



California Film & Television Tax Credit Program

GUIDELINES

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I. Introduction

These guidelines have been prepared to assist Production Companies and taxpayers in utilizing the California Film & Television Tax Credit Program. The material below contains the statutory amended Sections 17053.85 and 23685 of the Revenue and Taxation Code and Program Regulations #5500 requirements in a more readable, organized format. It may add clarity to certain provisions of the statute and contains new and additional requirements. Applicants should read and understand the requirements of AB1069 and the modified Regulations and are also strongly advised to consult with their legal and financial advisors prior to submitting an application.

These guidelines contain terms whose meanings are defined in Section XII. The defined terms will appear in **bold** and “quotations,” and the Applicant is encouraged to refer to the definitions in this section, as needed.

II. Program Funding and Project Eligibility

The California Film Commission (CFC) provides tax credits based on “**Qualified Expenditures**” for qualified productions that are produced in California. Enacted in February 2009, the \$500 million program commenced on July 1, 2009. With the passage of additional legislation, the program has been authorized to allocate \$800 million in tax credits for qualified productions.

- A. The California Film Commission has the authority to allocate \$100 million dollars of tax credits each fiscal year through (and including) the 2016/17 fiscal year. \$10 million of the tax credits will be reserved for Independent productions each fiscal year and more funds may be available for Independent productions from the non-Independent fund allocation. The California fiscal year begins July 1 and ends June 30 of the following year.
- B. To apply for the California Film & Television Tax Credit Program, a film or television project must be one of the following:
 1. A “**Feature Film**” with a minimum production budget of one million dollars (\$1,000,000) and a maximum “**Production Budget**” of no more than seventy five million dollars (\$75,000,000).
 2. A “**Movie of the Week**” or “**Miniseries**” with a minimum “**Production Budget**” of five hundred thousand dollars (\$500,000).
 3. A new “**Television Series**” licensed for original distribution on basic cable with a minimum television season budget of one million dollars (\$1,000,000) and with a running time of no less than sixty (60) minutes (inclusive of commercial advertisements and interstitial programming).
 4. “**A Television Series that Relocates to California**”, without regard to episode length, that filmed all of its prior season or seasons (minimum of 6 episodes) outside of California. There is no minimum budget requirement for a relocating television series. The series may be produced for distribution in

any media outlet, including but not limited to, basic cable, pay (premium) cable, internet transmission, or network broadcast.

5. An **“Independent Film”** with a minimum **“Production Budget”** of one million dollars (\$1,000,000) and a maximum **“Qualified Expenditure”** Budget of ten million dollars (\$10,000,000) that is produced by a company that is not publicly traded and that publicly traded companies do not own more than 25% of the producing company. Mini-series and Movies of the Week may be considered an **“Independent Film”** provided they meet the above requirements.
- D. A **“Qualified Motion Picture”** *must be one of the above* eligible types of productions (as seen in Section II.C.) AND meet one of the following conditions:
1. Seventy-five percent (75%) of total principal photography days must occur wholly in California. **“Principal Photography”** days in California do not include the filming of primarily backgrounds, visual effects, action and/or crowd scenes by the second, stunt, or visual effects units;
 - OR
 2. Seventy-five percent (75%) of the **“Production Budget”** must be incurred and used for goods, services and/or wages within California. This can be determined by evaluating if 75% of the **“Production Budget”** - including both qualified and non-qualified expenditures such as ATL wages, out-of-state spend, and rights - will be spent as described above. Only financing fees and completion bond fees can be excluded when assessing budget threshold amounts.
- E. Budget Thresholds for Independent and Feature Films
1. As noted in this guideline, the tax credit program has maximum budget thresholds for **“Independent Films”** (\$10 million of **“Qualified Expenditures”**) and **“Feature Films”** (\$75 million of all **“Production Budget”** Expenditures). The addition of completion bond fees may in some cases make a production ineligible if it increases the budget beyond these thresholds.
 2. If the completion bond fee affects the eligibility of a production to qualify for the Tax Credit Program, then this fee may be deducted from the Qualified Expenditure Budget (Independents) or the Production Budget. However, if the Applicant omits the completion bond fee for the purpose of falling below the \$10 million or \$75 million dollar thresholds, then the bond fee will not be considered a Qualified Expenditure for the purposes of this program.
- F. Allowable Tax Credit for Qualified Productions
1. Qualified **“Independent Films”** are eligible to receive **25%** of qualified expenditures as a transferable tax credit.

2. A television series that filmed all of its previous seasons (minimum of six (6) episodes) outside the state and relocates to California is eligible to receive **25%** of its qualified expenditures as a non-transferable tax credit.
 3. A Feature Film, Mini-Series, Movie of the Week, or new Television Series for original broadcast on basic cable is eligible to receive **20%** of its qualified expenditures as a non-transferable tax credit.
- G. The following types of productions are not considered qualified motion pictures and are not eligible for the program:
- Commercials
 - Music videos
 - **“Television Pilots”**
 - News programs, current events or public affairs programs
 - Talk shows; game shows; **“strip shows”**
 - Sporting events
 - Half hour (airtime) episodic TV shows (unless it qualifies under the conditions for a **“Television Series that Relocated to California”**)
 - Animated Productions
 - Awards shows
 - Productions that solicit funds
 - **“Reality programs”**, Unscripted programs
 - Student films
 - Industrial films
 - Clip-based programming where more than 50% of content is comprised of licensed footage
 - Documentaries
 - Variety programs
 - Daytime dramas
 - Any production for which records are required to be maintained with respect to any performer in such production under Section 2257 of Title 18 of the United States Code (reporting of books, films, etc. with respect to sexually explicit conduct)

III. Qualified and Non-Qualified Expenditures

“Qualified Expenditures” are the portion of production expenditures that qualify for a tax credit allocation. These costs must be incurred in the State of California, and can include crew and staff salaries, wages and fringe benefits; cost of rental of facilities and equipment; production operation costs such as construction, wardrobe, food, lodging and lab processing. Qualified wages include payments to **“Qualified Entities,”** such as Loan Out Corporations. All services must be performed in California.

- A. The Qualified Expenditure Charts and Expenditure Tracking Tips (available on the CFC Incentives website) are helpful guides for determining which expenditures qualify in the calculation for credits, along with providing important

information for budgeting, tracking and reporting qualified expenditures. Qualified Expenditure Charts are available for feature films, mini-series and MOWS, One Hour Television series, and ½ Hour Relocating TV Series.

- B. **Non-Qualified Expenditures** do not qualify for tax credit allocation and include, but are not limited to, the following:
1. Wages paid to writers, directors, music directors, music composers, music supervisors, producers, and performers, other than background actors with no scripted or ad-lib lines.
 2. Expenses, including wages, paid or incurred with respect to acquisition, development, turnaround or any rights thereto.
 3. Expenses, including wages, related to financing, overhead, marketing, publicity, promotion or distribution of a qualified motion picture, including but not limited to digital cinema distribution copies and release prints.
 4. Expenses, including wages, related to “**new use,**” “**reuse,**” “**clip use,**” “**licensing,**” secondary markets, residual compensation or the creation of any ancillary product including but not limited to, a soundtrack album, toy, game, video game, trailer or teaser.
 5. Expenses for services performed outside the state of California, e.g., visual effects work which is physically performed out-of-state.
 6. Certified Public Accountant Expenses for an independent Agreed Upon Procedures Report.
 7. Federal Payroll taxes.
 8. Expenditures paid or incurred prior to issuance of the Credit Allocation Letter and 30 days after the process of post production is “**Completed.**”

IV. Budget and Calendar Requirements/Parameters

- A. Applications must be submitted at least thirty (30) calendar days prior to the start of principal photography. *Any expenditures incurred for services, wages, or goods (whether paid or not) prior to the issuance of the Credit Allocation Letter will not qualify for credits (for the only exceptions to this rule, see “Expenditure Tracking Tips”).*
- B. Principal photography must commence no later than 180 days after the Credit Allocation Letter is issued. If the production does not begin filming prior to the 180 day deadline, the tax credit allocation will be revoked. The production company may reapply when a firm start date is known; however, there is no guarantee that tax credits will be available. Productions that begin principal photography prior to receiving a credit allocation letter are ineligible.

- C. 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. If the production does not resume within the 100 day period, the project will no longer eligible for the program and can not submit for tax credits in any future year. If a production has completed the scheduled number of principal photography days, has commenced post production, and requires additional photography, the hiatus provision is not applicable.
- D. If an Independent Film is issued a Credit Allocation Letter and then exceeds the \$10 million qualified expenditure budget threshold, it will be reclassified as a Feature Film. The Applicant does not need to submit a new application, but the credit allocation percentage will be adjusted to 20%. The credits will no longer be transferable. A Feature Film shall not exceed the \$75 million budget threshold.
- E. Post production must be “**Completed**” within 30 months of the issuance of the Credit Allocation Letter. The process of post production will be considered complete when a final composite answer print, air master, or digital cinema files of the qualified motion picture is/are produced.

Tax Credits may be utilized beginning in the tax year in which the Tax Credit Certificate is issued (you may utilize the link to the FTB website on the CFC Incentives website page for detailed information on utilizing the tax credits).

V: The Application Process and The Queue

Please refer to the “Checklist” document on the web site which is more current than the checklist on the application form in determining the submittal method of your documents. All application materials are to be submitted via CD or flash drive with the Application Form also submitted in hard copy with original signature.

- A. The Application Form requires the Applicant to provide information including: the taxpayer ID #, primary production contact, principal photography start and end dates, number of shoot days and key cast and crew members, if known. Independent Films are required to fill out Section 3(B) - Independent Film Declaration - attesting to their independent status. In Section 4, all productions must list their financing sources and not less than 60% of total production financing must be listed. **Please refer to the Application Instructions document on the website (located with the Application form), which is a step by step guide to filling out the Application.** *Submit Original Application Form on paper and electronic via USB or CD*
- B. The following **supporting documentation** (except #6-8) must be submitted with your application. Please note added requirements mandated by AB 1069 are upon request only.
 - 1. **Budget** containing **only “Qualified Expenditures.”** The detailed Qualified Expenditure budget should only include qualified expenditures, wages, and fringes (suppress, zero out or delete nonqualified spend). If the budget contains nonqualified spend, applicant may be asked to revise it. Revised

budgets should address only those line items which require adjustment – budget revisions with increased qualified expenditures are not permitted. The qualified budget amount stated in the application must match the total in your qualified budget. These expenditures should be based on the budget which, after revisions, will become the locked production budget, utilized by the completion bond company, production company and/or studio for the purpose of tracking costs. *Electronic copy in an industry standard budgeting program without security lock and in PDF including fringe accounts.* If you included the **completion bond fee in your “Production Budget,”** then you can include the percentage of the bond on the qualified spend as a qualified expenditure. If you did not include it for the purpose of falling below the \$10 million or \$75 million dollar thresholds, then the bond fee will not be considered a Qualified Expenditure and should not be included in this Budget. Qualified Expenditure Charts provide detailed information on qualified and non-qualified expenditures for different types of productions.

- a. A Television Series may submit pattern and amortization budgets of qualified expenditures in an industry standard budgeting program in lieu of the budget listed above. Refer to Qualified Expenditure Charts.
 - b. A Contingency of not more than 10% of your qualified expenditure budget total may be included in your *budget*. *The bond fee on the qualified spend portion of the production budget is permitted in the qualified spend budget.*
 - c. The tax credit allocation, if approved, will be based on your qualified expenditure estimate; only the actual amount of qualified expenditures (equal to or less than your estimate) will be eligible for tax credits upon completion.
2. **One Line Shooting Schedule with scene descriptions** ("Production Board") *Electronic PDF file*
 - a. Television Series may submit a production calendar, and a summary which must include the estimated start and end dates of the season, the number of in-state and out-of-state principal photography days, and the total number of episodes, in lieu of a one-line shooting schedule. *Electronic PDF file*
 3. **Synopsis** (one or two page script story summary) of screenplay, teleplay or series. *Electronic PDF file*
 4. **Screenplay** - If for confidentiality reasons a script is unavailable, submit a one-line schedule in continuity order with scene descriptions. A TV series may provide a script from the pilot episode. *Electronic PDF file*
 5. **Relocation Statement:** All Relocating Series applicants must submit a letter on letterhead stating that the tax credit provided is the primary reason for relocating. *Scanned electronic PDF file of signed statement*

6. **Financing “backup” documentation:** Establish proof that 60% of the funds are available by providing accounting statements, brokerage or bank statements, commitment letters from established motion picture company or lender. *Electronic PDF file*

Upon Request Only (once it is determined tax credits are available):

The requirements below (6-8) only pertain to applicants who applied on or after January 1, 2012 – they do not apply to any applicants who applied prior to that date.

7. **Detailed Narrative Statement:** Provide a written statement on letterhead which describes the extent to which the credit is expected to influence the choice of filming location with respect to financial considerations. *Electronic PDF file*
8. For Applicants that are a partnership or single member LLC and not owned more than 25% by a publicly traded company (this applies to independent corporations as well).
 - a. Financial information, if available, including but not limited to the most recently produced balance sheets, annual statements of profits and losses, audited or unaudited financial statements, summary budget projections (see example in Appendix A, Attached). This information is not subject to public disclosure. *Electronic PDF file*
 - b. The names of all partners in a partnership or names of all members of a limited liability company classified as a partnership not publicly traded for California income tax purposes. This information is not subject to public disclosure. *Electronic PDF file*
9. For applicants that are publicly traded companies or affiliates of publicly traded companies, provide on CFC information sheet:
 - a. A listing of all members of the applicant’s most recently filed California combined reporting group and any members to which the credit is assigned. *Electronic PDF file*
 - b. If readily available, a listing of all states, provinces or other jurisdictions in which any of those members finance motion picture productions. *Electronic PDF file*
- C. The CFC accepts applications beginning June 1st (if June 1st falls on a weekend, the following Monday) from 9:00am to 3:00pm PST for the new fiscal year which begins July 1st. *Any application received prior to 9:00 a.m. on June 1 will be returned to sender unprocessed.* If an applicant plans to submit applications for multiple projects, each application must be submitted separately in an individual envelope. Any envelope containing more than one application will be returned to sender unprocessed. Any application received after 3:00 p.m. will be processed along with any applications that arrive on the following day. The Application Form

(CFC Form A) can be found on the website; all other program forms can be found in All Program Forms.

1. Applications will be assigned queue numbers on a first-come, first-served basis as determined by the date the applications are received by the CFC. In the event that more than one application is received on any one date, a random selection process will determine the order of all applications received on the same date. Therefore, it is not necessary to be the first applicant of the day; as long as your packet is submitted by 3:00pm, it will be included in that day's queue assignment.
2. Randomly selected applications will be given a queue number and will be assessed for eligibility for the tax credit program in that order.
3. Any project with missing application materials will receive a queue number but will not be eligible for tax credit allocation. Applicants will be requested to supply any missing information within (5) business days of notification. Failure to do so may result in removal from the queue.
4. If there are more qualified applicants than funds available, the applicant will be notified and will be placed on the waiting list. Should tax credits become available, the CFC will notify the applicant at the top of the wait list to determine if that applicant is still interested in receiving a tax credit allocation. Waitlist applicants are requested to notify the CFC if they have a change in status e.g., filming out of state or if project is not going forward.
5. Submitted projects for which credits are available with start dates more than 6 months from submission date will be returned, as they are not eligible (with exception of returning TV series).
6. Waitlisted productions that begin principal photography prior to receiving a credit allocation letter will be ineligible.
7. Applicants should not submit more than one application for a project. If the CFC receives duplicate applications for the same project, the application will be disqualified from the tax credit program.
8. A television series must submit one application for the entire television season of that television series.
9. Once a television series has been approved and accepted into the program, that series will be placed at the top of the queue (based on the year and original queue order assigned) for each subsequent year in the life of that series whenever credits are assigned within a fiscal year. Television producers are requested to notify the California Film Commission in writing prior to the next open allocation period if the series will be filmed the following year in California, so as to place the production at the top of the queue. A new application must be submitted each year and Relocating TV series will continue to receive a 25% tax credit.

VI. Issuance of Tax Credit Allocation Letter

- A. Within 20 business days of receipt of the completed application, missing or revised information, and all requested supporting documents, the California Film Commission will notify the applicant by e-mail of accepted or rejected status. Upon approval, a “**Credit Allocation Letter**” will be issued to the applicant indicating the amount of credits reserved pending the project’s continued eligibility and final documentation.
- B. The date of issuance of the Credit Allocation Letter is the same date by which the program’s date-sensitive parameters will be assessed e.g. (1) date when monies paid or incurred are considered qualified expenditures; (2) maximum time allotted for the start of principal photography; and (3) completion of the motion picture.
- C. No later than (4) weeks prior to principal photography, the production accountant is required to attend an orientation meeting with the CFC, along with any or all of the following staff members: a primary producer, Unit Production Manager (UPM), and/or other appropriate personnel (post-production accountants and post supervisors are encouraged to attend as well). Applicants are advised to schedule their orientation meeting as soon as the production team is in place, so as to be better informed as to the requirements of the program, tagging methodologies, and the process necessary to obtain the tax credit certificate. Please inform the CFC of production personnel who have previously attended a CFC Orientation Meeting, as they are not required to re-attend but may do so at their election.

VII. Approved Applicant Responsibilities

- A. Submit a call sheet, signed by the UPM, on the first day of principal photography. *PDF file via email to incentiveprogram@film.ca.gov with project title and queue number in subject line.*
- B. Final Production Reports for each day of principal photography, signed by the UPM; may be submitted on a weekly basis in arrears. *PDF files via email as described above.*
- C. Monthly Status Report (CFC Form I) - The first week of each month from pre-production through post-production, indicating any changes to the Project from the past month or presently. *PDF file via email.*
 - 1. If there are no changes to project status after the initial monthly status report, the applicant may email the CFC at incentiveprogram@film.ca.gov with project title and queue number in the subject line.) Applicants shall state their current phase of production (pre-production, principal photography, post-production, or post completion) and state that there are no significant changes to the financing, cast or crew, estimated budget or schedule since the last Monthly Report. (Note: an increase in the budget does not affect your tax credit allocation unless it exceeds your budget threshold amount.)

2. If the start date changes and by waiting to send the Monthly Status Report the applicant is reporting this fact in arrears, do not wait until the following month to report this to the CFC. Please send a Monthly Status Report informing the CFC of the start date change as soon as it is confirmed. If there are no more changes during that month, the applicant should follow the instructions in Section C (1).
- D. If a production implements a hiatus during 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. Hiatus periods are calendar days and include all weekends and holidays. If a project experiences a hiatus a call sheet must be submitted for the first day of principal photography and for the first day of filming upon cessation of the hiatus. Productions filming for less than 1 week prior to a hiatus must submit dailies to the CFC for verification that principal photography has commenced within the 180 day deadline. A two week hiatus during the Christmas/New Years period will not count as part of a hiatus break.
- E. Local Community Expenditure Report: If the production shoots outside the Los Angeles studio zone at an overnight location, please request a Local Community Expenditure Report form. This form requests specific information regarding what was spend locally – do not include costs for labor or equipment that was sourced in Los Angeles. If the entire production is filming outside the Los Angeles zone, there is no need to fill out this report.
- F. Fiscal Year-End Expenditure Report (CFC Form K) - The California fiscal year is July 1 to June 30. If the production extends over more than one State of California fiscal year, the production will need to submit a report providing the information requested on production manpower and expenditures which were incurred through the past fiscal year. If the production will be submitting its final documentation along with an AUP by August 1st it is not required to complete Form K. *PDF file via email by August 1st.*

VIII. Screen Credit and other Marketing Materials

- A. All productions that receive a credit certificate **must** provide an on-screen acknowledgement in this exact wording to: **“The State of California and the CALIFORNIA FILM COMMISSION,”** except where that acknowledgement may be prohibited by the Children's Television Act or any other local, state, or federal government policy. Please inform your credits administrator or post production supervisor of this requirement.
- B. Production Stills: (5) production stills in digital file format cleared by production company and with cast approvals (if cast members are included in the stills) for promotional use by the California Film Commission. Include on DVD or Flash drive with final documentation.
- C. Electronic Press Kit (Optional: when & if available.) - Include with final documentation

- D. All productions that receive a credit certificate may optionally include the California Film Commission Logo in the end credits. Contact the CFC for access to the digital file containing the logo in the format needed for your production.

IX. Process for Obtaining the Tax Credit Certificate

Upon completion of the project* and prior to the issuance of the Tax Credit Certificate, the applicant must provide to the California Film Commission the documentation listed below. Only the Expenditure Summary Report and Copyright Form PA may be submitted in hard copy; all other documentation should be submitted as electronic files on a CD or USB flash drive.

Failure to provide the requested documentation may result in loss of the credit.

***Note:** You are encouraged to submit your documentation to the CFC once 30 days have passed after completion of the final element, the Agreed Upon Procedures is complete, and your documentation is ready for review. However, there is no formal deadline for submitting your final documentation.

- A. Expenditure Summary Report (CFC Form F) – Section 5 figures must conform to AUP Exhibit “A.” *Electronic PDF file and Paper copy with original signatures*
- B. Copyright certificate (Form PA), evidencing registration of the screenplay or teleplay or motion picture, television series or television movie. The copyright holder may be the qualified taxpayer, its affiliate, or an unaffiliated company for which the qualified applicant is producing the motion picture. *Electronic PDF file and paper copy*
- C. Final Cast, Crew, and Vendor Lists – Personal information is exempt from disclosure pursuant to the California Public Records Act, however please do not include social security numbers. *Electronic PDF file*
- D. Main and end title final "checker" or "galley" – The checker or galley is the actual layout of the titles normally produced by a Title House or other post production facility. *Electronically as a PDF file, Word, or QuickTime (or similar electronic format)*
- E. 5 production stills – electronic digital files with cast approvals cleared for CFC usage. Prefer exterior stills shot in diversified locations with recognizable actors. *JPG files, no PDF files of images will accepted*
- F. End Credit Acknowledgement to the State of California and the California Film Commission.
- G. EPK, if available – *on DVD or USB.*
- H. Local Community Expenditure Report, if overnight location occurs outside 30 mile zone (request form from CFC)

- I. Television Distribution Verification:
1. Documentation by a new TV series verifying series will have or had its initial distribution on basic cable. *Electronic PDF file*
 2. Documentation by a miniseries verifying that its initial distribution on TV consists of two or more episodes with a total running time of at least 150 program minutes. *Electronic PDF file*
 3. Documentation by a MOW verifying its initial distribution on TV with a minimum of 75 program minutes broadcast in one part. *Electronic PDF file*
- J. Agreed Upon Procedures Report, performed by a CPA with an active California license to perform attest services or a practice privilege permit who has attended a CFC CPA Orientation meeting (listing available upon request). *Electronic PDF file*

Required AUP documentation (discuss with your CPA):

1. Documentation from the post production facility (or post production department) stating the date that the final elements were created, i.e., the facility invoice with creation date or signed letter on letterhead. The process of post production is considered finished when a final composite answer print, air master or digital cinema files of the qualified motion picture is/are produced. In the case of a television series, the required letter should refer to the final episode of the season. *Scanned and Signed letters including vendor name, address, and phone number.*
2. Verification of In State Work: Documentation (e.g., signed letter on company letterhead) from each visual effects, title, post sound, and/or digital effects company contracted by the production company, indicating the total dollar amount of work performed within the State of California. *Scanned and Signed letters including vendor name, address, and phone number.*
3. Related Party Disclosure List – Listing of all related party transactions, see Expenditure Tracking Tips for full explanation of Related Party Transactions. *Electronic PDF file.*
4. Verification letter from Applicant: Verification of accuracy of related party disclosure list attesting that the related party disclosure list is complete and accurate and (if applicable) verification that all insurance claims related to Qualified Expenditures have been credited in cost report. *Scanned statement on letterhead signed by producer or studio executive.*
5. Listing of Assets comprised of electronic office, post production or digital effects equipment, e.g., copiers, printers, cameras, drives, monitors, DVD players, computers, etc. *Electronic PDF file*
6. Listing of Assets over \$10,000 – Individual assets does not include set pieces constructed from multiple materials unless purchased as a whole. *Electronic PDF file*

7. Payroll representative letter or email (scanned) verifying no outstanding invoices no less than 30 days after creation of final element.
 8. If applicable, statement from insurance company if premium/fee is prorated.
Electronic PDF file
- K. Updated Information: Updates to the information provided in Section V (6), (7) and (8). ***This requirement only pertains to applicants who applied on or after January 1, 2012 – it does not apply to any applicants who applied prior to that date.***

X. Approval/Disapproval of Tax Credit Allocation

- A. The CFC will review all the required materials submitted by the applicant and CPA to determine if the applicant meets all the criteria for the program and will approve or disapprove the request for the credit certificate. During the review, the CFC may request additional documentation to determine if the production is a qualified motion picture and to verify the qualified expenditures.
- B. The amount of tax credit allocated shall be based on the percentage of the qualified expenditures confirmed in the Agreed Upon Procedures Report. This amount may be less than the amount indicated on the Credit Allocation Letter.
- C. If the request for a tax credit certificate is denied, the CFC will provide the applicant with a notice of disapproval stating the reasons for such. Disapproval is final and not subject to administrative appeal or review.

XI. Confidentiality

Any documents submitted for the California Film & Television Tax Credit program are subject to the California Public Records Act and considered a matter of public record, except for personal information, such as social security numbers, names and personal addresses, and except where exemption from public disclosure is specifically indicated. Please keep this in mind when submitting information.

XII. Definitions

“Affiliate” means a qualified taxpayer's affiliated corporation that has been assigned any portion of the credit amount by the qualified taxpayer.

“Ancillary Product” means any article for sale to the public that contains a portion of, or any element of, the qualified motion picture.

“Applicant” is any corporation, partnership, limited partnership, limited liability company (LLC) or other entity or individual that is principally engaged in the production of the “qualified motion picture” and that controls the film or television program during pre-production, production and post-production. The applicant is the qualified taxpayer that upon final approval will receive the tax credit certificate.

“Basic Cable” means non-broadcast television programming that is transmitted to the viewer via cable, satellite, wireless, or internet protocol for a basic subscription fee, as opposed to a separate channel or group of channels for which the viewer pays a separate per program or per channel fee (which fee is a substantial charge relative to other charges made to the subscriber.)

“California Film Commission” (CFC) is a state entity established and described in Government Code sections 14998 et. seq. that among other functions facilitates and promotes motion picture and television production in the State of California.

“Clip Use” means a use of any portion of a motion picture, other than the qualified motion picture, used in the qualified motion picture.

“Completed” means when the process of postproduction has been finished. The process of postproduction shall be considered finished when a final composite answer print, HD air master, or digital cinema files of the qualified motion picture is/are produced.

“Credit Allocation Letter” is the document issued by the California Film Commission reserving an amount of tax credits to an applicant having a “qualified motion picture” based on an estimate of “qualified expenditures.”

“Credit Certificate” means the certificate issued by the California Film Commission upon completion of the qualified motion picture reflecting the credit amount allocated after qualified expenditures have been verified.

“Feature Film” means a production of a film intended for commercial distribution to a motion picture theater, directly to the home video market, or via the Internet that has a running time of at least seventy-five (75) minutes in length.

“Hiatus” means a break or interruption in the continuity of work.

“Independent Film” means a motion picture with a minimum budget of one million dollars (\$1,000,000) and a maximum qualified expenditure budget of ten million dollars (\$10,000,000) that is produced by a company that is not publicly traded and publicly traded companies do not own directly or indirectly more than 25% of the producing company. A Mini-Series or MOW which fits these criteria may be considered an “Independent Film.”

“Licensing” means any grant of rights to distribute the qualified motion picture, in whole or part.

“Miniseries” means a motion picture based on a single theme or storyline which is resolved within the piece. A miniseries consists of two or more episodes with a total running time of at least three broadcast hours (150 program minutes).

“Movie of the week,” which may also be known as “MOW” or “made for television movie,” is defined as a motion picture, produced for initial exploitation on television, which contains a scripted storyline requiring a minimum of 75 program minutes in length, broadcast in one part.

“New Use” means any use of a motion picture in a medium other than the medium for which it was initially created.

“Post Production” means the final activities in a qualified motion picture's production, including but not limited to editing, foley recording, ADR, sound editing, negative cutting, color correction and sound mixing.

“Pre-Production” means the process of preparation for actual physical production which begins after a qualified motion picture has received a firm agreement of financial

commitment. Customarily includes but is not limited to activities such as location scouting, hiring of key crew members, and establishment of a dedicated production office.

“Principal Photography” means the phase of production during which the motion picture is actually shot, as distinguished from preproduction and post production. Principal photography days refer to the number of days shot by the principal unit with the director and lead actors usually present. Principal photography days in California do not include the filming of primarily backgrounds, visual effects, action and/or crowd scenes by the second, stunt, or visual effects units.

“Producer” means any individual who receives an on-screen producer credit including but not limited to any of the following titles: producer, co-producer, line producer, executive producer, co-executive producer, associate producer, supervising producer, post producer, or visual effects producer.

“Production Budget” means the Budget used by the Qualified Taxpayer and production company and shall include but is not limited to Above-The-Line costs including wages, and Below-The-Line costs including post-production, insurance, rights, and music and clip licensing fees. Production Budget shall include wages, goods, and services performed and incurred within and outside of California. It does not include costs which are not directly associated with the preproduction, production or post-production of the project, such as: distribution prints and advertising, marketing, film festival participation, financing or distribution costs such as theater rentals and DVD manufacturing.

“Production Period” means the period beginning with preproduction and ending upon completion of post-production.

“Qualified Entity” means a personal service corporation (as defined in Section 269(b)(1) in the Internal Revenue Code), a payroll services corporation, or any entity receiving qualified wages with respect to services performed by a qualified individual.

“Qualified Expenditure” means amounts paid or incurred to purchase or lease tangible personal property used within the state in the production of a qualified motion picture. It includes payments, including qualified wages, for services performed within the state in the production of same.

“Qualified taxpayer” is the entity who has paid or incurred qualified expenditures and to whom the final credit certificate will be issued.

“Reality Program” means a program depicting real events and non-actors through actual footage which presents persons engaged in purportedly unscripted situations; no fictional characters are created.

“Residual Compensation” means supplemental compensation paid at the time that a motion picture is exhibited through new use, reuse, clip use, or in secondary markets, as distinguished from payments made during production.

“Reuse” means any use of a qualified motion picture in the same medium for which it was created, following the initial use in that medium.

“Secondary Markets” means media in which a qualified motion picture is exhibited following the initial media in which it is exhibited.

“Strip Show” means television programming in which three or more episodes are regularly produced in their entirety in one week (e.g., “Judge Judy”, “Entertainment Tonight”).

“Television Pilot” means the initial episode produced for a proposed television series. This category will include shorter formats which are known as “television presentation,” a production of at least fifteen (15) minutes in length, produced for the purposes of selling a proposed television series, but not intended for broadcast.

“Television Season” means the initial exhibition of a set of television episodes lasting no less than 6 episodes and no more than 30 episodes within a period of twelve (12) months.

“Television Series” also known as “episodic television,” means a regularly occurring production.

“Television Series that Relocated to California” means a television series, without regard to episode length or initial media exhibition, that filmed all of its prior season or seasons outside of California and for which the taxpayer certifies that the credit provided is the primary reason for relocating to California.

Please contact the California Film Commission if you have questions regarding the Film & Television Tax Credit program - we are here to assist you.

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