



California Film Commission

Joint Informational Hearing

Assembly Committees -

Arts, Entertainment, Sports, Tourism & Internet Media

Revenue and Taxation

February 24, 2017



California Film & Television Tax Credit Program

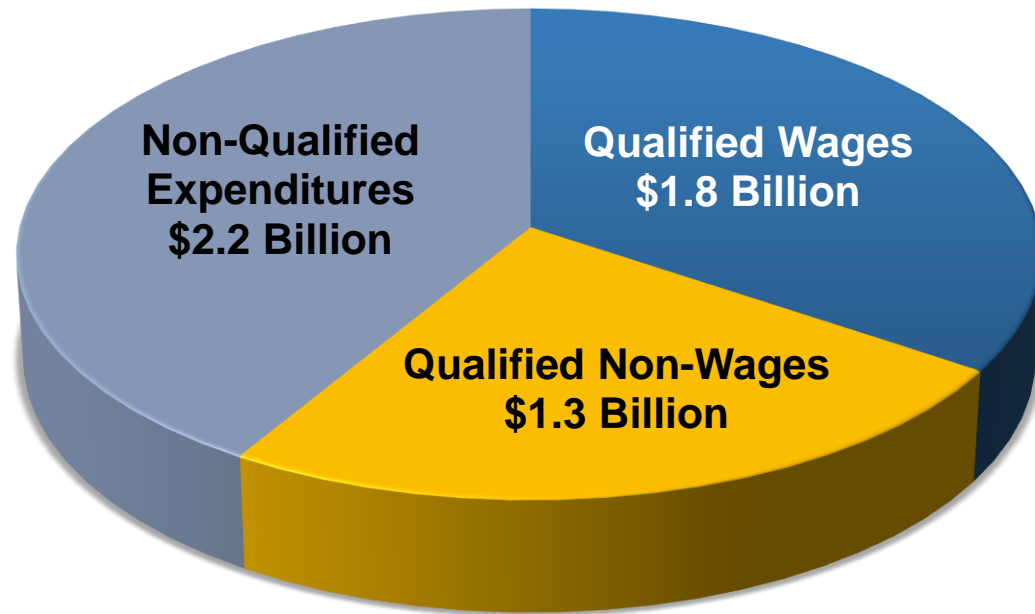
Tax Credit Programs 1.0 & 2.0

- California's legislature created the first Film & TV Tax Credit Program in 2009
- AB1839 created a new Film & TV Tax Credit Program which launched in July, 2015
- California Film Commission administers both programs



Film & TV Tax Credit Program 1.0

Program 1.0 Years 1 – 7 Estimated Direct Spending



Total: \$5.3 Billion

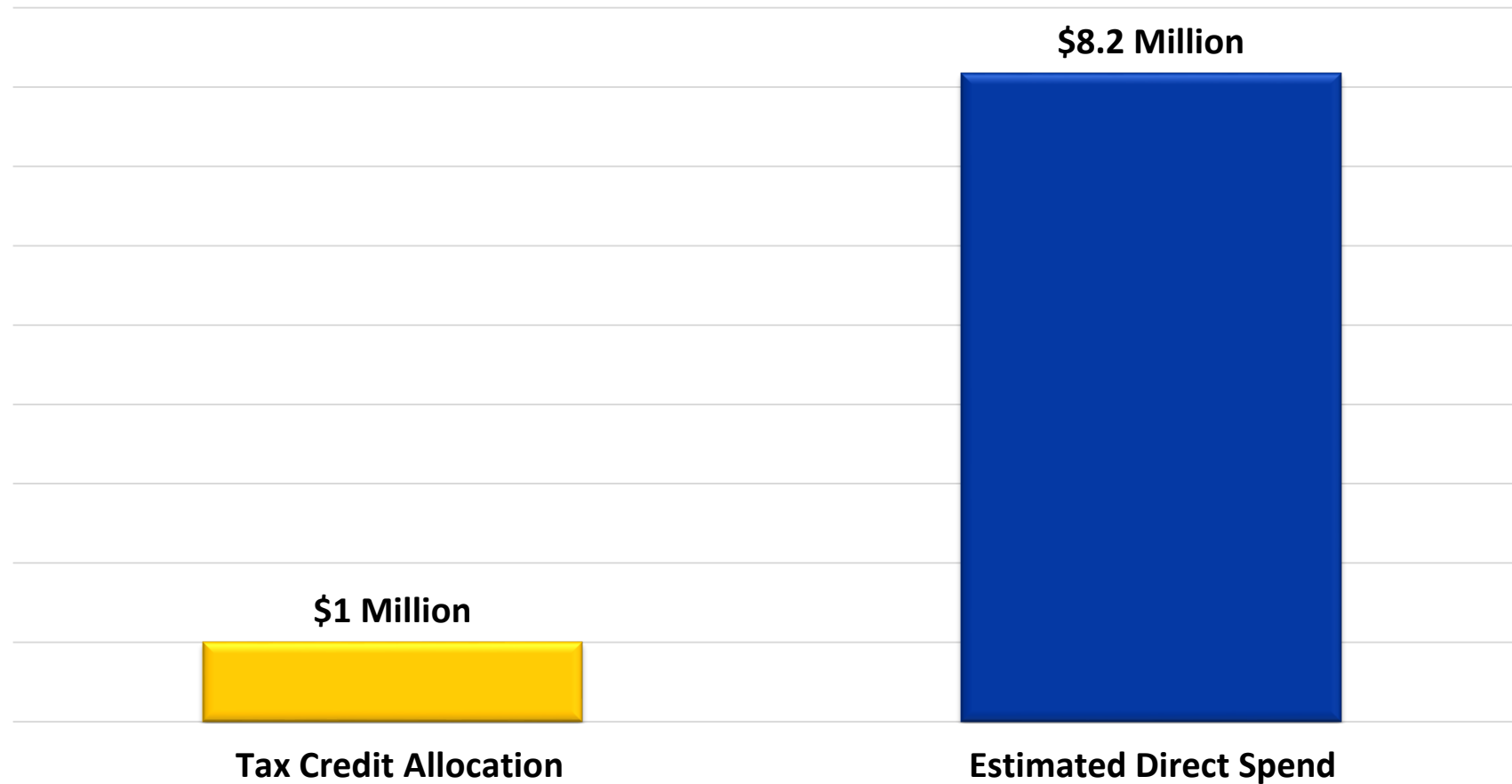
Cast
23,000

Crew
43,000

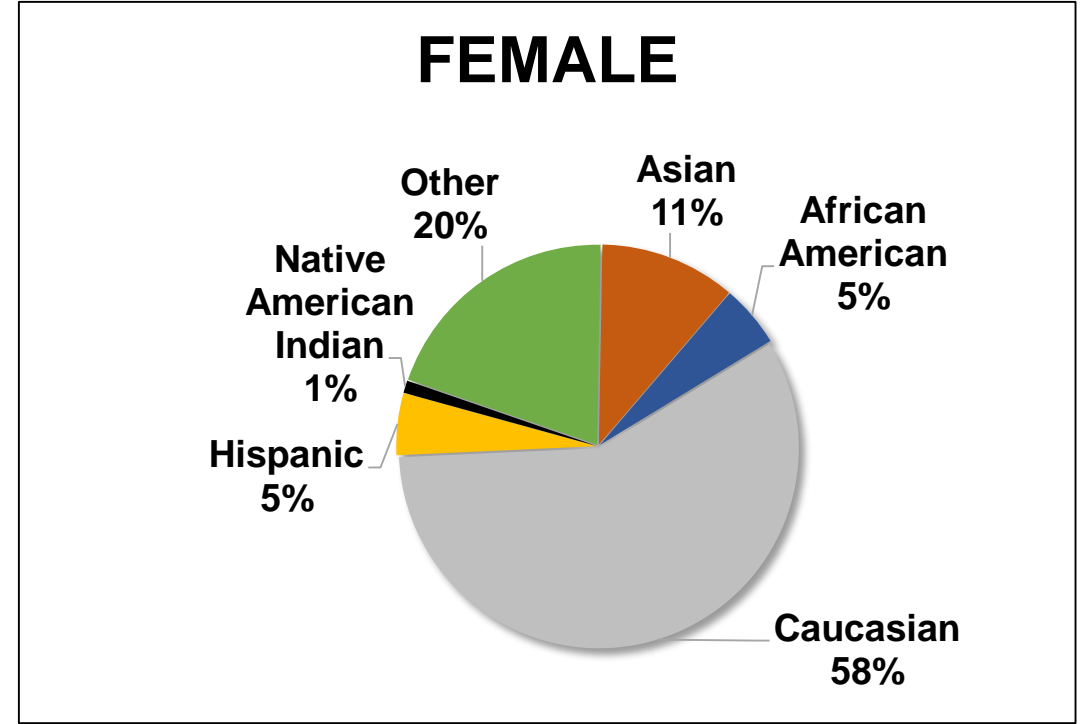
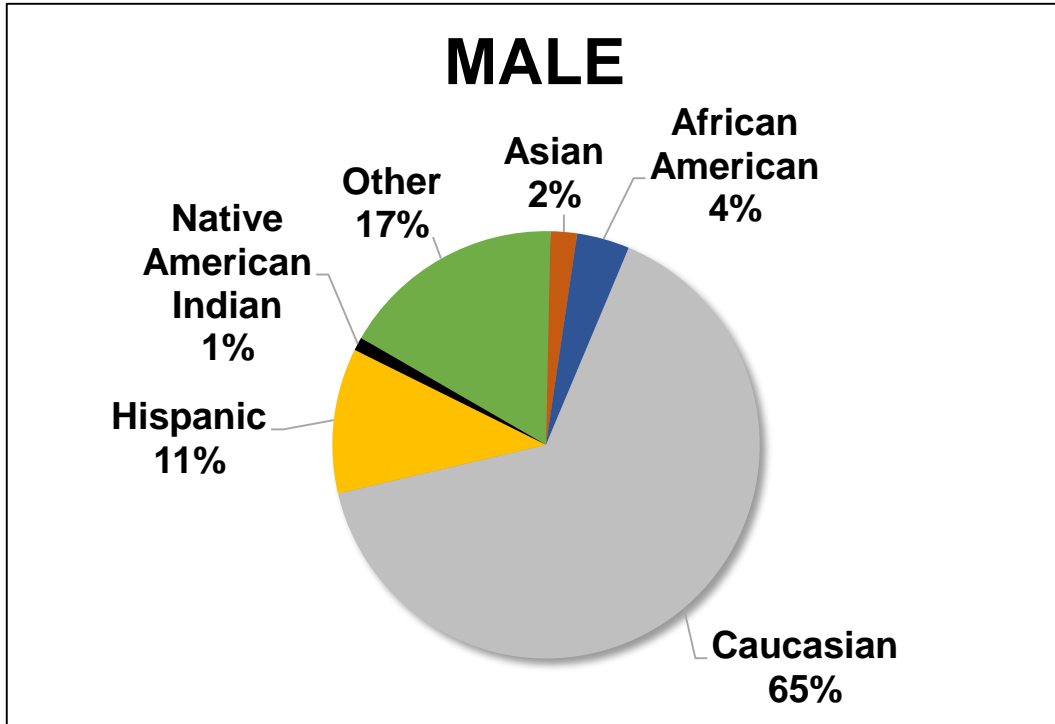
Extras
508,000

Film & TV Tax Credit Program 1.0

Credit Allocation = Direct Spending



Film & TV Tax Credit Program 1.0 – Demographics



FEMALE vs. MALE	
Female	45,085
Male	109,952

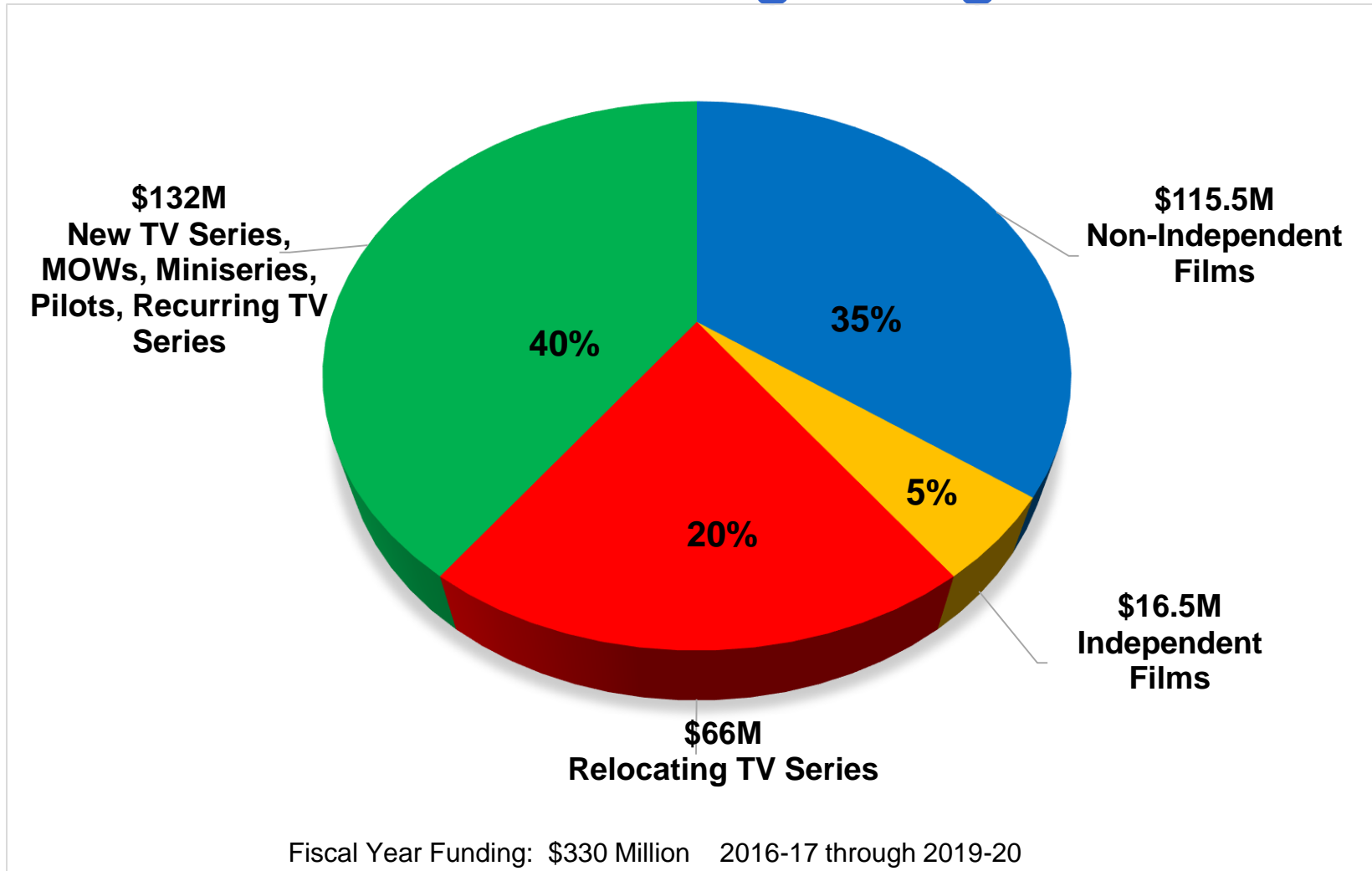
Note: Employees are not required to disclose ethnicity on their start paperwork but, if they volunteer to provide it, this information is recorded and provided to the CFC by the applicant at the end of post-production. The data includes any above-the-line and below-the-line employees that chose to provide this information for Program 1.0 tax credit projects.

Key Changes to New Program

- Increased funding from \$100M to \$330M per year
- Expanded eligibility for big-budget films, 1-hr TV series for any distribution outlet and TV pilots
- Eliminated budget caps for feature films
Credits apply to first \$100M in qualified spend
- Eliminate budget caps for independent films
Credits apply to first \$10M in qualified spend
- Replaced lottery selection with jobs-ratio ranking
- Multiple allocation periods throughout the year
- Added 5% “Uplifts” for filming outside the 30-mile zone, VFX spending and music scoring/recording in-state

Fiscal Year Funding

Dedicated Funding Categories



Jobs Ratio Selection

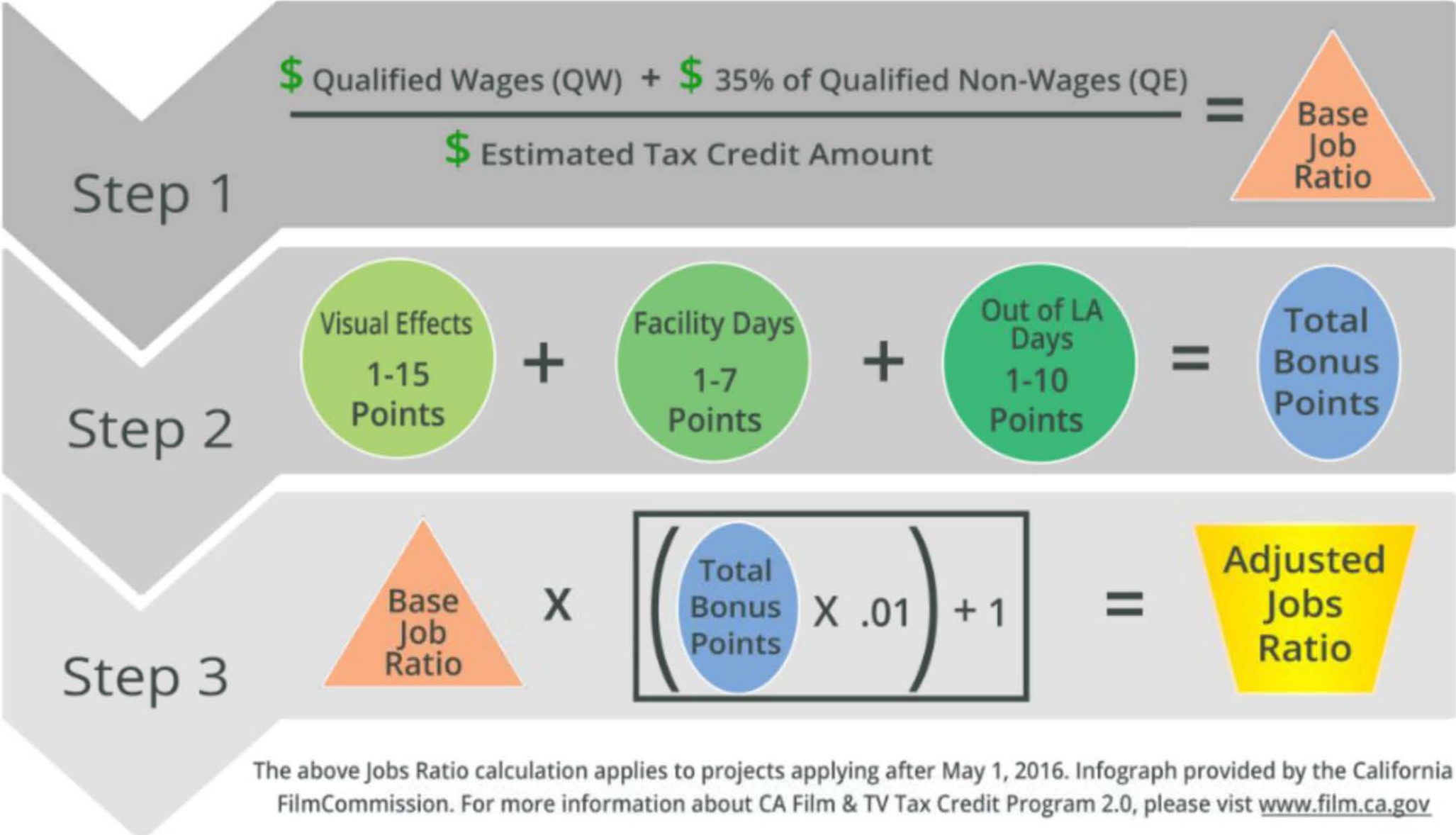
Category-Specific Competition

Each production category has a dedicated fund of tax credits

Projects are ranked directly against comparable (or "like") projects.

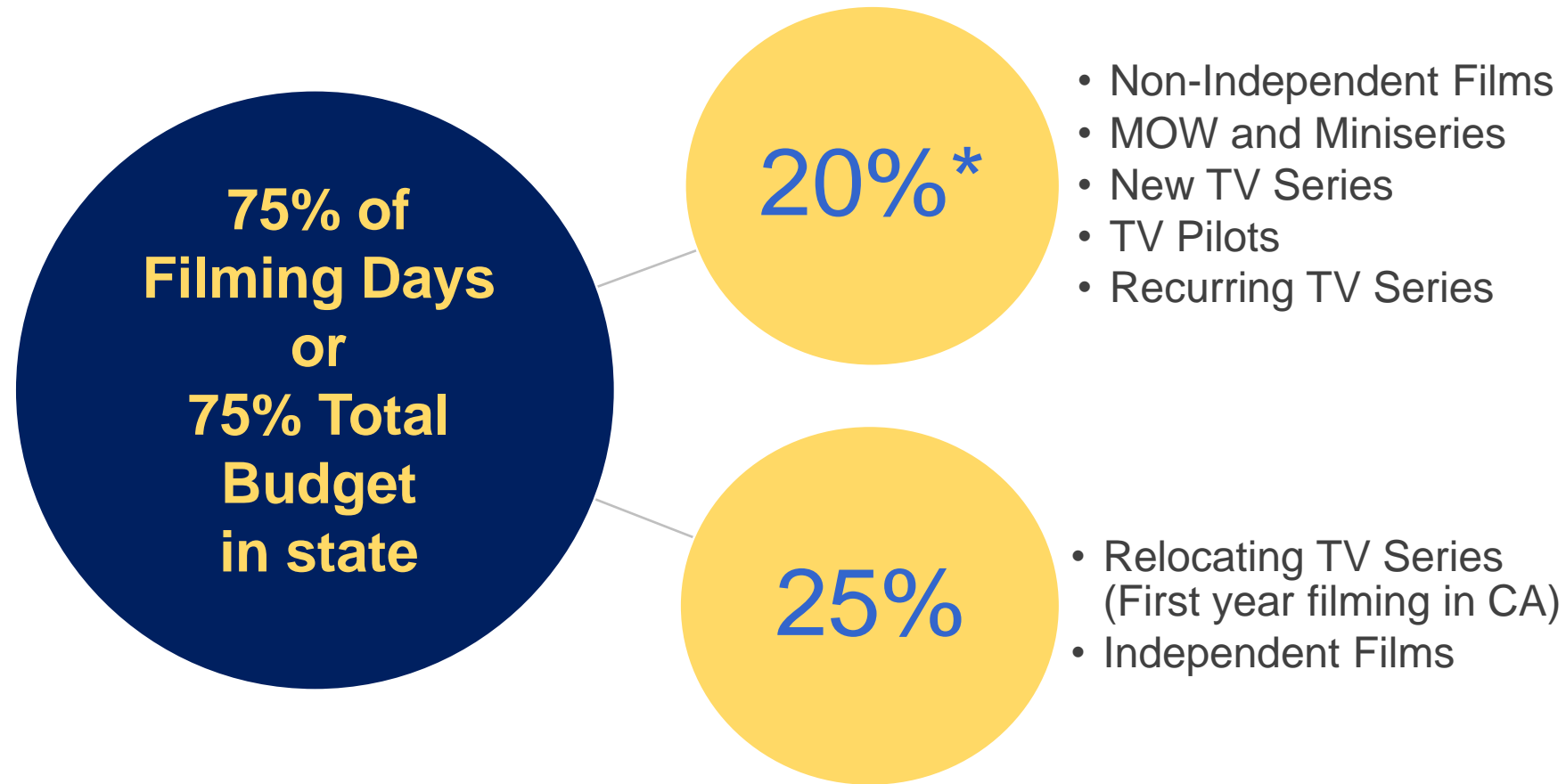
- Independent Films
- TV Projects
- Relocating TV Series
- Non-Independent Films

Jobs Ratio Ranking



The above Jobs Ratio calculation applies to projects applying after May 1, 2016. Infograph provided by the California FilmCommission. For more information about CA Film & TV Tax Credit Program 2.0, please visit www.film.ca.gov

Eligibility and Tax Credit Allocation Percentages



* May be eligible for 5% Uplifts

5% Tax Credit UPLIFT

- The maximum credit a production can earn is 25%.
- Does not apply to:
Independent Films and
Relocating Series – 1st
season in California

**Music Scoring and
Track Recording**

Out-of- Zone Filming

Visual Effects

Qualified vs. Non-Qualified Expenditures

Qualified

- Below-the-line wages
 - Filming crew
 - Caterers
 - Editors
 - Drivers
- Music scoring
- Purchases and rentals from CA vendors

Non-Qualified

- Above-the-line wages
 - Actors
 - Writers
 - Directors
 - Producers
- Licensing
- Purchases and rentals from non-CA vendors

Film & TV Tax Credit Program 2.0

Program 2.0 **Year 1** Estimated Direct Spending



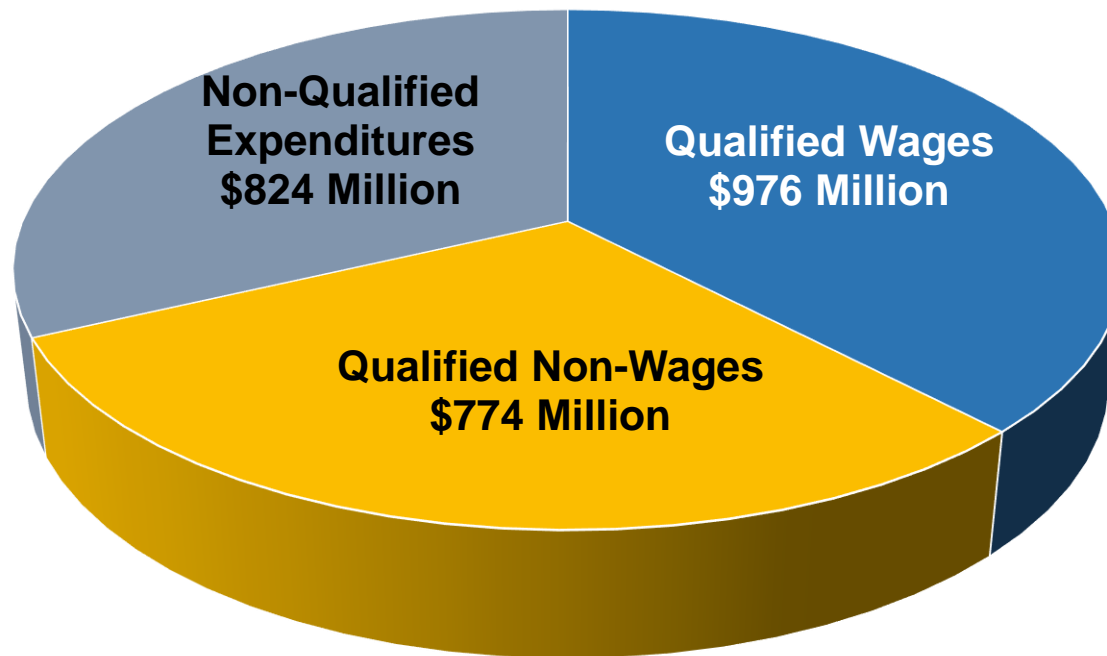
Total: \$1.3 Billion

Cast
5,500

Crew
8,500

Film & TV Tax Credit Program 2.0

Program 2.0 **Year 2** *Projected Direct Spending*



Total: \$2.5 Billion

Cast
6,000

Crew
9,900

Film & TV Tax Credit Program 2.0

Program 2.0 Relocating Television Series

Title	Previous Location	Seasons in CA	Total Qualified Wages for All Seasons in CA	Total CA Expenditures for All Seasons in CA
American Crime - ABC	Texas	1	\$ 12,077,000	\$ 35,622,000
American Horror Story	Louisiana	3	\$ 70,827,000	\$ 194,698,000
Ballers	Florida	1	\$ 16,397,000	\$ 56,330,000
Mistresses	Vancouver	1	\$ 13,981,000	\$ 23,333,000
Scream Queens	Louisiana	2	\$ 49,837,000	\$ 124,426,000
Secrets and Lies	North Carolina	1	\$ 13,487,000	\$ 35,981,000
Veep	Maryland	2	\$ 29,839,000	\$ 105,606,000
		TOTAL	\$ 206,445,000	\$ 575,996,000

Career Readiness Requirement

All approved applicants must participate in educational training opportunities to expose high school and community college students to jobs in the industry.

Applicants choose from a list of options for participation:

- Paid internships
- Conduct a classroom workshop or demonstration
- Direct financial contribution to a specific school or educational fund
- Externship – continuing Ed. for faculty
- Professional skills tours

Career Readiness Partners*

WORKFORCE PROGRAMS

- Hire LA Youth
- Ghetto Film School
- Streetlights
- Manifest Works
- Hollywood CPR

COMMUNITY COLLEGES

- College of the Canyons
- El Camino Community College
- LA City College
- LA Community College
- LA Film School
- LA Mission College
- LA Valley College
- Pierce College
- Santa Monica Community College
- Santa Rosa Junior College
- West LA College

CALIFORNIA DEPT. OF EDUCATION

- Analy High School
- Downey Unified School District
- East LA Performing Arts Magnet
- Marina High School
- Marymount High School
- Pilgrim High School

* Sample program partners to date.



Audit Process

- All productions undergo an audit process conducted by an independent CPA.
- Projects' final jobs ratio will be compared to the original jobs ratio to determine any overstatement.
- Penalties may apply.
- Once all final documentation and audit is approved, CFC issues Tax Credit Certificate.

Using the Tax Credits

- Non-Transferable Credits: Non-independents must use credits against state tax liability.
- Transferable Tax Credits: Independents may sell their credits to a 3rd party.
- Credits may be used in the year they are issued OR carried forward for 6 years.



www.film.ca.gov