

FREQUENTLY ASKED QUESTIONS

GENERAL Q & A

- Q:** Will the Narrative Statement on why we would like to shoot in California versus another location be used to make a decision on whether a Production will be granted approval for Tax Credits?
- A:** No, however, a Detailed Narrative Statement must be included with the application – It is a written statement which describes the extent to which the credit is expected to influence the choice of filming locations with respect to financial considerations. The statement should include other locales which would be considered in the absence of a tax credit.
- Q:** Explain the difference between “Independent” and “Feature” films?
- A:** An Independent Film means a motion picture that is produced by a Company that is not publicly traded and the publicly traded companies do not own more than 25% of the producing company.
A Feature Film produced by a Publicly Traded Company means a production of a film intended for commercial distribution that has a running time of at least 75 minutes in length.
- Q:** If I had a project in the old program, shot one day, but didn't finish the project (making it ineligible for the old program), would it be eligible for the new program?
- A:** Since the 2.0 program is a completely different program, you are eligible to submit an Application for the project in the new 2.0 program.
- Q:** Can I submit an application for a pilot even if it's cast contingent?
- A:** Although the CFC requires a pick up order for TV Series Applicants, there is no “pick up” order requirement for a pilot. If you intend to shoot the pilot within the mandated time frame of 180 days, the application can be submitted.
- Q:** For a TV Series, if you are the Independent Production Company that is financing the project, but has sold the TV Rights to a Network or Premium Channel, is your TV Series considered an “Independent Project” or “Studio Project”?
- A:** The definition of an Independent Project does not rest with the distribution outlet. It is determined by the Production Company producing the project.
- Q:** Do Productions have to be signatories to Unions, IA, Teamsters, SAG, DGA, WGA?
- A:** No, there are no Union or Guild requirements.
- Q:** Does the extra 5% for outside the 30 Mile Zone apply to projects shot in San Francisco?
- A:** It applies to qualified expenses related to the “applicable period”: prep, shoot and strike outside the Los Angeles zone.
- Q:** If Principal Photography cannot begin prior to receiving a CAL approval, what about pre-production spending?
- A:** Pre-production spending before the CAL approval would not qualify for Tax Credits, but is certainly allowed.
- Q:** Can a production begin Principal Photography outside of California before receiving a Credit Allocation Letter?
- A:** A Production may begin filming outside of California prior to receiving a Credit Allocation Letter (CAL) as long as they do not begin Principal Photography in California before the CAL date.
- Q:** The Script Supervisor's lined script is now a requirement that must be submitted with final documentation. For a TV Series, how many episodes of the Script Supervisor's lined script are required?
- A:** When submitting final documentation, a copy of the lined scripts for Episodes #1 and #5 must be included (uploaded).

APPLICATION Q & A

- Q:** Regarding the 75% spend test: What if I am shooting a portion of the film in another state and a portion of the crew salaries will be paid in another state?
- A:** Wages, goods and services must be prorated proportionately to accurately estimate your California spend. Wages, rented or purchased items such as camera equipment, self-drive cars, production trucks, picture cars and the like must all be prorated if they will be used out of state for a portion of the schedule.
- Q:** Why do I need to provide proof of funding?
- A:** The Production Company must show a viable plan to finance the production with evidence that it has at least 60% of the financing in place. The Application requires a detailed listing of your funding sources and verification of this funding must be included. Acceptable forms of documentation include financing agreements with signed letter(s) on letterhead from your investor(s), stating the amount of funds secured from the investor along with a bank or brokerage statement which verifies the funds are on hand. If you have concerns regarding confidentiality, please call the CFC to discuss.
- Q:** Can I use a foreign Production Company taxpayer ID number? My project is an independent production and we would be transferring the credits?
- A:** A foreign corporation doing business in California, just like an out of State Corporation, will need to register to do business in the state and obtain a California ID number issued by the California Secretary of State. Here is the link to their website: <http://www.sos.ca.gov/business/be/fags.htm#form-question7>
- Q:** My TV Series is moving from out of state. Is there a form for the relocation statement?
- A:** All Relocating Series applicants must submit a letter on letterhead stating that the tax credit provided is the primary reason for relocating. A Detailed Narrative Statement is not required if submitting this document.
- Q:** If my project is on the waitlist, can I revise my budget and credit estimation?
- A:** If your credit estimation changes your category, i.e., independent feature to feature, it may affect your position on the wait list. Also, the initial credit reservation cannot be increased.
- Q:** Could a mini-series fall under an Independent Project even if it's TV?
- A:** Yes, Independent projects may include television productions.
- Q:** If we apply as a Pilot and the Pilot is selected, would we need to apply separately for the series, (assuming we get a pick up order)?
- A:** Yes, you would need to apply for the series with a separate application during the next allocation period. A series based on a pilot in the program will get priority in the selection process.
- Q:** How would a mid-season additional episode order be treated? Let's say there is a 10 episode order that qualifies for credit. Then, mid-season, more episodes are ordered?
- A:** Television Producers can apply for Tax Credits for additional orders in the next allocation period and as a recurring TV series will have priority.
- Q:** What about season to season? Does a TV Production have to resubmit every year for consideration for continued Tax Credits or is there an incumbency provision?
- A:** There is an incumbency provision, but the Producers must confirm the project is returning prior to the allocation period. A returning series will receive priority.

PRODUCTION COMPANY FORMATION Q & A

- Q:** Two different Companies are financing my film and both members are partners in the Production Company. Both of them have a tax liability in the state. Do I need to provide the tax ID for both?
- A:** We accept only one taxpayer ID on the application, which should be the tax ID of the company that is formed to produce the project. One thing to be aware of, however, is the disproportionate allocation rules governed by the IRS. California conforms to IRS code section 704(b). Applicants should consult their tax advisors with respect to allocating credits to investing entities.
- Q:** The project we are budgeting is below \$10M. We are setting up a separate LLC for this project which will be a subsidiary of a publicly traded company. The LLC will not be publicly traded however. Would this project qualify for the 25% credit? Could we then “sell” or transfer the tax credits to the publicly traded company for their tax liability in California?
- A:** No. If the LLC is owned wholly or partially (over 25%) by the publicly traded company, the project will only qualify for a 20% credit. In this case credits cannot be sold, but the LLC may assign its credits to an affiliate.

JOB RATIO and BONUS POINTS Q & A

- Q:** I understand that the Contingency amount of up to 10% of all Qualified Expenditures can be added to the budget when figuring out the tax credit amount. Does the contingency get tagged as expenditures or can some of it be tagged as wages? Also, why doesn't the contingency count toward the Job Ratio Calculation?
- A:** Regarding the Job Ratio Calculation: Some budgets have contingencies and others do not. Because that spend is speculative, we do not consider it part of the Job Ratio Calculation. On the Application, the contingency is split 50/50 between QW and QE.
- Q:** I need clarity on the Job Ratio penalty.
- A:** Studio Projects: If CFC determines that the jobs ratio has been reduced by more the 10%, the credit will be reduced by an equal percentage, unless the CFC and the qualified applicant demonstrates reasonable cause exists for the reduction. If the jobs ratio has been reduced by more than 20%, the CFC shall not accept the application for that Company's entire combined reporting group.
Independent Projects: If the CFC determines that the jobs ratio has been reduced by more than 30%, the CFC shall reduce the amount of credit allowed by an equal percentage, plus 10% of the amount of credit that would otherwise have been allowed, unless the qualified applicant demonstrates reasonable cause, and the CFC determines the reasonable cause exists for the jobs ratio reduction.
- Q:** When calculating the Job Ratio, can items like fringes, meal penalties, car allowances, box rentals, cell phone allowances and per diems, will they be included as qualified wages?
- A:** The Budget/Tagging instructions defines what can be considered as wage and non-wage. Of the items you listed, all are considered a wage except the box rentals and cell phone allowances/rentals.
- Q:** Do Pension and Health payments and California State Fringes count as wages in the Jobs Ratio Calculations?
- A:** Yes.
- Q:** Is shooting on a “Backlot” at an Approved Production Facility, considered a Qualified Stage Day and thus able to qualify for bonus points?
- A:** The approved Production Facilities are based on the Fire Department in those jurisdictions. Those Facilities that are listed with both Stages and Backlots with no exclusions can be considered approved for both areas, some sites however, have been approved by the Fire Department for stages only, so filming outside those areas would not qualify for bonus points. It would qualify for the base percentage of Tax Credits.
- Q:** If a project is using a stage outside the zone, is this eligible for jobs ratio bonus points – both stage and outside the zone? Does it also apply to the uplifts?

- A: For purposes of the jobs ratio bonus points, applicants can indicate the # of shooting days outside the zone and the # of facility days – For instance, if a production has 5 days out of the zone that occur at a production facility, they would enter 5 days for out-of-zone and 5 days for facility when calculating their jobs ratio. However, for purposes of calculating the “uplifts,” it is not possible to “double up” since facility days do not receive an uplift.
- Q: [When calculating the jobs labor ratio \(on both the initial and final application\), would we ignore the \\$100M cap and calculate the ratio based on the entire \\$130M?](#)
- A: YES, and remember, the tax credits cap out at \$20M, so that would be your denominator.
- Q: [With respect to filming principal photography days at an approved facility, what is the minimum hours required to qualify for the Bonus points?](#)
- A: Facility days are defined as days in which the shooting crew are utilizing the facility for 6 hours or more; please be sure to indicate on the Production Reports for verification.
- Q: [For a feature film that will be filming numerous motion capture days on a qualified facility with the director and cast present, are these days considered as principal photography, eligible for the bonus points?](#)
- A: Yes, any principal photography days in an approved facility will be eligible for bonus points. Also, as noted on the expenditure charts, costs related to filming on a motion capture stage are qualified expenditures but do not qualify for the 5% VFX uplift.

BUDGET/TAGGING Q & A

- Q: [The Application form says to submit a budget of qualifying expenditures. What's that?](#)
- A: The budget of qualifying expenditures (QE) is a budget in industry-standard format which includes only those line items which the state of California considers qualified wages and expenditures (see expenditure charts for your type of project). Be sure to exclude non-qualifying fringes (FICA1, FICA2 (Medicare), FUI). If you include a contingency, the minimum allowed which is 10% of the qualified spend. A bond fee up to 2% is allowed on the qualified spend budget.
- Q: [Do I have use the same Chart of Accounts as the expenditure charts?](#)
- A: No, but please refer to the chart applicable to your production so as to be clear what are qualified expenditures.
- Q: [The line producer is also the UPM. Will her wages qualify?](#)
- A: Producer hyphenates (ATL/BTL functions) are allowed a maximum of \$100,000 in the UPM category; the rest of her salary is not a qualified expenditure. The salary must be in line with that of other department heads at your budget level if non-union.
- Q: [If we have a line producer/UPM, would her per diem, car allowance and/or box rental count as qualified spend?](#)
- A: Per Diem, car allowance and/or box rentals for producers/hyphenates will count as qualified spend up to the amount commensurate with other department heads only.
- Q: [What if the director also performs a key BTL function, such as DP or Editor? Would the salary qualify?](#)
- A: The BTL salary would be considered a qualified expenditure within the bounds of either industry standard rates or on par with other key crew members on your production, whichever is the lesser of the two
- Q: [I will be hiring several non-residents on the crew. Do their salaries count?](#)
- A: There is no residency requirement at this time. If the non-resident is working in the state in a position which is qualified, then his or her salary is qualified.
- Q: [I understand that airfare outside of California does not qualify. What about travel day salary payments to qualified crew?](#)
- A: Travel day payments to crew flying out of or into California are not considered qualified expenditures.

- Q:** Do preview cost qualify?
- A:** No. Items such as preview travel screening room rentals, projectionist, audience recruitment costs, focus group costs and any additional labor (outside of the normal picture and sound editorial crew) do not qualify.
- Q:** We plan to pay an actor's assistant through an accounts payable, reimbursing the actor's production company for the expense rather than putting the crew member through payroll. Will the assistant's salary still qualify QW?
- A:** No, the assistant must be paid directly by the production company.
- Q:** Can you please verify if dancers who appear on the Exhibit G are qualified or non-qualified spend? I think that since they are not extras and are on the Exhibit G, they would be considered cast and therefore not qualified, but I just want to verify.
- A:** Your assessment is correct. If the dancers were paid as extras, they would be considered background players and hence qualified. As the dancers are being paid as SAG performers, their compensation would not qualify.
- Q:** The production paid \$10,000 to the bank lender toward legal fees. Is this qualified?
- A:** No, legal fees related to financing, distribution, litigation, or marketing are not qualified.
- Q:** Are internet purchases permitted?
- A:** Yes, with qualified back up receipts verifying item was purchased in California.
- Q:** In regards to vendors that have a presence in CA like Staples but their billing comes from another state will they qualify for the CA rebate?
- A:** Yes. The definition of an in-state vendor "...is a vendor or supplier which has an office or other place of business in California and is registered or qualified with the CA secretary of state or is required to file a return with the CA Franchise Tax Board under Parts 10 or 11 of the Revenue and Taxation Code". Productions must purchase or rent from CA suppliers and be able to prove via receipts or return shipping labels that the purchase or rental is from a company who meets the above requirements. On-line purchases must be particularly scrutinized to verify the shipment was made from a business in the state.
- Q:** On Loan Out fringes, we want to be sure we are correct. Only vacation, holiday & payroll handling fees qualify, correct? How about worker's comp?
- A:** A drafting error in the old program that prevented P/H/W from qualifying for qualified loan outs has been corrected. To be clear, in the new program the following fringes all QUALIFY for QUALIFIED LOAN OUTS: Pension, Health, Welfare, Vacation and Holiday, CA Workers Comp, and CA Payroll Handling Fee.
- Q:** Under the CA Healthy Workplace Family Act, require employers to provide paid sick leave to employees. Will those days be considered as qualified wages?
- A:** Yes. The sick days taken must be indicated on the time card as well as listed on the daily Production Report to qualify. Sick day pay is not, however, allowed when applying for the tax credit since it may not be paid. Please bear in mind that this requirement only goes into effect after the employee has worked at least 90 days on the production.

TAX CREDIT USAGE/TRANSFER Q & A

- Q:** Is there a list of available qualified California Companies who can purchase the Tax Credits?
- A:** A list of Tax Credit Buyers and Brokers is available upon request.
- Q:** Can the Tax Credit be used by a Company with the same ownership as the Production Company?
- A:** Yes, if the Tax ID number is the same.

UPLIFT Q & A

- Q:** Does a camera package which will be rented in Los Angeles but brought to San Francisco for our production qualify for the 5% uplift?
- A:** Tangible personal property used outside the L.A. Zone, must be purchased, rented or leased from an outside of Los Angeles vendor through an office or other place of business outside the Los Angeles Zone. Here is the definition of an “Outside Los Angeles Zone Vendor”: means a vendor or supplier in the State which maintains an office or place of business outside the Los Angeles Zone and is registered or qualified with the California Secretary of State, or is required to file a return with the California Franchise Tax Board under Parts 10 or 11 of the Revenue and Taxation Code and employs one or more full time employees or is a sole proprietor working at the place of business outside the Los Angeles Zone. Pass-through businesses do not qualify as an “Outside Los Angeles Zone Vendor”.
- Q:** Independent films already approved for 25% are not going to get 30% with the uplift, correct?
- A:** Correct. Independent films and relocation TV series do not qualify for uplifts.
- Q:** Visual Effects: Do all wages (e.g. data wrangler, VFX supervisor) and non-wage expenses credited to VFX, qualify for the uplift? Are both VFX wage and non-wage included when figuring out the bonus for the Job Ratio Calculation?
- A:** VFX Digital Artists who are hired directly by the Production Company do qualify and would be tagged as QW (Qualified Wage). The visual effects accounts which qualify for the uplift are mainly those concerning third party vendors providing CG asset creation and all vendor payments would be tagged QE (non-wage). The qualified expenditure charts indicate those VFX expenditures that qualify for the uplift and for bonus points.
- Q:** Is Motion Capture work considered VFX?
- A:** Not for purposes of the 5% uplift or bonus points.
- Q:** Music – “Total Track Recording”. In the Uplift Calculation setting, is that related to the costs to create the score?
- A:** Yes. The Uplift concerns score track recording only.
- Q:** If a project is using a stage outside the zone, is this eligible for jobs ratio bonus points – both stage and outside the zone? Does it also apply to the uplifts?
- A:** For purposes of the jobs ratio bonus points, applicants can indicate the # of shooting days outside the zone and the # of facility days – For instance, if a production has 5 days out of the zone that occur at a production facility, they would enter 5 days for out-of-zone and 5 days for facility when calculating their jobs ratio. However, for purposes of calculating the “uplifts,” it is not possible to “double up” since facility days do not receive an uplift.
- Q:** Since we can only qualify the first \$100M, what impact would it have when qualifying costs eligible for the additional 5% (e.g. VFX, out-of-zone)? If in the \$130M example, let's say \$10M is for VFX, can we qualify the CA VFX costs towards the additional 5%? Or is it part of the \$30M excluded from the tax credit calculation?
- A:** Expenditures which qualify for “uplifts” in a production with over \$100M qualified spend must be calculated on a total budget percentage basis. If out of \$130M, \$10M is eligible for an additional 5%, that makes up approximately .76% of the total qualified spend, so you would get the additional 5% credit on .76% of \$100M. So, .76% of \$100M is \$7,600,000 x 5% = \$384,000. When calculating your tax credits, you would add \$384,000 to the \$20M cap for a tax credit reservation of \$20,384,000.
- Q:** If I have a location that is outside the zone, park the crew inside the zone and shuttle them out to the location every day, is that still considered outside the zone spend for those shooting days? I'm unsure because the website says that if a day is split between places in and outside the zone that you have to start outside the zone. In this instance, my first shooting location would be outside the zone, but their report to location would be inside the zone.

- A: As long as the main unit's first scene of the day is filmed outside the zone, it will qualify for an out of zone principal photography day.
- Q: Does 2nd unit work count as 1 day Out of Zone (OOZ) or are OOX days only for 1st unit work that starts the day OOZ?
- A: Only 1st unit principal photography days count toward OOZ bonus point days. OOZ PP days must begin with filming OOZ to qualify.
- Q: Does 2nd unit work spend count for the 5% OOZ uplift?
- A: Wages for work performed out of the zone and total consumables used out of the zone (with back-up) are eligible for the uplift. There is no need to track non-consumables used out of the zone as those costs are prorated based on principal photography days OOZ in relation to your total PP days. OZ total consumables (ZE) should be tagged if being tracked – this is optional.