



DATE: April 1, 2011

Production Alert: APPROVED MODIFIED REGULATIONS, AGREED UPON PROCEDURES AND FORMS FOR CALIFORNIA FILM & TELEVISION TAX CREDIT PROGRAM NOW AVAILABLE ON WEBSITE.

The modifications to the Regulations Agreed Upon Procedures (AUP), and revised forms for the California Film Commission's (CFC) Film and TV Tax Credit program, were formally approved by the Office of Administrative Law on March 16, 2011 and become effective April 15, 2011. To assist you in understanding the changes to the Regulations, AUP, and required forms, please find a **summary of the more significant changes** below.

1. If a production implements a hiatus during the principal photography period, any and all hiatus period(s) may be no longer than 100 calendar days in aggregate for the entire duration of the production.
2. Production companies must submit documentation from each contracted visual effects, **post sound**, digital effects and/or title company, indicating the total dollar amount of work performed within the state of California.
3. The Director of the CFC **may reject insufficient documentation** not in compliance with the Regulations and/or **may request additional documentation** to verify Qualified Expenditures.
4. All productions issued a Tax Credit Certificate shall provide an on screen acknowledgement to the **State of California** and the California Film Commission, except where that acknowledgement may be prohibited by government policy.
5. **Application Form A** now incorporates the Independent Film Declaration (Form C) and the Financing Sources Report (Form B); Forms B & C are no longer required. The Application form includes a section in which additional estimated labor statistics are required.
6. The **Fiscal Year End Expenditure Report** (Form K), which is required for motion pictures whose production spans 2 fiscal years, requests additional statistical information on in-state labor and better defines questions regarding taxable spend and state income taxes withheld.

7. **Expenditure Summary Report** (Form F) now incorporates the Request For Tax Credit Certificate (Form J) and the Employment Diversity Report (Form H); Forms H and J are no longer required. The Expenditure Summary Report includes a section in which actualized labor statistics are required.
8. A Certified Public Accountants (CPA) who wishes to perform Agreed Upon Procedures must have an **active license to perform attest services** in California and complete a **CPA orientation meeting** given by the CFC, which will be held annually.
9. All CPAs must utilize the format required in **Appendix B** of the Agreed Upon Procedures when submitting their findings.
10. The **AUP** has modified a number of procedures in order to improve the CPA's ability to verify qualified wages and expenditures. The production company is now required to submit to the CPA and/or the CFC the following additional documentation:
 - a. **Asset listings**
 - b. **Listing of all Related party transactions**
 - c. **Related party transactions disclosure letter**
 - d. **Comparison bids or rate cards for related party transactions**

The AUP now includes a procedure for **testing non-qualified expenditures for Independent Films** with a total production budget over \$10 million dollars and qualified expenditures over \$9 million dollars.

The CFC has now posted all the revised documents on our website. You are encouraged to read the Regulations, revised Guidelines, Application Check List, Agreed Upon Procedures, Expenditure Tracking Tips, and Expenditure Charts on the CFC website. Please feel free to contact the CFC with any specific questions regarding the Tax Credit Program.