



# **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

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- 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**

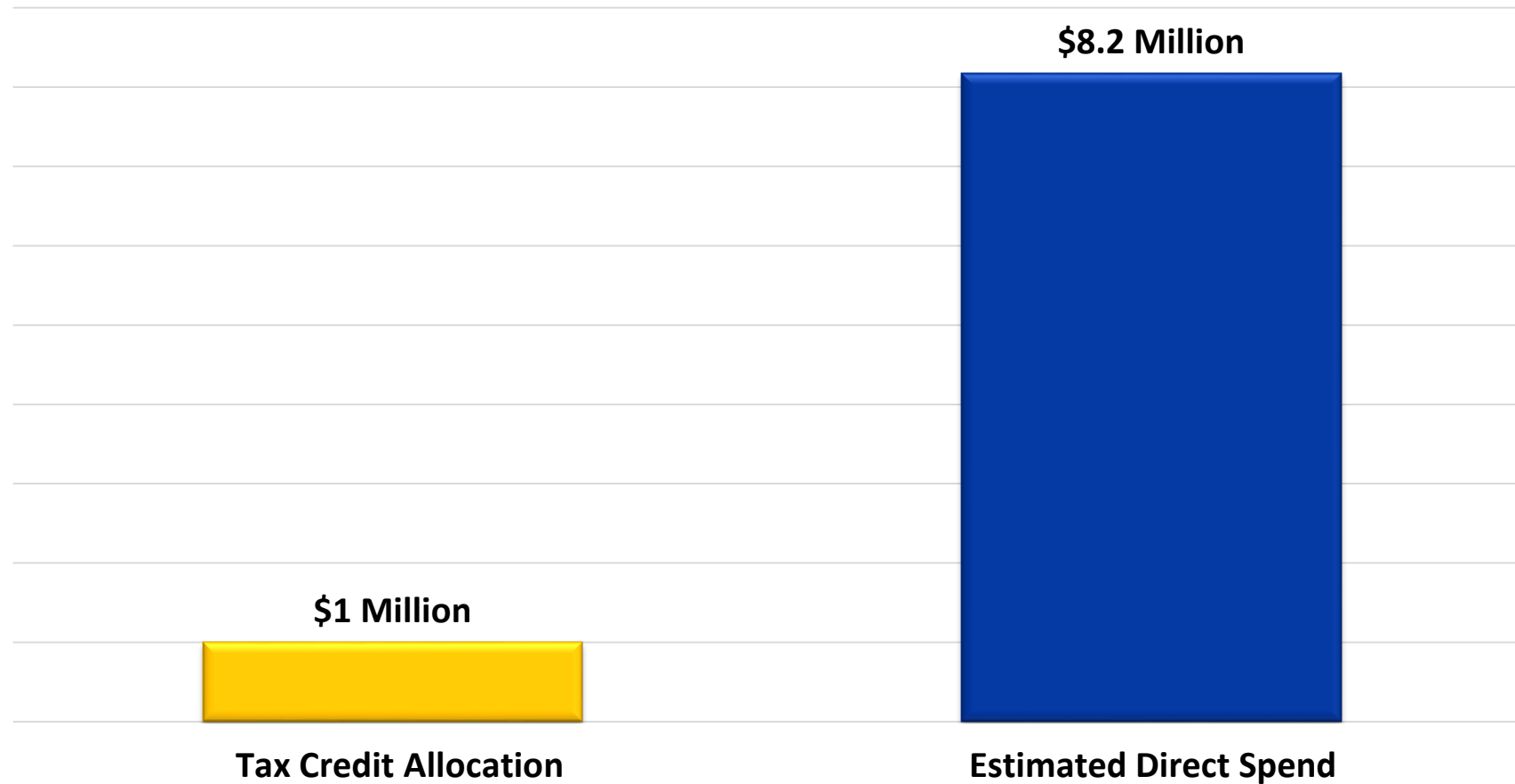
**Cast**  
23,000

**Crew**  
43,000

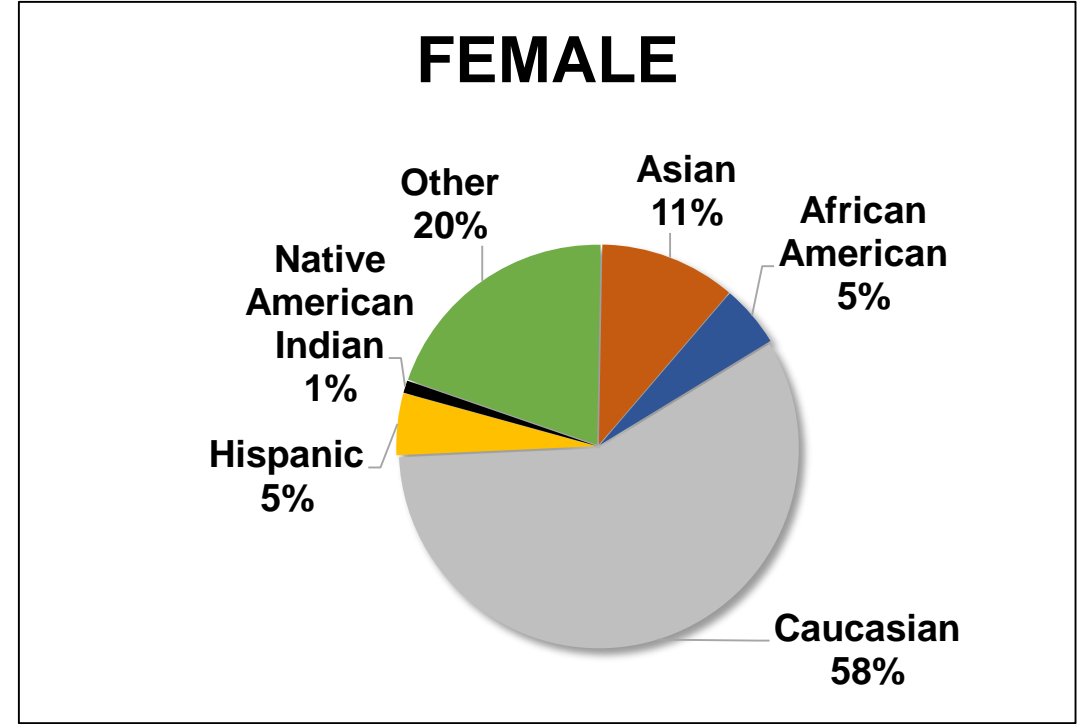
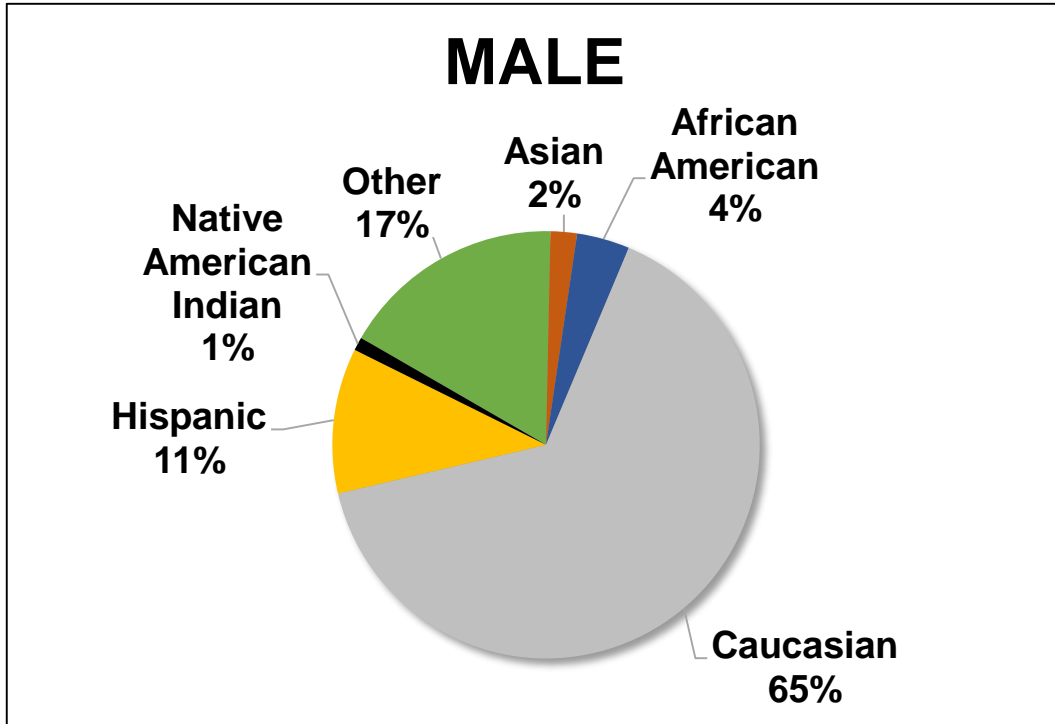
**Extras**  
508,000

# 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

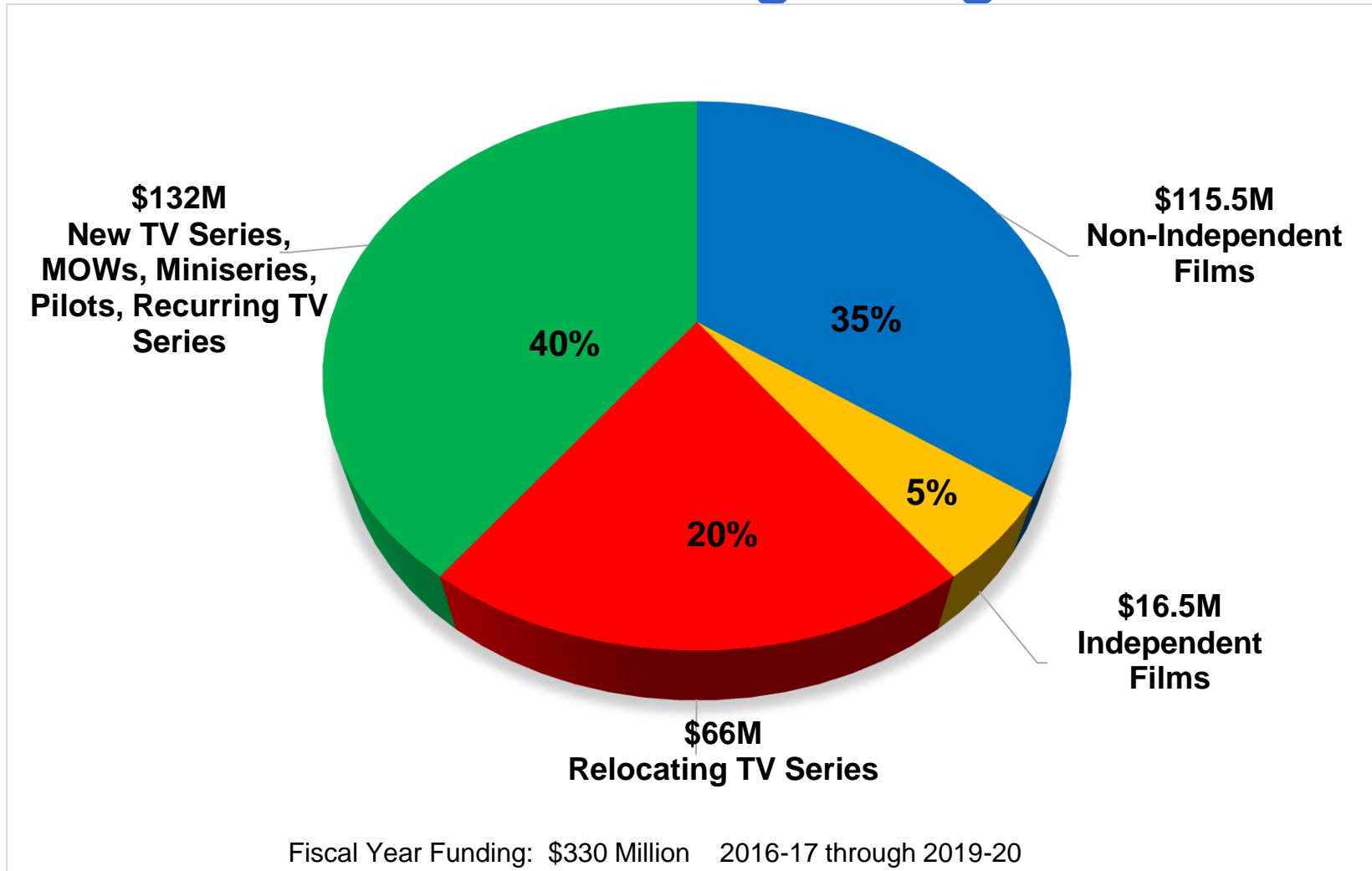
Note: Employees are not required to disclose ethnicity on their start paperwork but, if they volunteer to provide it, this information is recorded and provided to the CFC by the applicant at the end of post-production. The data includes any above-the-line and below-the-line employees that chose to provide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

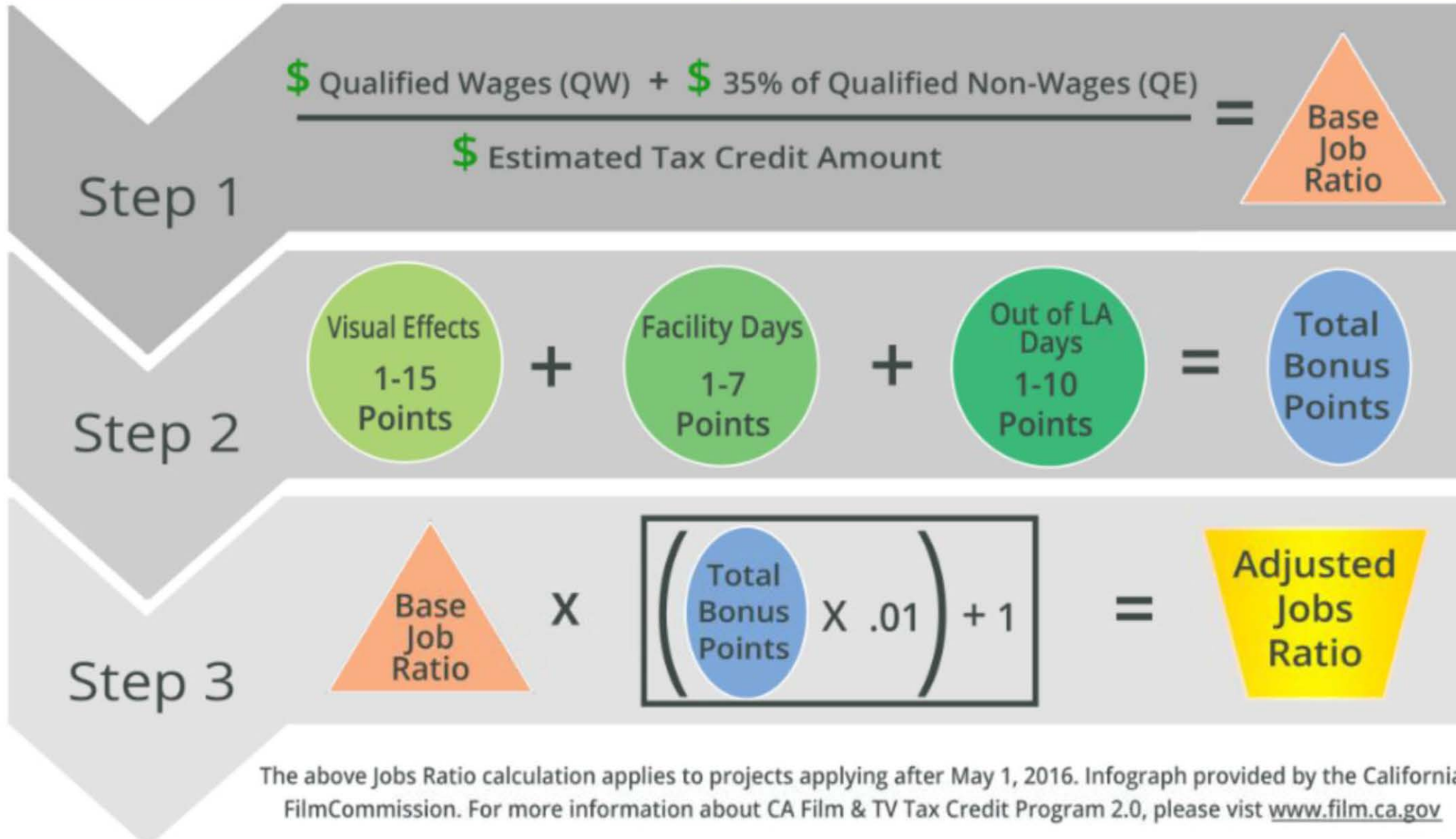
## Category-Specific Competition

Each production category has a dedicated fund of tax credits

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

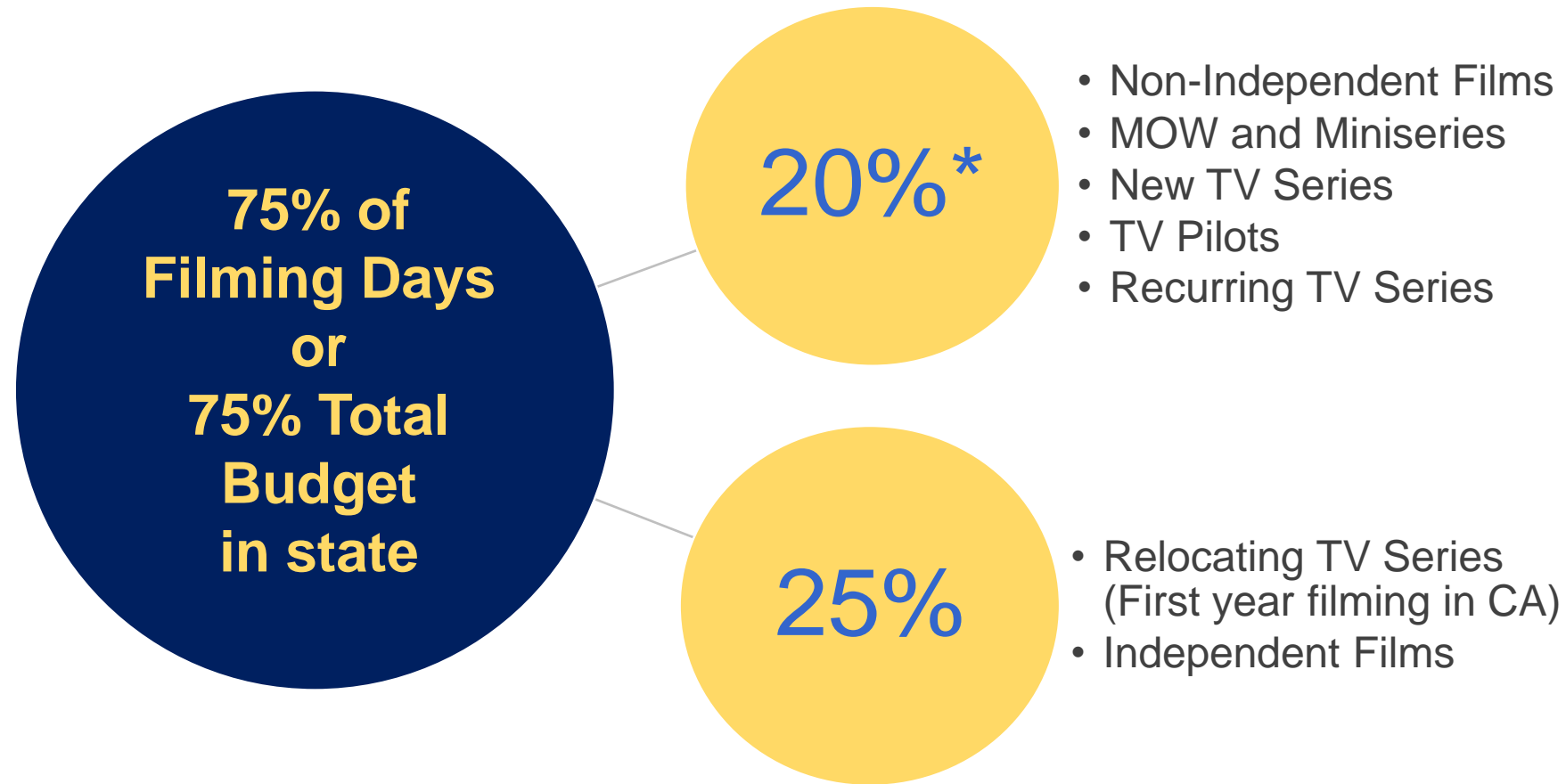
- Independent Films
- TV Projects
- Relocating TV Series
- Non-Independent Films

# 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](http://www.film.ca.gov)

# Eligibility and Tax Credit Allocation Percentages



\* May be eligible for 5% Uplifts

# 5% Tax Credit UPLIFT

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- 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

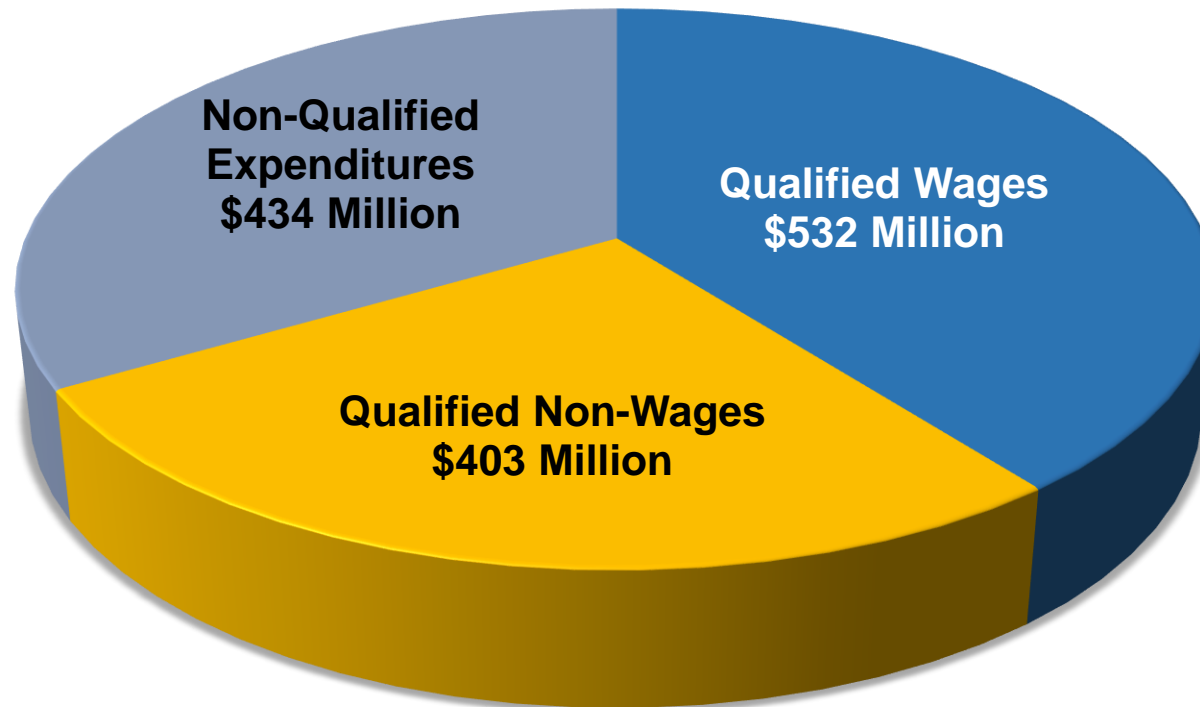
- Below-the-line wages
  - Filming crew
  - Caterers
  - Editors
  - Drivers
- Music scoring
- Purchases and rentals from CA vendors

## 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



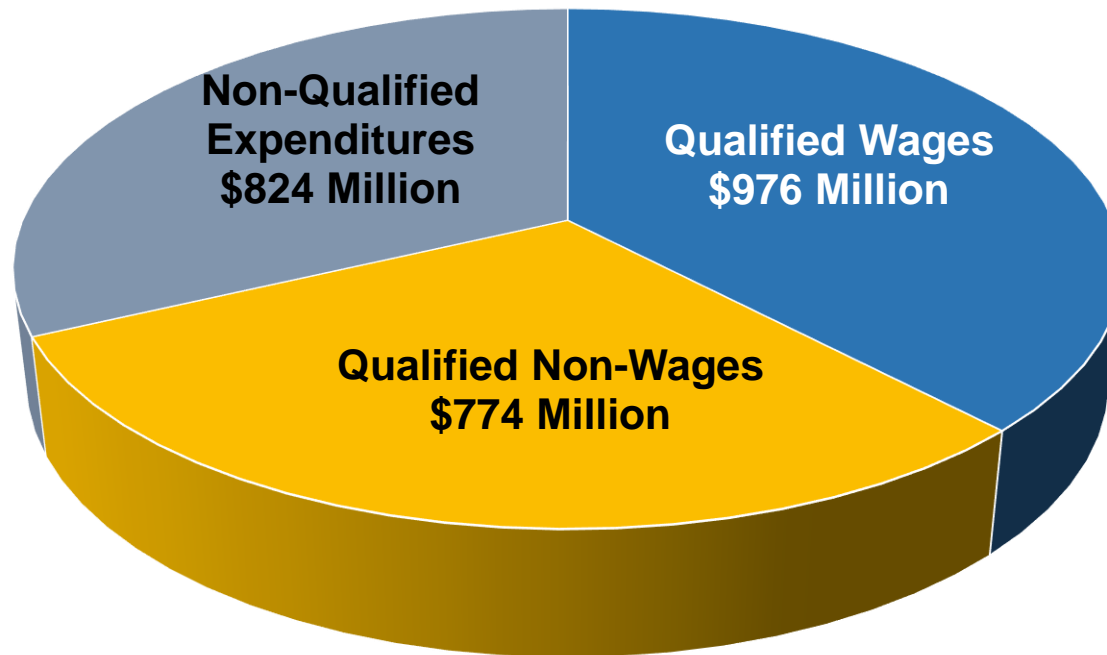
**Total: \$1.3 Billion**

**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
<b>American Crime - ABC</b>	Texas	1	\$ 12,077,000	\$ 35,622,000
<b>American Horror Story</b>	Louisiana	3	\$ 70,827,000	\$ 194,698,000
<b>Ballers</b>	Florida	1	\$ 16,397,000	\$ 56,330,000
<b>Mistresses</b>	Vancouver	1	\$ 13,981,000	\$ 23,333,000
<b>Scream Queens</b>	Louisiana	2	\$ 49,837,000	\$ 124,426,000
<b>Secrets and Lies</b>	North Carolina	1	\$ 13,487,000	\$ 35,981,000
<b>Veep</b>	Maryland	2	\$ 29,839,000	\$ 105,606,000
		<b>TOTAL</b>	<b>\$ 206,445,000</b>	<b>\$ 575,996,000</b>



# 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 3<sup>rd</sup> party.
- Credits may be used in the year they are issued OR carried forward for 6 years.



[www.film.ca.gov](http://www.film.ca.gov)