available for New TV series, TV pilots, MOWs, Mini-series *for any distribution transmission*
- \$27.6 million in credits available for Relocating TV Series**
- Projects will be selected via a new competitive ranking system based on jobs and other criteria
- Credit allocations will be issued on or after July 1, 2015; principal photography may not begin prior to receiving a credit allocation

***Independent film** is defined as a motion picture with a minimum budget of \$1 million and a maximum qualified spend budget of \$10 million, produced by a company that is not publicly traded and is not more than 25 percent owned (directly or indirectly) by a publicly traded company.

****Relocating TV Series** is defined as a television series, without regard to episode length or initial media exhibition, with a minimum production budget of one million dollars (\$1,000,000) per episode, that filmed its most recent season outside of California, and for which the taxpayer certifies that the credit provided pursuant to this section is the primary reason for relocating to California.

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

- 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:

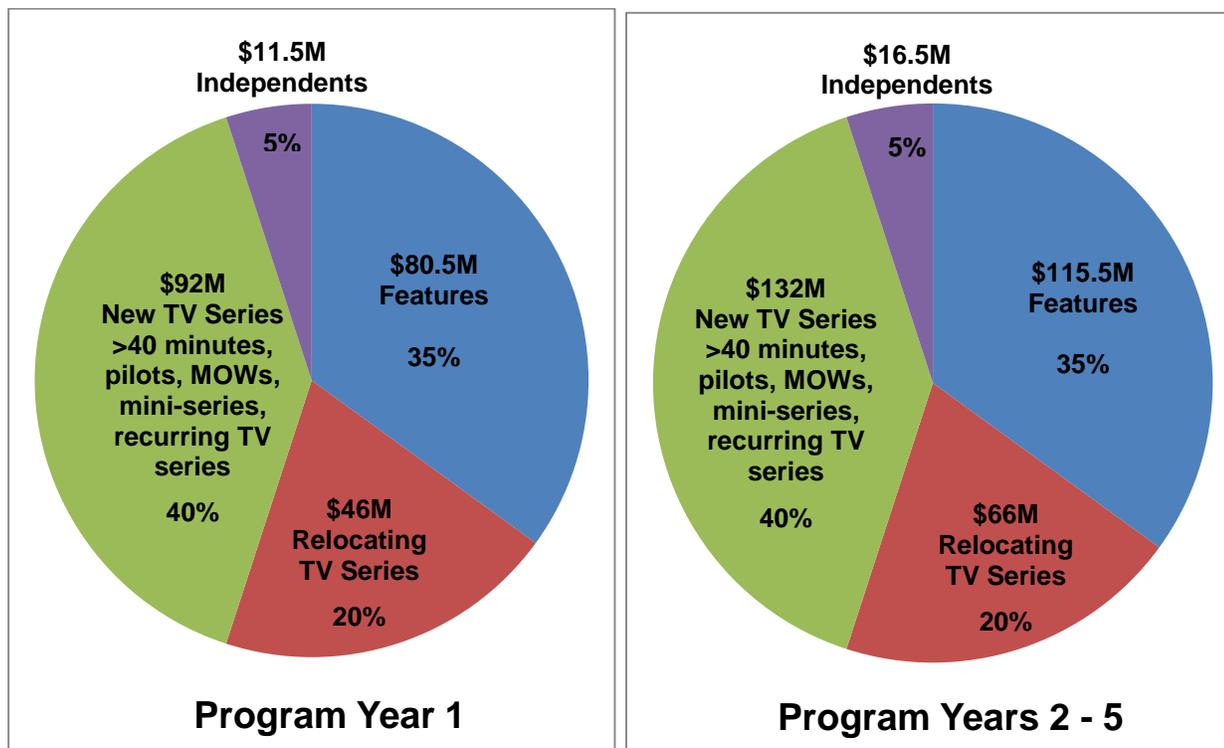
- **Out-of-Zone filming** - expenditures relating to original photography and incurred outside the 30-Mile Studio Zone (pre-production through strike). Eligible expenditures include qualified wages paid for services performed outside the Zone, and expenditures purchased or leased and used outside the 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" Ranking System

New Ranking Selection Process:

Productions will be ranked from highest to lowest based upon their "jobs ratio" and other criteria against "like" projects (TV projects ranked against other TV projects, indie projects against indie, etc.). Tax credits will be awarded to those productions in each category with the highest ranking.

Details on the ranking process will be announced once the regulations are approved.

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.