



Program Guidelines

California Film and Television Tax Credit Program 3.0
September 15, 2023

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I. INTRODUCTION

The mission of the **California Film Commission** (CFC) is to support the film, television, and commercial industries to retain, attract, and grow production-related jobs and the many ancillary businesses that benefit from increased production activity in California.

The CFC prepared these Program Guidelines to assist production companies and taxpayers in utilizing the California Film & Television Tax Credit Program 3.0. The material below contains information from the Statute (Sections 17053.98 and 23698 of the Revenue and Taxation Code) and Program Regulations (Title 10, Chapter 7.75, Sections 5520-5528) in a more readable, organized format. It may add clarity to certain provisions of the statute and contains new and additional administrative requirements.

Applicants should read and understand the requirements of SB 878 and Program Regulations and are also strongly advised to consult with their legal and financial advisors. Applicants are also encouraged to consult with their health and safety supervisor to ensure proper health precautions are in place. All the information and cited documents contained in this document pertain to productions with Credit Allocation Letters dated on or after July 1, 2020.

A GLOSSARY of terms appearing initially in **“bold”** can be found at the end.

II. PROJECT ELIGIBILITY AND PROGRAM FUNDING

The California Film & Television Tax Credit Program 3.0 provides a reservation of tax credits based on **“qualified expenditures”** for qualified productions that are filmed in California. The five-year program began on July 1, 2020 and will continue through fiscal year 2024-2025. The California fiscal year runs from July 1 through June 30; the program allocates \$330 million of tax credits each fiscal year.

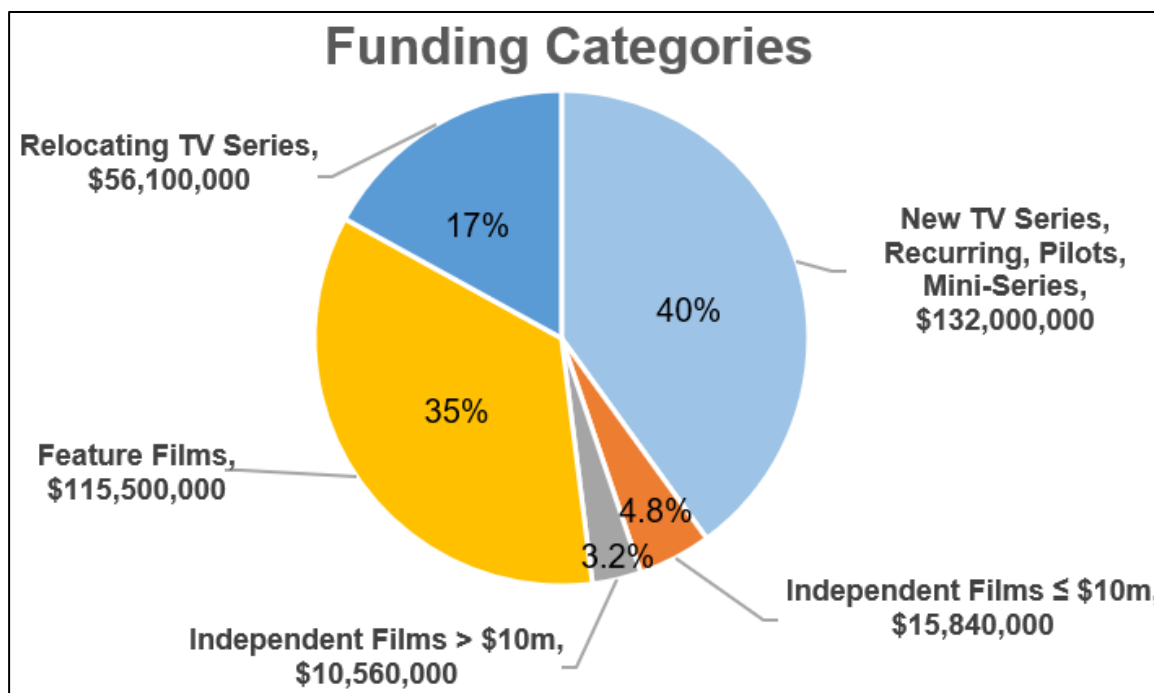
A. PROJECT ELIGIBILITY

1. A qualified motion picture (television series, pilot, mini-series, independent, and non-independent feature films) must meet one of the conditions below in order to be an eligible **“applicant.”**
 - a. A minimum of 75% of the **“production budget”** must be utilized for goods, services, and/or wages within California.
 - b. A minimum of 75% of total **“principal photography”** days must occur wholly in California. Principal photography days in California do not include the filming of primary backgrounds, **“visual effects,”** action and/or crowd scenes by the second, stunt, or visual effects units.

2. The following productions are ineligible to apply to the tax credit program.
 - a. Animated productions
 - b. Award shows
 - c. Clip-based programming if more than 50% of the content is comprised of licensed footage.
 - d. Commercial advertising
 - e. Current events or public events programs
 - f. Daytime dramas
 - g. Documentaries
 - h. Educational programming
 - i. Game shows
 - j. Music videos
 - k. Motion picture produced for private non-commercial use
 - l. News programs
 - m. "Reality programs"
 - n. Student films
 - o. Sporting events or activities
 - p. "Strip shows"
 - q. Talk shows
 - r. Telethons or any productions soliciting funds
 - s. Variety programs
 - t. One-half hour (airtime) episodic television shows, except as Relocating TV
 - u. Any production that falls within the recordkeeping requirements of Section 2257 of Title 18 of the United States Code.

B. PROGRAM FUNDING

Tax Credits are allocated each fiscal year to eligible productions according to the following designated funding. All categories may be produced for any distribution outlet including network television, basic cable, pay-tv, streaming, and theatrical release.



1. 40% TV Projects: New and Recurring TV Series, Pilots, Miniseries (\$132million)
 - a. Television series, licensed for any distribution outlet, must have a minimum production budget of \$1 million per episode. Each episode must have at least 40 minutes of running time, excluding commercials. Once a new TV project receives a **"pick-up order"** for additional seasons, the project category changes to recurring TV for second and subsequent seasons.
 - b. **"Television pilots"** must have a minimum production budget of \$1million with a running time of at least 40 minutes, excluding commercials.
 - c. A **"miniseries"** (also known as a limited series) consists of two or more episodes each longer than 40 minutes of running time, exclusive of commercials; must have a minimum of \$1million of production budget per episode.

2. 35% Feature Films (\$115.5million)

A non-independent **"feature film"** must have a minimum running time of at least seventy-five (75) minutes with a minimum production budget of \$1million. The intended commercial distribution must be via motion picture theater or streaming. The movie of the week (MOW) or **"made for television movie"** category has been eliminated; long-form films intended for distribution on television or via a streaming service may apply under the feature film category. A live production distributed via network television may also apply as a feature film; simultaneous distribution must occur via streaming or internet service in order to qualify.

3. 17% Relocating Television Series (\$56.1million)

A television series that relocated to California, considered a **“relocating TV series,”** is required to have at least seventy-five percent (75%) of principal photography of its most recent **“television season”** filmed outside of California. Each episode must have a minimum production budget of \$1 million without regard to episode length. Once a relocating TV project receives a pick-up order for additional seasons, the project type changes to recurring TV for its subsequent seasons. Funding for recurring TV series comes from the TV project category.

4. 8% Independent Films (\$26.4million)

An **“independent film”** must have a minimum production budget of \$1million and must have a minimum running time of at least seventy-five (75) minutes. Intended commercial distribution may be via motion picture theater or streaming/internet service but there is no distribution requirement. The funding of the independent film category is bifurcated in two parts:

- a. 4.8% Independent films with qualified expenditures of \$10 million or less.
- b. 3.2% Independent films with qualified expenditures greater than \$10 million.

III. TAX CREDITS AND UPLIFTS

A. TAX CREDITS FOR QUALIFIED MOTION PICTURES

1. 25% Transferable Tax Credit

Independent Film applicants are eligible to receive 25% of qualified expenditures and shall be applied to a maximum of \$10 million of the qualified expenditure budget. Independent film applicants are eligible to sell or transfer tax credits. There is no cap on non-qualified expenditures.

2. 25% Non-Transferable Tax Credit

Relocating television series applicants are eligible for 25% tax credits for a maximum qualified expenditure of \$100 million. Subsequent seasons, considered recurring TV series, receive 20% tax credits. Relocating TV series apply as a non-independent category and may not transfer or sell tax credits.

3. 20% Non-Transferable Tax Credit

- a. Non-independent productions that are feature films, new TV series, recurring TV series, pilots, or miniseries are eligible to receive 20% tax credits.

- b. The 20% tax credit applies to up to a maximum of \$100 million of qualified expenditures.
- c. Tax credits are non-transferable and must be used to offset tax liability with the State of California.
- d. Independent **“producers”** may apply under the non-independent category, but the tax credits will remain non-transferable.

B. UPLIFTS / ADDITIONAL TAX CREDITS

All applicants are eligible to receive **“uplifts,”** an additional 5% or 10% tax credit if spending occurs in any or all of the three categories listed. [Budget Tagging and Tracking Tips](#) and the [Qualified Expenditure Chart \(QEC\)](#) indicate additional details about uplifts.

1. 5% Visual Effects

- a. Television projects (except relocating TV series) and feature films are eligible to receive an additional 5% tax credit for visual effects.
- b. VFX expenditures in-state must equal at least \$10million or 75% of total worldwide VFX costs.
- c. Please refer to the [QEC](#) to determine which VFX expenditures qualify for the uplift, and suggested tagging methodology.
- d. Under Program 3.0, VFX vendor costs **must** be tagged 70% labor and 30% non-labor.

2. 5% Out of Zone (OZ) Expenditures

- a. Television projects (except relocating TV series) and feature films are eligible to receive an additional 5% for filming outside the **“Los Angeles Zone.”**
- b. Qualified wage and non-wage expenditures outside the LA zone are eligible for a 5% uplift – for both principal photography and **“second unit”** – solely during the **“applicable period.”**
- c. Non-wage expenditures for items purchased and/or rented outside the Los Angeles zone and totally consumed outside the LA zone will be allowed 100% of the items’ cost, as substantiated by proper documentation.
- d. Estimates for totally consumed items may be included in the estimated OZ qualified calculations in the application. The [Budget Tagging and Tracking Tips](#) contains a list of consumable items.
- e. Non-consumable expenditures that are purchased and/or rented outside the LA zone and are used both outside and inside the LA zone are eligible for an uplift if they fall under a qualified non-wage category. Expenditures are calculated in the online application portal based on the percentage of the OZ principal

photography days in relation to the total principal photography days in California.

- f. The [OEC](#), [Budget Tagging and Tracking Tips](#), and the [Tagging Out of Zone Expenditures](#) video tutorial offer specific tagging methodology and explain how to track expenditures outside the Los Angeles zone.
3. ***“Local Hire Labor”***
- a. 10% Uplift: Non-independent productions (feature films, new TV series, recurring TV series, pilots, or miniseries) are eligible to receive an additional 10% tax credit for qualified local hire labor.
 - b. 5% Uplift: Independent films and relocating TV series are eligible to receive an additional 5% tax credit for qualified local hire labor.
 - c. Documentation is required (CA Driver’s License or State ID Card AND one of the following: recent utility bill, current home or apartment rental agreement, mortgage statement, home internet/phone provider, apartment renter’s insurance or homeowner’s insurance bill) as proof of domicile outside the LA Zone. A Driver’s License alone is not sufficient. Proof must be requested by production accountants at the time of hire and provided to the CPA performing the audit. Lack of proof of a crewmember’s domicile will result in the Local Hire Labor Uplift for that crewmember to not be applied.

IV. BUDGET AND APPLICATION PREPARATION

A. EXPENDITURES: QUALIFIED AND NON-QUALIFIED

Qualified expenditures are the portion of production costs that qualify for a tax credit allocation. These costs must be incurred and services performed during the ***“production period”*** in the state of California, and can include crew and staff salaries, wages, and fringe benefits; the cost of facility rentals and equipment; production operation costs such as safety, construction, wardrobe, food, lodging, and lab processing. Qualified wages also include payments to ***“qualified entities,”*** such as loan-out corporations.

1. The [Qualified Expenditure Charts](#) and [Budget Tagging and Tracking Tips](#) are helpful guides for determining which expenditures qualify in the calculation for credits. They also provide important information for budgeting, tracking, and reporting qualified expenditures. Section VI (A)(1) provides specific guidelines on qualified expenditure budget requirements.

2. Non-Qualified Expenditures do not qualify for tax credits, but they may be counted toward meeting the 75% Expenditures-spent-in-California test for eligibility purposes. These Non-Qualified Expenditures include, but are not limited to, the following.
 - a. Wages paid to producers, writers, directors, actors, stunt performers, music directors, music composers and music supervisors, and performers. (Background performers (extras), stand-ins and off-camera stunt personnel do qualify.)
 - b. Expenses, including wages, paid or incurred with respect to project acquisition, development, turnaround, or any rights thereto.
 - c. Expenses, including wages, related to financing, overhead, marketing, publicity, promotion, or distribution of a qualified motion picture. These include, but are not limited to, digital cinema distribution copies and release prints.
 - d. 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, soundtrack albums, toys, games, video games, trailers, or teasers.
 - e. Expenses for services performed outside the state of California, e.g., visual effects work which is physically performed out-of-state.
 - f. Certified Public Accountant Expenses for an independent **“Agreed Upon Procedures”** Report.
 - g. Financial contributions to the career readiness and pilot training programs.
 - h. Federal payroll taxes.
 - i. CA solvency taxes.
 - j. Expenditures paid or incurred prior to issuance of the **“credit allocation letter (CAL)”** or more than 30 days after the process of **“post-production”** is **“completed.”**

B. APPLICATION PROCESS

1. Phase I: Eligible productions apply for tax credits.
2. Phase II: Applications with the highest-ranked jobs ratios submit required documentation.
3. Phase III: Credit Allocation Letters are issued for approved projects.
4. Phase IV: Projects with CALs enter Phase IV upon the start of principal photography, wrap, post-production, and the audit process.
5. Phase V: Once the audit process is completed, a **“Tax Credit Certificate”** is issued.

V. PHASE I: APPLICATION SUBMISSION AND JOBS RATIO RANKING

A. HOW TO SUBMIT AN APPLICATION

1. Online Application Portal

- a. Applications must be submitted via the online application portal during specific ***“application windows.”***
 - b. Application windows are grouped by category, meaning projects will only compete against other projects from the same category.
 - c. Applicants must have the project’s shooting schedule and qualified expenditure budget information in order to complete the following sections in the online application portal.
 - i. Applicant Information: Entity and Taxpayer ID #
 - ii. Contacts: Name, Company, Phone, Email
 - iii. Business Structure
 - iv. Financing Sources and Entity Ownership
 - v. Proposed Project Information
 - vi. Production Shoot Days and Location
 - vii. Production Statistics: Cast, Crew, Extras
 - viii. Uplift: VFX, OZ, Local Hire
 - ix. Qualified Wages, Qualified Non-Wages, Bond, Contingency
2. It is important that the applicant includes more than one contact in its project application so that a back-up person is reachable in the event the primary contact is not reachable.
 3. Applicants should not submit more than one application per project per allocation period. If the CFC receives duplicate applications for the same project, both applications will be disqualified from the tax credit program.
 4. Any projects that begin principal photography in California prior to acceptance in the program are ineligible to apply (outside of CA is permissible). Expenditures incurred for services, wages, or goods (whether paid or unpaid) prior to receiving an approval letter do not qualify for tax credits.
 5. A new application must be submitted for each season of a recurring television series.
 6. A television series must submit one application for the entire season as indicated in the pick-up order. Additional episodes for the same season will require a separate application and should indicate that the production is requesting credits for additional

episodes by adding a “.5” to the season, e.g. “TV Series Title 1.5”. Once accepted, the back-order episodes will receive their own CAL and will require a separate Agreed Upon Procedures and final review. New TV applicants must submit their pickup letter no later than the Wednesday before the CAL issuance.

7. Any television series approved and accepted into the program will receive priority placement in the queue when applying for tax credits for subsequent seasons. Recurring series will be ranked based on the fiscal year of the original credit allocation. (This also applies to a television series picked up from a television pilot that had been previously approved). If further prioritization is necessary due to a limited amount of tax credits, the jobs ratio for the series in the current allocation period will be used.

B. JOBS RATIO RANKING

1. What is a Jobs Ratio?

- a. The jobs ratio ranking process is statutorily mandated in order to identify those projects which are most likely to increase jobs and economic activity in the state.
- b. Applicants are required to enter, via the online application portal, qualified wages, and qualified non-wage expenditures. To determine the jobs ratio of each project, the qualified wage amount is added to 35% of the non-wage expenditures; this sum is then divided by the estimated tax credit amount requested. This results in the **“base jobs ratio”**.
- c. Qualified wages must be paid directly by the applicant or its payroll service in order to be included in this calculation as a wage; labor paid via a third party contracted vendor must be identified as a qualified (non-wage) expenditure
- d. Qualified expenditures, for the purposes of the jobs ratio ranking, do not include uplifts, contingency, or completion bond amounts.
- e. Visual Effects vendor payments must be prorated 70% qualified wages and 30% qualified expenditures.

2. Bonus Points

- a. The base jobs ratio may be increased based on activity in any or all of the following areas. These are referred to as the **“bonus points.”**
- b. Principal photography days outside the Los Angeles Zone (OZ): Bonus points are determined by the percentage of principal photography days outside the Los Angeles 30-mile zone in relation to total principal photography days in the state. The first scene of the day must be shot outside the zone for the day to be considered an OZ day. To verify if a location is outside the zone, please refer to the [interactive 30-mile zone map](#).

- c. Visual effects (VFX) performed in-state: Please refer to the applicable qualified expenditure charts to determine which expenditures qualify for the bonus points; they are the same expenditures that qualify for the 5% VFX uplifts. These bonus points do not apply to independent films with qualified expenditures of \$10 million or less.
 - d. Music Labor: Qualified spend on **“music scoring and track recording”** labor count for bonus points, including wages paid to scoring musicians. Please refer to the qualified expenditure charts to determine which music labor positions qualify for the bonus points. These bonus points do not apply to independent films with qualified expenditures of \$10 million or less.
3. Jobs Ratio Ranking
 - a. Within each category, the applications are ranked based on the **“adjusted jobs ratio.”** Bonus points are totaled and combined mathematically with the base jobs ratio to produce the adjusted jobs ratio score for each project. Projects that rank in the top 200%, double the number of projects for which funding is available, are notified and move on to the next phase of the application process.
4. Resources
 - a. Several tools are available on the [CFC website](#) to assist applicants in determining the project’s jobs ratio: [Jobs Ratio Calculator](#), an [infographic](#) of how the points are calculated, [bonus points ranges](#), [qualified expenditure charts](#), and [tracking tips](#).

VI. PHASE II: REQUIRED DOCUMENTATION AND FINAL RANKING

A. APPLICATION – SUPPORTING DOCUMENTATION REQUIRED

During Phase II of the application process, the top 200% ranked projects, double the number of projects for which tax credits are available, are required to submit the following supporting documentation within three business days of CFC notification. All documents are digitally submitted via the online application portal and each project is assigned a queue number.

1. Qualified Expenditure Budget (QEB)
 - a. A detailed budget – including only qualified wages, qualified non-wage expenditures, qualified fringes, and if applicable, contingency and completion bond – must be submitted in an industry-standard budgeting program without

- a security lock. Non-qualified expenditures must be tagged and grouped as “NQ” and excluded from the QEB. Expenditures incurred or paid outside of California (all non-qualified) should be tagged “XX” and be excluded as well.
- b. The QEB 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 purposes of tracking costs.
 - c. If the QEB contains non-qualified spend, the applicant may be asked to revise it.
 - d. In instances where budget line items do not accurately reflect industry standards for the costs of such expenditures, applicants may be asked to revise their budgets upwards or downwards accordingly. Similarly, applicants may be requested to add necessary expenditures for line items that have been incorrectly or inadvertently omitted.
 - e. Television series applications are required to submit both a **“pattern”** and an **“amortization budget”** of qualified expenditures. The same tagging methodology applies. No more than two budgets – Pattern and Amortization – will be accepted.

Please Incorporate all costs that might be in a separate budget (e.g., Covid-19 expenses, episode enhancements) in the Amort budget.

Note: For New TV series, reshoot days and enhancement days to convert a Pilot episode Into Episode 1, as well as all associated post-production expenditures, are qualified cost;. they must be Included in the Amort budget, not the Pattern budget.

- f. Insurance costs must be included as a budgeted line item and properly tagged, not in the contractual section. E & O Insurance must be specified and tagged NQ.
- g. A contingency of no more than 10% of the qualified expenditure budget total may be included only in the contractual portion of the budget.
- h. A bond fee of no more than 2% of the qualified expenditure budget may be included if the production is purchasing a bond. This figure should appear only in the contractual section of the budget.
- i. If applicable, contingency and/or completion bond expenditures will only be included in the budget total if included as contractual costs on the top sheet. If these costs are included in the application only, they will NOT be added to the qualified expenditure budget and will be excluded from the tax credit amount.

2. Fringe Matrix

Budgets must be set-up with the correct fringe breakdown. Federal fringes do NOT qualify for the tax credit and must be excluded. Non-qualifying fringes (e.g., FICA, MEDICARE, FUI, FUTA, SUI and WC from other states) must be omitted or zeroed out when creating the QEB. Applicants must utilize the [Fringe Matrix](#) template provided by the CFC. The fringes entered into the Fringe Matrix must correspond to the fringes in your QEB. See the [Fringe Benefits Chart](#) available on the CFC Website.

3. Production Schedule

- a. A **“one-line shooting schedule”** with shooting dates, scene numbers (matching the submitted script), and scene descriptions must be submitted.
- b. The production schedule must indicate any principal photography days anticipated to take place outside the Los Angeles zone and/or outside of California, as well as any scheduled **“hiatus”** and worked or unworked holidays.
- c. Television series may submit a production calendar and a summary in lieu of a one-line schedule, which must include:
 - i. The total number of episodes.
 - ii. The estimated start and end dates of the season (including **“pre-production”** and post-production).
 - iii. The number of principal photography days scheduled outside the Los Angeles zone, hiatuses, holidays.
 - iv. The number of in-state and out-of-state principal photography days.

4. Financing Source

Applicants must establish proof that, at minimum, 60% of the funds to produce the project are available by providing accounting, brokerage or bank statements, or commitment letters from an established motion picture company or lender.

5. Pick-Up Order

- a. A television pilot, new television series, and relocating television series must submit evidence that the project has received a pick-up order and is thus greenlit.
- b. The number of episodes indicated in the pick-up order for a series must be the same as the number of episodes on the application.
- c. If additional episodes are ordered during the same season, the applicant may submit a new application during the following application window.

- d. A television series from a pilot that was previously accepted into the program must apply as a new television series and therefore must have a pick-up order. This kind of series may apply even if the application window is closed to new television series.
 - e. Recurring series are not required to submit a pick-up order during Phase II. However, a CAL will not be issued until a pick-up order is submitted to the CFC.
 - f. Any recurring television series that has not supplied a pick-up order within 140 calendar days of the CAL date for the allocation period for which it submitted an application will be removed from the queue and may reapply during the next television allocation period.
6. Screenplay
- A screenplay with scene numbers that match the schedule must be submitted. A television series may provide a script from one episode, or if not available, from the television pilot episode. If the application is for a television pilot without a script, a detailed synopsis will suffice. This requirement is waived for recurring TV series.
7. Detailed Narrative Statement
- Applicants must provide a written statement on letterhead establishing that the tax credit is a significant factor in the applicant's choice of location for the project. Include information about whether the project is at risk of not being filmed and specify the jurisdiction where the project may be located in the absence of the credit. The statement must be signed by an officer or executive of the applicant. This requirement is part of the statute, as requested by the **"Legislative Analyst Office"** (LAO). This requirement is waived for recurring TV series.
8. Relocation Statement (Relocating TV series applicants only)
- All relocating television 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 for relocating TV series applicants.
9. Unlawful Harassment Policy
- Applicants must provide the company's written policy against unlawful harassment which includes procedures for reporting and investigating harassment claims. The statement must include how the policy will be distributed to employees and include education and training resources and remedies available.

10. Diversity Initiative

The company's initiatives and programs to increase the representation of women and minorities must be submitted to the CFC. The Diversity Initiative statement must include a description of what the program is designed to accomplish and information about how the programs are publicized to interested parties. ALL projects are required to submit their diversity programs, regardless of budget level.

11. Schedule R (Non-independent applicants only)

For applicants that are publicly traded companies or "**affiliates**" of publicly traded companies, provide 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. This requirement is part of the statute, as requested by the Legislative Analyst's Office.

12. List of Locales (Non-independent applicants only)

For applicants that are publicly traded companies or affiliates of publicly traded companies, provide a listing of all states, provinces, or other jurisdictions in which any of those members finance motion picture productions, if readily available. This requirement is part of the statute, as requested by the Legislative Analyst Office.

13. Financial Data Sheet (Independent applicants only)

Applicants that are a partnership or single-member LLC and not owned more than 25% by a publicly-traded company must provide (if available) financial information 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. This requirement is part of the statute, as requested by the Legislative Analyst's Office.

14. List of Members/Partners (Independent applicants only)

For applicants that are a partnership or single-member LLC and not owned more than 25% by a publicly-traded company, provide 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. The list of members on this document must match the individuals listed under the Owners section of the Financing Sources and Ownership section in the online application portal. The list of members pertains to the members of the applicant entity, not the financing source company. This requirement is part of the statute, as requested by the Legislative Analyst's Office.

B. REVIEW OF REVISED TAX CREDITS AND REVISED JOBS RATIO

1. Projects with missing or inadequate application materials during Phase II will not be eligible for tax credit allocation. Failure to provide requested materials may result in removal from the queue.
2. Within approximately 20 business days of receipt of the completed application and supporting documentation, the CFC will notify the applicant by email of the Revised Jobs Ratio and the estimated tax credit allocation amount, as verified by the CFC.
3. The ranking of the Revised Jobs Ratio against the ratios of the other competing projects in the category will indicate the status of a submitted project as: Approved, Waitlisted, or Below 200%.
4. Waitlisted Projects
 - a. If there are more qualified applicants than funds available, the applicants within the top 200% ranked projects which did not receive tax credits will be notified and placed on the waitlist within their project category.
 - b. If a project's Revised Jobs Ratio falls below the Application Jobs Ratio of the top "Below 200%" project from the initial ranking prior to review, that project shall be removed from the Waitlist and placed into the Below 200% group.
 - c. Waitlisted productions that begin principal photography in California prior to receiving a CAL will be ineligible for the program.
 - d. Should tax credits become available in a category, the CFC will notify the applicant at the top of the waitlist in that category to determine if the applicant is still interested in receiving a tax credit allocation. NOTE: The amount of tax credits a waitlist project may receive is capped at the amount approved during the application process.
 - e. Waitlist applicants are requested to notify the CFC if they have a change in status e.g. filming out of state, or if the project is not going forward.
 - f. If the entire Waitlist has been offered tax credits and there still remains funding in an application period, projects from the Below 200% group may be reviewed and considered for approval, according to their Application Jobs Ratio ranking.
 - g. The waitlist expires when the next allocation period begins for the same project category.

VII. PHASE III: CAL AND APPROVED APPLICANT REQUIREMENTS

A. CREDIT ALLOCATION LETTER (CAL)

1. Issuance of Approval Letter (CAL)

- a. Upon approval, a CAL will be issued to the applicant indicating the CAL jobs ratio and the estimated tax credit allocation, pending the project's continued eligibility and submission of final documentation.
- b. Each CAL is issued to the specific project (synopsis, script, schedule, and budget) which was submitted. Exchanging the approved project for another project is strictly prohibited and will result in revocation of the tax credit reservation.
- c. The CFC is mandated by statute to post the following information on the [CFC website](#): applicant entity, project title, number of filming days, estimated number of hires for cast, crew, extras, total amount of qualified expenditures, and estimated tax credit allocation. All other information submitted to the tax credit program is considered proprietary and is not subject to the California Public Records Act.
- d. Approved projects with unforeseen delays or cancellation of production are required to notify the CFC as soon as possible so that the credits may be reallocated.

2. Date of Credit Allocation Letter

The date of issuance of the CAL is the date by which the program's date-sensitive parameters will be assessed:

- a. Date when expenditures were incurred or paid are considered qualified. Some exceptions to this rule apply and are indicated in the [Budget Tagging and Tracking Tips](#).
- b. Productions must begin principal photography within 180 days. Approved projects with a qualified expenditure budget of \$100 million or more have 240 days to begin filming.
- c. Projects must deliver the final element within 30 months.

B. PILOT SKILLS TRAINING PROGRAM

Applicants receiving a credit allocation letter are required to make a financial contribution to fund a Pilot Career Pathways Training Program for individuals from underserved communities, to receive training for careers in the industry. Approved applicant's contribution shall be 0.25% of the estimated tax credit allocation, as verified on the CAL. The

contribution must be made within thirty (30) business days after the CAL date; failure to comply with this requirement may result in revocation of tax credits. A Pilot Skills Training Program Advisory Board and the CFC oversee a non-profit agent which manages the transaction of funds. Additional information on this requirement is available on the [CFC website](#).

(PLEASE NOTE: this is entirely separate from the Career Readiness Requirement. See VIII C, below).

C. ORIENTATION MEETING

1. No later than four (4) weeks prior to the start of principal photography, the production manager and/or supervisor and production accountant are required to attend an orientation meeting with the CFC, along with any or all of the following production personnel: a primary producer, accounting staff, production executives and/or other appropriate personnel. Post-production accountants and post supervisors are encouraged to attend as well. Depending on the number of attendees, a virtual session may be scheduled in order to adhere to physical distancing mandates, if applicable.
2. Applicants are advised to schedule their orientation meeting as soon as the production team is in place to be better informed of the requirements of the program, tagging methodologies, and the process necessary to obtain the tax credit certificate.
3. Production personnel who have previously attended a CFC 3.0 Orientation Meeting are not required to reattend but may do so at their election.

D. PRODUCTION UPDATES

Approved applicants must notify the CFC via email indicating any substantive changes, such as start date, title, number of episodes scheduled, hiatus start/stop dates, and/or any significant reductions of budget or schedule. Email updates shall be sent to IncentiveProgram3@film.ca.gov with the title of the project and the assigned queue number on the subject line.

E. HIATUS PROVISION

1. A hiatus is a break or interruption in the continuity of pre-production or principal photography. As the 180/240-day deadline to start filming approaches, the production is allowed to delay production by implementing a hiatus of up to 120 calendar days.

- a. Applicants requesting a hiatus are required to film at least one principal photography day on or before the 180/240-day deadline.
 - b. The call sheet, production report, scene numbers/script pages, and dailies must be submitted to the CFC for principal photography verification within a week of filming.
2. The project may choose to take more than one hiatus after the initial hiatus, but under no circumstances can the total of elapsed calendar days exceed 120.
3. A Holiday break taken during the year-end holidays is not considered a Hiatus. However, if the year-end holidays occur during the Hiatus period, those days count toward the 120 days. They also are included in the 180 day requirement for the start of Principal Photography.
4. If the production does not resume within the 120-day period from the date of the initial principal photography shoot date, the project will no longer be eligible for the program and is ineligible to resubmit an application for that project in any future year.
5. Hiatus provisions do not apply between seasons of television series or minor breaks between episodes. Nor do they apply once Principal Photography has started – whether after a qualifying hiatus or not – as long as the project is completed within 30 months from the CAL date.

F. FORCE MAJEURE

Projects with significant changes in schedule, shooting location (in or outside the zone) and spending may result in a major adjustment of the final jobs ratio, and therefore a reduction of the final amount of tax credits (See Section IX.C.3.) However, productions experiencing unforeseen circumstances may fall under a **“reasonable cause”** or **“force majeure”** provision. According to the statute, force majeure means an event or series of events which are not under the control of the qualified taxpayer including death, disability, **disfigurement** or breach by the motion picture director or principal cast member, an act of God, including, but not limited to, fire, flood, earthquake, storm, hurricane or other natural disasters, **labor disruption**, terrorist activities or government sanction. Applicants should contact the CFC to discuss events that may fall within the definition of force majeure that could adversely affect their jobs ratio.

VIII. PHASE IV: APPLICANT REQUIREMENTS DURING PRODUCTION

Once an approved project commences principal photography its status is changed to Phase IV, until all required documents have been uploaded onto the Phase IV online portal. The [final checklist](#) contains a list of these requirements; PDF files of the documents, unless otherwise noted, must be uploaded as part of the process to obtain a tax credit certificate.

A. FILMING DAYS VERIFICATION

1. Call Sheet

Once approved and signed by the UPM, applicants must submit the call sheet for the first day of principal photography. Productions returning from a hiatus must also submit a call sheet for the first-day principal photography resumes. A PDF file of the call sheet must be emailed to IncentiveProgram3@film.ca.gov.

2. Production Reports

All production reports – approved and signed by the UPM – must be submitted for each day of principal photography. Production reports may be submitted on a weekly basis in arrears. PDF files of the production reports must be emailed to IncentiveProgram3@film.ca.gov.

B. LOCAL COMMUNITY EXPENDITURE REPORT

Applicants filming outside Los Angeles County must fill out a **“Local Community Expenditure Report”** available under [Phase IV Expenditure Summary Report](#) in the application portal. This applies to any expenditures outside of LA county where filming has occurred; there is no minimum spend amount. The applicant is requested to complete this section once the project has finalized expenditures in the county, rather than waiting until completion of the final element. The CFC has prepared a suggested [OZ tagging methodology](#) to use for productions filming in numerous counties within the state of California. A [video tutorial](#) is available to guide applicants on how to complete the Local Community Expenditure Report.

C. CAREER READINESS REQUIREMENT

All applicants must participate in a career-based learning and training program approved by the CFC. This is an opportunity to inspire, train, and give back to the next generation of filmmakers. (PLEASE NOTE: This requirement is entirely separate from the Pilot Skills Training Program. See VII B, above.)

Participation involves selecting one of the following options: paid internships, Zoom panels or in-person workshops conducted by professional filmmakers, professional skills tours and/or set visits, continuing education for educators, or a financial contribution. This requirement may be fulfilled during any phase of the project. If a production selects one of the in-person options, all participants must adhere to health and safety protocols. Please refer to the [CFC website](#) for detailed instructions on this requirement and contact the CFC to discuss your options. As soon as the requirement is fulfilled, the appropriate verification form must be completed under Phase IV Career Readiness Section of the application portal.

IX. PHASE V: TAX CREDIT CERTIFICATE ISSUANCE

A. PROCESS FOR OBTAINING FINAL CERTIFICATE

1. Upon completion of the project, applicants must complete the Phase IV portal screens to generate an Expenditure Summary Report. This report includes, but is not limited to: qualified wages, qualified non-wages, the actual number of principal photography days both in and outside the state, actual amounts for visual effects and music spend, the final jobs ratio as verified by the AUP report. Once the Phase IV screens have been completed, applicants must click "submit" on the portal to certify the accuracy and completeness of the report.
2. Applicants are encouraged to submit final documentation to the CFC once all documentation is ready for review and the AUP is complete. AUP details are below. However, there is no formal deadline for submitting the final documentation.
3. Applicants must add the Certified Public Accountant performing the Agreed Upon Procedures as an application user to the online portal in order to access program documents.

B. FINAL CHECKLIST OF REQUIRED MATERIALS

1. Expenditure Summary Report
2. Certificate of Copyright Registration: Applicants are encouraged to apply for a copyright registration as soon as possible after receiving the credit allocation letter. Form PA evidencing the registration of the screenplay or teleplay or completed television episodes, miniseries or television pilot must be submitted. The copyright holder may be the "**qualified taxpayer**," its affiliate, or an unaffiliated company for which the qualified applicant is producing the motion picture.

3. Pilot Skills Training Program Receipt and Verification
4. Updated LAO Documentation Requirements
5. Cast and Crew Lists: All Phase IV projects must submit final cast and crew lists. Social security numbers must be redacted on the lists.
6. Script Supervisor's Lined Script: All applicants are required to submit the script supervisor's lined script. Television series must submit scripts for both episodes 2 and 5 of the current season. Alternatively, a continuity/spotting list is acceptable.
7. Distribution Verification: Miniseries applicants must submit documentation verifying that the initial distribution on TV consisted of two or more episodes with a minimum running time of at least 40 minutes per episode, exclusive of commercials.
8. Production Stills: Applicants must submit five (5) production stills in digital file format (JPG or PNG). The stills must be cleared by the production company, with cast approvals if cast members are in the photographs. These photos may be used by the CFC to promote filming in the state of California. **As per CFC regulations, the stills must illustrate the diversity of California locations and employment; five images of two actors in a room are not sufficient.**
9. Screen Credits and CFC Logo
 - a. Screen Credits: All productions applying for a final credit certificate must provide an on-screen acknowledgment **to THE STATE OF CALIFORNIA AND THE CALIFORNIA FILM COMMISSION**, except where that acknowledgment may be prohibited by the Children's Television Act or any other local, state, or federal government policy. **Other similar wording, such as "This production was filmed with the support of the State of California and the California Film Commission's Film & TV Tax Credit Program," is acceptable as long as The State of California and the California Film Commission are specifically named.** Television series applicants must include this acknowledgment on every single episode.
 - b. CFC Logo

All productions must also include the CFC logo in the end credits. For TV series, the logo must appear on every single episode's end crawl. Contact the CFC for access to the digital file containing the logo in the format needed for your production.

10. Main and End Titles: The main and end title final checker or actual credit roll must be submitted to the CFC (PDF or QuickTime files). The checker must be the actual layout of the titles produced by the title house or other post-production facility.

C. AGREED UPON PROCEDURES

1. Certified Public Accountants

As part of the tax credit certificate process, an Agreed Upon Procedures (AUP) report shall be prepared by a Certified Public Accountant (CPA) who maintains an active license or has proof of a valid out-of-state accounting firm registration for the firm practicing attest services in California. CPAs must attend a CFC CPA Seminar in order to engage with approved applicants in completing AUP reports. A list of approved firms is available on the CFC website.

2. AUP Documentation and CPA Verification

In addition to the documents listed in Section VIII, the CPA must review and certify the documents, as listed on the [final checklist](#). Additional details regarding this requirement are found in the [Budget Tagging and Tracking Tips](#).

- a. Vendor Final Element Creation Letter: 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; does not include archival or international elements. In the case of a television series, the required letter should refer to the final episode of the season. The letter (template is available on the CFC website), must originate from the post-production facility or post-production department, printed on letterhead with original signature.
- b. Verification of In-state Work / Vendor Verification Form Letter: A verification form must be completed by each company engaged to complete work for visual effects, title, post, sound, and/or digital effects as contracted by the production company. The verification form letter must indicate total dollar amount of work performed within the state of California with signature. The verification letters (template is available on the CFC website) must originate from each company, printed on letterhead with original signature.
- c. Related Party Disclosure List: All approved applicants must provide a listing of all related party transactions. Details of this requirement are found on the [Budget Tagging and Tracking Tips](#).
- d. Representative Verification Letter: A signed letter printed on the company's letterhead must include applicant's verification that all worldwide visual effects expenditures have been disclosed. In addition, applicants verify that all related parties have been disclosed and all insurance claims related to qualified

expenditures have been credited in the cost report, if applicable. The letter must also include verification that all outstanding purchase orders and all invoices for qualified expenditures have been paid.

- e. Listing of Assets: List must include assets worth over \$10,000; individual assets do not include set pieces constructed from multiple materials unless purchased as a whole. Listing of electronic assets, with a value of more than \$250.00, must also be included. Such examples include copiers, printers, cameras, drives, monitors, DVD players, computers, etc... Details of this requirement are found on the [Budget Tagging and Tracking Tips](#).
- f. Payroll Representative Letter: A letter verifying no outstanding invoices no less than 30 days after the creation of a final element must be submitted.

D. PENALTY PROVISION

1. During the audit process, in addition to verifying qualified expenditures, the CPA will recalculate the CAL jobs ratio based upon actual wage and non-wage spend. If the final jobs ratio as calculated during Phase IV was overstated compared to the CAL jobs ratio on the credit allocation letter, the project may be penalized with a reduction of tax credits.
2. Applicants should contact the CFC to discuss events that fall within the definition of reasonable cause that may have adversely affected their recalculated jobs ratio.
3. Overstatement penalty provisions are as follows unless the reduction is due to reasonable cause:
 - a. If the jobs ratio has been reduced by more than 10%, the credit will be reduced by an equal percentage.
 - b. If the jobs ratio has been reduced by more than 20%, the qualified taxpayer (applicant) or any member of the qualified taxpayer's-controlled reporting group may not apply for the tax credit program for a year from the date of that determination.
 - c. Example: Applicant's CAL jobs ratio was 4.5; the final jobs ratio was reduced to 4.0. Since the final job's ratio was decreased by 11%, the final verified tax credit amount will be decreased by 11%.
4. The same overstatement penalty applies to both non-independent and independent productions.

E. APPROVAL OF FINAL TAX CREDIT CERTIFICATE

1. The CFC will review all the required materials submitted by the applicant and CPA to determine if the project has met all the criteria for the program and will approve or disapprove the request for the tax 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.
2. The final amount of tax credits shall be based on the percentage of the qualified expenditures and jobs ratio confirmed in the Agreed Upon Procedures report. This amount may be less than the amount indicated on the credit allocation letter, but it can never be more.
3. If the request for a 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.

X. UTILIZING THE TAX CREDITS

Tax Credits may be utilized beginning in the tax year in which the credit certificate is issued. Independent productions may transfer tax credits to an unrelated party. Non-independent productions must utilize the credits against state income tax liability, sales or use tax liability, and may also assign credits to an affiliate.

There are changes with respect to the utilization of tax credits which affect both Program 2.0 and 3.0. For detailed information on utilizing the tax credits, please refer to the [CFC website](#).

GLOSSARY

Adjusted Jobs Ratio is the final calculation used to determine a project's ranking in Phase I. Variables in the calculation include qualified wages, qualified non-wages, out of zone days, visual effects, and music spend. Formula: Adjusted Jobs Ratio = Base Jobs Ratio x [(Total Bonus Points x .01) + 1].

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

Agreed Upon Procedures (AUP) is a standard outlined by the CFC for an external party (CPA) to use in performing an audit on a completed tax credit production. The procedures, which are called audit standards, are designed and agreed upon by the entity conducting the audit, as well as any appropriate third parties.

Amortization Budget is the budget for expenses that are not attributable to a specific episode of a TV series, but which pay for items expensed (amortized) across all or most of the episodes. This may include prep period costs, construction of standing sets, titles, enhancement days, etc.

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

Applicable Period refers to production outside the Los Angeles zone, within the state of California, that commences with pre-production and ends when original photography concludes outside the Los Angeles zone. It includes the time necessary to strike a remote location and return to the Los Angeles zone.

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 credit certificate.

Application Windows are the time periods during which applications for each production category are accepted. They are category-specific, ensuring that projects applying for tax credits compete only against projects from the same category. The CFC publishes information on upcoming application windows on its website.

Base Jobs Ratio is the first calculation used in determining the Adjusted Jobs ratio. The formula involves adding the qualified wages to 35% of the qualified expenditures. That sum is divided by the **estimated tax credit amount**.

Bonus Points: The base jobs ratio may be increased based on activities in three areas. All projects may receive bonus points for filming outside the Los Angeles zone. With the exception of independent applicants with budgets of \$10 million dollars and less, all projects may also receive bonus points for visual effects and music labor expenditures.

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 the use of any footage not originally photographed by the qualified motion picture.

Combined Reporting Group is a group of corporations subject to either California franchise tax or income tax. The Franchise Tax Board provides instructions for preparing a combined report, which a corporation is required to use in computing its California tax liability when the corporate activities are part of a unitary business conducted by the corporation and its related corporations. Applicants should consult with their tax professional for further filing instructions.

Completed means when the process of post-production has been finished. The process of post-production shall be considered finished when the domestic HD air master (for TV of the final episode of the season), final composite answer print, or digital cinema files ("DCP") (for films) of the qualified motion picture is/are produced. It does not include archival or international elements.

Credit Allocation Letter (CAL) 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.

Feature Film (also called a non-independent film) is intended for commercial distribution. It shall have a minimum budget of \$1 million and a running time of at least seventy-five (75) minutes. It is produced by a company that is either publicly traded or more than 25% owned by a publicly-traded company.

Force Majeure means an event or series of events, which are not under the control of the qualified taxpayer including death, disability, disfigurement or breach by the motion picture director or principal cast member, an act of God, including, but not limited to, fire, flood, earthquake, storm, hurricane or other natural disasters, labor disruption, terrorist activities or government sanction.

Hiatus means a break or interruption during the pre-production period which allows a project to extend the start date for Principal Photography by up to 120 days.

Independent Film is intended for commercial distribution. It must have a minimum budget of \$1 million and a running time of at least seventy-five (75) minutes. It is produced by a company that is not publicly traded and publicly traded companies do not own, directly or indirectly, more than 25 percent of the producing company.

LAO or Legislative Analyst's Office Documents are required financial and corporate information that must be submitted with the application and revised as necessary with the request for a tax credit certificate.

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

Local Community Expenditure Report is embedded in the Expenditure Summary Report as part of Phase IV on the portal and requires statistics on expenditures and local labor by county.

Local Hire Labor uplifts apply to eligible productions if the production company pays qualified wages for services performed by employees living and working outside the Los Angeles zone during the applicable period relating to original photography outside the LA zone. Documentation is required.

Los Angeles Zone means the area within a circle 30 miles in radius from Beverly Boulevard and La Cienega Boulevard, Los Angeles, CA and includes Agua Dulce, Castaic (including Lake Castaic), Leo Carrillo State Beach, Ontario International Airport, Piru, and Pomona (including the Los Angeles County Fairgrounds). The Metro Goldwyn Mayer, Inc. Conejo Ranch property is within the Los Angeles zone.

Made for Television Movie, also known as a Motion Picture for Television or MOW, is defined as a motion picture, produced for initial exploitation on television, which contains a scripted storyline requiring a minimum of seventy-five (75) program minutes, broadcast in one part. This category is eliminated in Program 3.0.

Miniseries means a motion picture based on a single theme or storyline which is resolved within the piece. A miniseries, also referred to as a limited series, consists of two or more episodes each a minimum of 40 minutes exclusive of commercials and with an episode budget minimum of \$1million. New in Program 3.0: The budget requirement has been increased from \$500,000.

Music Scoring and **Music Track Recording** is a post-production process wherein music is added to the soundtrack of a film or TV project. All projects, excluding independent applicants with budgets of \$10 million dollars and less, may receive bonus points for music labor expenditures.

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

One-line Shooting Schedule is a shorter, less detailed version of the shooting schedule.

Pattern Budget is a budget produced for the cost of one episode or block of episodes for a TV series and applies to each episode or block ordered.

Pick-up Order means a contractual obligation from a licensee-exhibitor that a pilot or television series has been ordered or renewed for the production of an initial episode or episodes, to be delivered within a specific timeframe.

Post-Production means the final activities in a qualified motion picture's creation including, but not limited to, editing, Foley recording, ADR, scoring, sound editing, negative cutting, color correction, and sound mixing.

Pre-Production means the process of preparation for 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 hiring key crew members, scouting for locations, building sets, casting, and establishment of a dedicated production office.

Principal Photography means the phase of production during which shooting takes place, as distinguished from pre-production and post-production. Principal photography refers to days in which the main unit director and actors are present. It does not include the filming of backgrounds, plate shots, visual effects, action, establishing shots and/or crowd scenes by 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 and below-the-line costs including pre-production, production, post-production, insurance, rights, and music and clip licensing fees. It includes wages, rentals, purchases, and services performed and incurred within and outside of California. It does not include costs which are not directly associated with the pre-production, production or post-production of the project, such as: release prints and advertising, marketing, film festival participation, foreign distribution elements, financing or distribution costs such as theater rentals and DVD manufacturing.

Production Period means the period beginning with pre-production, continuing throughout production, and ending upon completion of post-production.

Qualified Entities are personal service corporations (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 Expenditures include payments for qualified wages, services, and costs paid or incurred to purchase or lease tangible personal property used within the state of California in the production of a qualified motion picture.

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 using non-actors through actual footage which presents persons engaged in purportedly unscripted situations; no fictional characters are created.

Reasonable Cause means unforeseen circumstances beyond the control of the applicant, including, but not limited to, an event of force majeure, the cancellation of a television series prior to the completion of the scheduled number of episodes, failure by third parties to perform, a change in essential talent such as the director, principal cast and the associated costs, and/or a change in production financing exigencies resulting in a significant reduction to the production budget.

Relocating TV Series means a television series, which the taxpayer certifies that the credit provided is the primary reason for relocating to California. It is required that at least seventy-five percent (75%) of principal photography of its most recent television season was filmed outside of California. Each episode must have a minimum production budget of \$1million, without regard to episode length. Once a relocating TV project receives a pick-up order for additional seasons, the project category changes to recurring TV.

Residual Compensation means supplemental compensation paid at the time that a motion picture is exhibited through a 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.

Second Unit is a separate shooting unit that typically films scenes or parts of scenes without principal actors including establishing shots, stunts, car drive-bys, and/or inserts.

Secondary Markets means media in which a qualified motion picture is exhibited following the initial medium 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*).

Tax Credit Certificate is the document issued by the California Film Commission after the qualified motion picture has been completed, reflecting the final tax credit amount allocated after qualified expenditures have been verified.

Television Pilot means the initial episode produced for a proposed television series with a minimum production budget of \$1million and a running time of a minimum of 40 minutes, exclusive of commercials.

Television Season means the initial exhibition of a set of television episodes consisting of no fewer than six (6) episodes and no more than thirty (30) episodes within a period of twelve (12) months.

Uplifts are additional tax credits that may be earned on specified expenditures depending upon the project's category. Approved projects received an additional 5% or 10% tax credits if spending occurs in any or all of the three (3) categories: out of zone filming, visual effects, local hire labor.

Visual Effects (VFX) means the creation, alteration, or enhancement of images that cannot be captured on a set or location during live-action photography and therefore is accomplished in post-production. It includes, but is not limited to, matte paintings, animation, set extensions, computer-generated objects, characters and environments, compositing (combining two or more elements in a final image), and wire removals. It also includes elements of Virtual Production filmed on VP volumes. VFX does NOT include fully animated projects, whether created by traditional or digital means.

APPENDIX A: How to Create a Qualified Expenditures Budget

Tips on How to Create a Qualified Expenditures Budget

- Once you have finished grouping all qualified and non-qualified expenditures as per the tagging methodology, select the QE and QW subgroups in order to create your Qualified Expenditure Budget.
- Insurance costs should reflect your total premium, minus out-of-state work (tagged XX).
- Include line items for Essential Element and E & O insurance tagged NQ to indicate that they have been excluded from insurance premiums.
- Insurance costs must be included in the budget (rather than as a contractual cost) and tagged QE to be included in the tax credit reservation.
- Contingency, as a contractual charge, can be no more than 10% of qualified expenditures and must be shown as a contractual cost in the QEB:
- Completion bond costs can amount to no more than 2% of qualified expenditures and must be shown as a contractual cost in the QEB. Bond costs for any out of state filming must be excluded proportionately. The cost of a completion bond may only be added if it is a bona fide cost to the production.
- This methodology is more accurate than creating a sub-budget. When a sub-budget is created, the fringe tables and cut-offs start over, which results in an overestimation of fringes.
- If the budget was created from a template originating outside of California, be sure to remove all references to other states. If the expense is intended to be a CA expenditure but the description or fringes indicate it is out of state, the CFC will mark it XX.
- If a labor expenditure (such as for security or post-sound editorial) is not specifically indicated as "direct hire" it will be assumed by the CFC to be via a third-party vendor and corrected to QE. Only 8-hour days qualify for paid holidays or 1/5 of weekly salary.
- Qualified Visual Effects expenditures paid to 3rd party vendors must be allocated 70% as Wages and 30% as Non-Wages.

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