

CALIFORNIA FILM COMMISSION
California Film and Television Tax Credit Program 3.0
Title 10, Chapter 7.75, Article 3, Sections 5520–5528

NOTICE OF PROPOSED RULEMAKING

August 11, 2023

Notice is hereby given that the California Film Commission (CFC) proposes to amend the regulations described below after considering all comments, objections and recommendations regarding the proposed action.

Proposed Regulatory Action

The CFC proposes to amend sections 5520, 5521, 5523, 5525, 5526, 5527, and 5528 in Article 3 of Chapter 7.75 of Title 10 of the California Code of Regulations in order to implement, interpret and make specific Revenue and Taxation Code sections 17053.98 and 23698 relating to a film and television tax credit program.

No public hearing is scheduled; however, any interested person or their duly authorized representative may request a public hearing no later than fifteen (15) days prior to the close of the public comment period.

Written Comment Period

Any interested person, or their authorized representative, may submit written comments relevant to the proposed regulatory action to the Agency. Written comments will be accepted by the Agency until 5:00 p.m. on September 26, 2023. Submit comments to:

Name: Hedvig Marx
Address: California Film Commission, 7080 Hollywood Boulevard,
Hollywood, CA 90028
Email: Hedvig.Marx@film.ca.gov

Authority and Reference

The proposed regulation will be adopted under the authority of Government Code section 11152, and Revenue and Taxation Code sections 17053.98(e) and 23698(e). The proposed regulation implements, interprets, and makes specific Revenue and Taxation Code sections 17053.98 and 23698.

INFORMATIVE DIGEST/POLICY STATEMENT OVERVIEW

The California Film Commission (CFC) proposes to amend sections 5520, 5521, 5523, 5525, 5526, 5527, and 5528 in Article 3 of Chapter 7.75 of Title 10 of the California Code of Regulations. The regulations outline a procedure for allocating tax credits to qualified taxpayers in the motion picture industry and the proposed amendments provide necessary additional process clarity to applicants.

Summary of Related Existing Laws and Regulations:

In 2018, the Legislature and Administration approved Senate Bill (SB) 878 (Ch. 456, Stat. 2018), which created the third iteration of the California Film and Television Tax Credit Program, applicable to taxable years beginning on or after January 1, 2020, and before January 1, 2025. Permanent regulations for the California Film and Television Tax Credit Program 3.0 were adopted on February 10, 2022, as Article 3 of Chapter 7.75 of Title 10 of the California Code of Regulations. These regulations provided a program to the motion picture industry allocating tax credits to qualified taxpayers in the motion picture industry until June 30, 2025. The provisions in the existing program, outlined in Article 3 of Chapter 7.75 of Title 10 of the California Code of Regulations, provide for applicants to file a written application for the allocation of the tax credit and for the CFC to establish criteria for allocating tax credits, determine and designate applicants who meet the requirements to apply for the tax credit, and issue the credit certificate to the qualified taxpayer upon completion of an eligible and approved qualified motion picture.

The California Film and Television Tax Credit Program 3.0 was preceded by the California Film and Television Tax Credit Program (Program 1.0), 2009 through 2017, and the California Film and Television Tax Credit Program 2.0 (Program 2.0), 2015-2020. Program 1.0 was enacted by SB 15 (Ch. 17, Stat. 2009), and is outlined in sections 17053.85 and 23685 of the Revenue and Taxation Code. Program 2.0 was enacted by 1839 (Ch. 413, Stat. 2014), and is outlined in sections 17053.95 and 23695 of the Revenue and Taxation Code.

Existing law also provides for a current similar program, the California Soundstage Filming Tax Credit Program. In 2021, the Legislature and Administration approved SB 144 (Ch. 114, Stat. 2021), which among other things, created the new California Soundstage Filming Tax Credit Program, applicable to taxable years beginning on or after January 1, 2022, and before January 1, 2032. The Program allocates tax credits to qualified motion pictures and, unlike Program 3.0, includes provisions to incentivize the construction or renovation of soundstages in the state. Permanent regulations for the California Soundstage Filming Tax credit program were adopted on February 15,

2023, as Article 4 of Chapter 7.75 of Title 10 of the California Code of Regulations.

Broad Objectives and Anticipated Benefits of the Proposed Regulations:

The California Film and Television Tax Credit Program 3.0, implemented through Article 3 of Chapter 7.75 of Title 10 of the California Code of Regulations, encourages production companies regardless of distribution outlet to film in California instead of other states, provinces, and countries offering incentives. The Program is structured to encourage job creation and training opportunities for disadvantaged youth, and to increase and retain motion picture production in California. The proposed amendments to the previously adopted California Film and Television Tax Credit Program 3.0 regulations clarify the specific processes necessary for Program implementation, enabling the state to successfully operate the Program and realize its benefits. The objective of these amendments is to ensure that Program processes and requirements are detailed and clear so that applicants can understand and utilize the Program as intended, and so that the CFC is better able to administer the program fairly and consistently.

Consistency And Compatibility with Existing State Regulations:

During the process of developing these regulations, the CFC has conducted a search of any similar regulations on this topic and has concluded that these regulations are neither inconsistent nor incompatible with existing state regulations. The CFC has endeavored to ensure that these regulatory amendments comply with the non-duplication standard found in Title 1, California Code of Regulations. In some instances, the amended regulations duplicate California statute in part where the statute is cited as “authority” or “reference” for the proposed regulation and the duplication or overlap is necessary to satisfy the “clarity” standard of Government Code section 11349.1(a)(3).

ESTIMATES OF ECONOMIC IMPACT

The California Film Commission has made the following determinations:

- Mandate on local agencies and school districts: None.
- Cost or savings to any state agency: None.
- Cost to any local agency or school district which must be reimbursed in accordance with Government Code sections 17500 through 17630: None.
- Other nondiscretionary cost or savings imposed on local agencies: None.
- Cost or savings in federal funding to the state: None.
- Significant effect on housing costs: None.

- Significant statewide adverse economic impact directly affecting business, including the ability of California businesses to compete with businesses in other states: None.
- Potential cost impact on representative person or businesses: The agency is not aware of any cost impacts that a representative private person or business would necessarily incur in reasonable compliance with the proposed action.

EFFECT ON SMALL BUSINESS

The California Film Commission has determined that the proposed regulations will not directly affect small businesses. The businesses that may elect to participate in the Film and Television Tax Credit Program 3.0 and in such cases will be complying with these regulations are film production companies and are as such not small businesses, as defined in section 11342.610 of the Government Code. Small businesses in California may, however, provide goods and services to the businesses electing to comply with these regulations and thus benefit from the additional filming in California.

RESULTS OF THE ECONOMIC IMPACT ASSESSMENT

Pursuant to paragraph (3) of subdivision (e) of Sections 17053.98 and 23698 of the Revenue and Taxation Code the CFC is not required to provide an economic impact analysis. Due to the nature of tax credit incentives in relation to economic impact, the CFC has been exempted from the economic impact analysis throughout the existence of the California Film and Television Tax Credit Programs in all iterations; this exemption is consistent with previous practice.

It is worth noting that the California Film and Television Tax Credit Program 3.0 is optional and only applies to entities who elect to participate, and further, that the parameters and functions of a tax credit program such as this ensures that any participating entities will contribute to a positive economic impact on the state, its existing businesses, and opportunities for prospective businesses, as credits are allocated based on percentages of actual in-state spending for labor, goods, and services.

REASONABLE ALTERNATIVES CONSIDERED

The California Film Commission must determine that no reasonable alternative considered by the Commission or that has otherwise been identified and brought to the attention of the Board would be more effective in carrying out the purpose for which the action is proposed or would be as effective as and less burdensome

to affected private persons than the proposed action, or would be more cost effective to affected private persons and equally effective in implementing the statutory policy or other provision of law.

CONTACT PERSON

Inquiries concerning the proposed action may be directed to:

Name: Nancy Rae Stone
Email: Nancy.Stone@film.ca.gov
Phone No.: (323) 860-2960

The backup contact person for these inquiries is:

Name: Hedvig Marx
Email: Hedvig.Marx@film.ca.gov
Phone No.: (323) 817-4115 or (310) 290-6501

Questions on the substance of the proposed regulations may be directed to:

Name: Hedvig Marx
Email: Hedvig.Marx@film.ca.gov
Phone No.: (323) 817-4115 or (310) 290-6501

AVAILABILITY OF CHANGED OR MODIFIED TEXT

After the close of the forty-five (45) day public comment period, the CFC may adopt the proposed regulation. As a result of public comments, either oral or written, that are received by the CFC regarding this proposal, the CFC may determine that changes to the proposed regulation are appropriate. If the CFC makes modifications that are sufficiently related to the originally proposed text, it will make the modified text (with the changes clearly indicated) available to the public for at least 15 days before the CFC adopts the regulations as revised. The CFC will provide notification of any such modifications to all persons whose comments were received during the public comment period, all persons whose comments (written or oral) were received at the public hearing (if one is held) and all persons who requested notice of such modifications. Otherwise, please send requests for copies of any modified regulations to the attention of Hedvig Marx at the above email address. The CFC will accept written comments on the modified regulations for 15 days after the date on which they are made available.

AVAILABILITY OF INITIAL STATEMENT OF REASONS, RULEMAKING FILE AND EXPRESS TERMS OF THE PROPOSED REGULATIONS

The CFC has established a rulemaking file for this regulatory action, which contains those items required by law. The file is available for inspection at the California Film Commission, 7080 Hollywood Boulevard, Suite 900, Hollywood, California during normal business working hours (9 am–5 pm). Please contact Hedvig Marx at the above email address to arrange a date and time to inspect the files. As of the date this Notice is published in the Notice Register, the rulemaking file consists of this Notice, the Initial Statement of Reasons and the proposed text of the regulations. Copies of these items are available, upon request, from the Contact Person designated in this Notice.

AVAILABILITY OF FINAL STATEMENT OF REASONS

The CFC is required to prepare a Final Statement of Reasons. Once the CFC has prepared a Final Statement of Reasons, a copy will be made available to anyone who requests a copy. Requests for copies should be addressed to the Contact Person identified in this Notice.

OFFICE INTERNET WEBSITE

The Office maintains an Internet website for the electronic publication and distribution of written material. Copies of the Notice of Proposed Action, the Initial Statement of Reasons and the text of the regulations can be accessed through our website at: www.film.ca.gov

PROPOSED AMENDMENTS TO THE CALIFORNIA CODE OF REGULATIONS

Title 10

Chapter 7.75

CALIFORNIA FILM COMMISSION

Article 3.

California Film and Television Tax Credit Program

§ 5520. Definitions

(a) - (f) (Continued)

(g) "Documentary" means a film or television project dealing with factual events, that are photographed in actual occurrence or depicted through techniques including, but not limited to partial reenactment, stock footage, stills, animation, or stop-motion.

~~(g)~~(h) (Continued)

~~(h)~~(i) (Continued)

~~(i)~~(j) (Continued)

~~(j)~~(k) (Continued)

~~(k)~~(l) (Continued)

(m) "Limited series" shall be understood to have the same meaning as "miniseries," as defined in section 5520(o) of this subdivision, and the terms may be used interchangeably for purposes of the California Film and Television Tax Credit Program.

~~(l)~~(n) (Continued)

~~(m)~~(o) (Continued)

~~(n)~~(p) (Continued)

~~(o)~~(q) (Continued)

~~(p)~~(r) (Continued)

~~(q)~~(s) (Continued)

~~(r)~~(t) (Continued)

~~(s)~~(u) (Continued)

~~(t)~~(v) (Continued)

~~(u)~~(w) (Continued)

(x) "Reality television program" means a program depicting real events and non-actors through actual footage which presents persons in purportedly unscripted or partially scripted situations.

~~(v)~~(y) (Continued)

~~(w)~~(z) (Continued)

(aa) "Scripted series" means a fictional episodic television series based upon scripted materials.

~~(x)~~(bb) (Continued)

~~(y)~~(cc) (Continued)

~~(z)~~(dd) (Continued)

~~(aa)~~(ee) (Continued)

~~(bb)~~(ff) (Continued)

~~(cc)~~(gg) (Continued)

NOTE: Authority cited: Sections 17053.98(b), 17053.98(e), 17053.98(i), 23698(b), 23698(e) and 23698(i), Revenue and Taxation Code; and Section 11152, Government Code. Reference: Sections 6902.5, 17053.98 and 23698, Revenue and Taxation Code; and Section 14998.1, Government Code.

§ 5521. Application Process for Tax Credit Allocation

(a) – (g) (Continued)

(h) (Continued)

(1) – (3) (Continued)

(4) (continued)

(A) If it is a new television series indicate if TV Pilot was initially accepted in the program, number of episodes, and confirm over forty (40) minutes of running time exclusive of commercials. If it is a relocating television series indicate previous location, number of episodes previously shot and number of episodes included in this season. Indicate if the previous season was filmed in California and if so, the number of principal photography days inside California and outside California. (The previous question is disabled if the applicant attests in Section (1)(A) that their relocating television series falls under the definition in Section ~~5520 (bb)~~5520(ff) for fiscal years 2021-22 and 2022-23.) If it is a mini-series, indicate the number of episodes and confirm over forty (40) minutes of running time exclusive of commercials.

(B) – (D) (Continued)

(5) (Continued)

(6) (Continued)

(A) (Continued)

1. – 3. (Continued)

4. By checking the box, Applicant acknowledges the following required documentation will be submitted if and when the Applicant applies for a tax credit certificate: Subject to self-reported voluntary information, include

separate listings regarding the ethnicity and gender statistics of all individuals who received qualified wages (~~excluding background performers~~) and all individuals who received non-qualified wages.

(B) – (C) (Continued)

(7) (Continued)

(A) (Continued)

(B) (Continued)

1. The applicant is responsible for collecting proof of identity and proof of domicile for local hire labor at the time of hire and for providing copies to the CPA performing the AUP (July 28, 2023), hereby incorporated by reference. Without proof of identity and proof of domicile for a crewmember the Local Hire Labor Uplift shall not be applied for that individual.

(i) Acceptable proof of identity is a California Driver's License, a State ID Card, or a Passport.

(ii) Acceptable proof of domicile is a recent utility bill, current home or apartment rental agreement, mortgage statement, internet or phone provider bill, renter's or homeowner's insurance bill, or equivalent document.

(C) – (E) (Continued)

(8) (Continued)

(A) – (B) (Continued)

(C) If applicable, enter total contingency, which can be no more than 10% of qualified expenditures. The contingency cannot be included as a line-item within the body of the budget.

(D) If applicable, enter total completion bond fee, which can be no more than 2% of qualified expenditures. The completion bond fee cannot be included as a line-item in the body of the budget. Completion bond costs for any filming outside of California must be excluded proportionately.

(E) – (H) (Continued)

(9) (Continued)

(i) – (j) (Continued)

(k) (Continued)

(1) (Continued)

(A) – (B) (Continued)

(C) (Continued)

1. Television series applicants submitting more than one budget shall submit only the pattern and amortization budgets; no additional budgets or budget versions will be accepted.

(D) (Continued)

(2) – (5) (Continued)

- (6) Pick-up order. A pilot, new television series or relocating television series shall submit evidence, in PDF or equivalent format, that the pilot or series is scheduled for photography, e.g. a pick-up order, when applying for a credit allocation. Recurring television series may submit applications without a pick-up order but shall not receive a credit allocation until proof of a pick-up order has been submitted. 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. The number of episodes indicated on the pick-up order must match the number of episodes in the application.
- (7) Narrative statement pursuant to sections ~~17053.98(g)(2)(A)(x) and 23698(g)(2)(A)(x)~~. 17053.98(g)(2)(A)(viii) and 23698(g)(2)(A)(viii) of the Revenue and Taxation Code.
- (8) Relocating statement. Applicant certifies that the credit provided is the primary reason for relocation to California (if applicable). The Applicant must state either that (1) at least 75 percent of principal photography days of its most recent season was filmed outside of California; or (2) For fiscal years 2021-22 and 2022-23, the television series (without regard to episode length or initial media exhibition) that wishes to relocate to California has a minimum budget of at least \$1 million per episode, filmed at least 75% of principal photography days for at least one episode outside of California, and has not filmed more than 25% of principal photography days for any episode inside of California. If submitting a relocating statement, the detailed narrative statement as per Revenue and Tax code sections ~~17053.98(g)(2)(A)(x) and 23698(g)(2)(A)(x)~~. 17053.98(g)(2)(A)(viii) and 23698(g)(2)(A)(viii) is not required. The certification shall be submitted in PDF or equivalent format.
- (9) Unlawful harassment policy. Applicant shall submit company's written policy against unlawful harassment as set forth in section ~~17053.98(g)(2)(A)(xi) and 23698(g)(2)(A)(xi)~~. 17053.98(g)(2)(A)(ix) and 23698(g)(2)(A)(ix) of the Revenue and Taxation Code.
- (10) ~~A summary of the applicant's~~ Applicants that administer voluntary programs to increase the representation of women and ~~minorities~~ minorities, or have access to such programs, shall submit a summary of those programs including a description of what the program is designed to accomplish and information about how the programs are publicized to interested parties as set forth in sections ~~17053.98(g)(2)(A)(xiii) and 23698(g)(2)(A)(xiii)~~. 17053.98(g)(2)(A)(xi) and 23698(g)(2)(A)(xi) of the Revenue and Taxation Code.
- (11) Company and financial information, if available and as applicable, as required by sections ~~17053.98(g)(2)(A)(v),(vi),(vii) and 23698(g)(2)(A)(v),(vi),(vii)~~. 17053.98(g)(2)(A)(v) and 23698(g)(2)(A)(v) of the Revenue and Taxation Code.
- (l) Within thirty (30) business days of receipt of the completed application and all requested supporting documents, the Director of the CFC, or his or her designee, will notify the applicant whether the application is accepted or disqualified. An approved application shall meet the Eligibility Requirements in Section 5522. Upon approval, a Credit Allocation Letter, (CAL) CFC Form D3 ~~(New, June 25, 2019)~~ (Rev. July 28, 2023), hereby incorporated by reference, shall be issued to the applicant indicating the amount of tax credits allocated, as provided in Section

5526. Failure to timely submit all requested documents above, as applicable, shall be good cause to disqualify the applicant.

(1) Each CAL is issued to the specific project described and outlined in the synopsis, script, schedule, and budget that were submitted with the application. Exchanging the approved project for a different project is prohibited and will result in revocation of the CAL.

(2) A qualified motion picture project that is taken over by an entity other than the applicant entity and wishes to retain the project's allocation of tax credits must comply with the following:

(A) The original applicant entity must submit a statement on company letterhead declaring that they no longer retain the project and specify the business entity that will take over the project, including that business entity's taxpayer ID.

(B) The applicant entity taking over the project must submit:

1. Applicant contact, production company contact, and budget contact.

2. Documentation required pursuant to paragraph (3) of subdivision (h) and paragraphs (5) and (11) of subdivision (k) of this section.

3. An updated production schedule, required pursuant to subparagraph (B) of paragraph (4) of subdivision (h) of this section.

(C) A qualified motion picture project described in paragraph (2) above can only be transferred to a different business entity prior to the start of principal photography.

(m) (Continued)

(n) (Continued)

(1) Each recurring television series shall submit a new application and pick-up order, if available, for each season during any open television project application period as specified by the CFC in its written notification. The application should reflect the estimated qualified expenditures but the allocation will not exceed the amount approved in the previous season's credit allocation letter(s). The narrative statement requirement as set forth in sections ~~17053.98(g)(A)(x) and 23698(g)(A)(x)~~ 17053.98(g)(2)(A)(viii) and 23698(g)(2)(A)(viii) of the Revenue and Taxation ~~Code~~ for all projects shall be deemed as met for recurring television series with the statement submitted by that series when it was accepted into the program as a pilot, new or relocating television series.

(2) (Continued)

(o) Principal photography in California shall commence no later than one hundred eighty (180) calendar days after the credit allocation letter is issued. Qualified motion pictures with qualified expenditures of at least one hundred million dollars (\$100,000,000) must begin principal photography (as defined in Section ~~5520(s)~~ 5520(u)) no later than two hundred and forty (240) days after CAL issuance. If the production does not begin principal photography prior to the 180 or 240 day deadline, the tax credit allocation shall be revoked, unless a Force Majeure event has occurred which directly prevented the production from commencing within the deadline. With submission of documentation verifying such event, the CFC may grant an extension. If a production implements a hiatus during the principal photography period, any and all hiatus period(s) may be no longer than one hundred twenty (120) calendar days in aggregate for the entire duration of the production.

NOTE: Authority cited: Sections 17053.98(e), 17053.98(g), 17053.98(i), 17053.98(j), 23698(e), 23698(g), 23698(i) and 23698(j), Revenue and Taxation Code; and Section 11152, Government

Code. Reference: Sections 6902.5, 17053.98(g) and 23698(g), Revenue and Taxation Code; and Section 14998.1, Government Code.

§ 5523. Qualified Expenditures

(a) (Continued)

(b) (Continued)

(1) (Continued)

(2) Certified public accountant expenses for the report required in Section ~~5526(a)(6)~~-5526(b)(6).

(3) – (6) (Continued)

NOTE: Authority cited: Sections 17053.98(b), 17053.98(e), 23698(b) and 23698(e), Revenue and Taxation Code; and Section 11152, Government Code. Reference: Sections 17053.98 and 23698, Revenue and Taxation Code; and Section 14998.1, Government Code.

§ 5525. Approved Applicant Responsibility--Phase III

(a) (Continued)

(1) – (3) (Continued)

(4) Participation in career-based learning and training programs and public service opportunities approved by the CFC in consultation with the California Department of Education (CDE) and/or California Community College Chancellor's Office (CCCCO) aimed at exposing career-based learning program, high school, school and community college, college, and California State University students to careers in the entertainment industry. To demonstrate compliance with this requirement the applicant must submit the applicable form for Career Readiness verification, Form CR1, CR2, CR3, CR4, or CR5 (July 28, 2023), hereby incorporated by reference, to the CFC as soon as the qualifying event has concluded. To meet the requirements of this section, the applicant may do any of the following:

- (A) Provide to students enrolled within the past twelve months in an accredited California high school, school or community college, college, California State University, or a CFC approved career-based learning program three (3) paid internship positions for a minimum of one hundred (100) hours each or a combination of internships or internship with a minimum of one hundred (100) hours per student and three hundred (300) hours in total. Interns must be 18 years of age or older. Internship experience must include working with professionals in the film industry and hands-on work assignments; or
- (B) Provide to students enrolled within the past twelve months in an accredited California high school, school or community college, college, California State University, or a CFC approved career-based learning program classroom workshops, panels, or demonstrations on aspects of the film industry, which may include but is not limited to set operations, post-production and specific technical crafts conducted by entertainment industry professionals; or

- (C) Provide to students enrolled within the past twelve months in an accredited California high ~~school, school or~~ community college, college, California State University, or a CFC approved career-based learning program a minimum of eight (8) hours of professional skills tours, which may include visits to observe set operations, set construction, wardrobe department, art department and editorial department; or
- (D) – (F) (Continued)
- (5) (Continued)
 - (A) (Continued)
 - (B) The contribution shall be submitted to the CFC with the career pathways program form, Form CPP (New, July 28, 2023), hereby incorporated by reference, no later than thirty (30) business days after the CAL date; failure to submit the contribution within this time frame may will result in revocation of the CAL.
 1. The CFC may grant an extension of up to ten (10) business days for an applicant facing a technical or funds-related barrier to meeting the deadline, if the applicant requests such an extension prior to the expiration of the timeframe specified in subparagraph (B) above and provides supporting documentation.
 - (C) The contribution is refundable if the project does not receive a tax credit certificate. A portion may also be refundable if the tax credit amount is significantly reduced due to reasonable cause as per Section 5520(y).~~5520 (v).~~
 - (D) A qualified motion picture that receives an increase in allocated tax credits, causing an additional contribution sum to become due, shall make a payment of that additional sum within thirty (30) business days of notification of that increase in allocation.
 - (E) The contribution must be made by business or personal check. No other payment options will be accepted.

NOTE: Authority cited: Sections 17053.98(e) and 23698(e), Revenue and Taxation Code; and Section 11152, Government Code. Reference: Sections 17053.95, 17053.98, 23695 and 23698, Revenue and Taxation Code; and Section 14998.1, Government Code.

§ 5526. Credit Certificate Issuance Process--Phase IV.

- (a) Within 48 months of the 30-month completion deadline for the qualified motion picture, as specified in subdivision (c), every applicant allocated tax credits under the California Film and Television Tax Credit Program 3.0 shall do one of the following:
 - (1) Submit the documents specified in this section, in an electronic format and/or hardcopy, as directed by the CFC; or,
 - (2) Submit a written notice to the CFC stating that they will not be requesting certification for the allocated credits; or,
 - (3) An applicant with insufficient tax liability to initiate the process at the timeframe set in subdivision (a) above can request an extension in writing.

(A) The CFC may approve one or more extensions of up to twelve (12) months for an applicant that requests such an extension and submits a statement of insufficient tax liability to initiate use of the allocated tax credits.

(B) The applicant shall request an extension no less than thirty (30) business days prior to the expiration of the timeline specified in subdivision (a) above or prior to the expiration of a previously approved extension for the request to be considered by the CFC.

(4) Failing to comply with the requirements of this subdivision shall constitute forfeiture of an applicant's allocated tax credits.

~~(a)~~(b) The applicant shall be required to submit the following documents upon completion of the qualified motion ~~picture~~picture, in an electronic format and /or hard copy, as directed by the CFC.

(1) - (2) (Continued)

(3) List of all Cast and Crew for the ~~project~~project with Social Security numbers redacted, if applicable.

(4) (Continued)

(5) (Continued)

(A) – (C) (Continued)

(D) Section 4. Production Shoot Days and Locations. Provide production shooting days inside and outside the Los Angeles zone, counties outside the LA zone, other states or countries; and provide Local Community Expenditure Report Form LE3. ~~(Rev. Sept. 12, 2019)~~(Rev. July 28, 2023), incorporated by reference, for each county outside of Los Angeles county if applicable.

(E) – (H) (Continued)

(I) Section 6. Career Readiness and Pilot Skills Training Program. (i) Verification of fulfillment of career readiness requirement utilizing one of the required forms CR1, CR2, CR3, CR4, CR5 ~~(New. June 25, 2019)~~(Rev. July 28, 2023), incorporated by reference. If applicable, verify submission of career readiness payment. (ii) Verification of pilot skills training program contribution with date paid and ~~amount~~amount, utilizing required form CPP (New. July 28, 2023), hereby incorporated by reference.

(J) – (M) (Continued)

(6) An agreed upon procedures report in compliance with the Program 3.0 AUP dated ~~June 25, 2019~~July 28, 2023, hereby incorporated by reference. The agreed upon procedures report shall be prepared and certified by a certified public accountant (CPA) who meets the following criteria:

(A) – (C) (Continued)

(7) - (12) (Continued)

~~(b)~~(c) (Continued)

~~(e)~~(d) (Continued)

~~(d)~~(e) (Continued)

~~(e)~~(f) (Continued)

~~(f)~~(g) (Continued)

NOTE: Authority cited: Section 17053.98(a), 17053.98(d), 17053.98(e), 17053.98(f), 23698(a), 23698(d), 23698(e) and 23698(f), Revenue and Taxation Code; and Section 11152, Government Code. Reference: Sections 17053.98 and 23698, Revenue and Taxation Code; and Section 14998.1, Government Code.

§ 5527. Jobs Ratio Ranking Process

(a) (Continued)

(b) The jobs ratio as defined in Section ~~5520(k)~~5520(l) may be increased by up to twenty-five percent (25%) if the qualified motion picture demonstrates an increase in economic activity in the state. This activity is based on the following:

(1) – (3) (Continued)

(c) – (h) (Continued)

NOTE: Authority cited: Sections 17053.98(e) and 23698(e), Revenue and Taxation Code; and Section 11152, Government Code. Reference: Sections 17053.98 and 23698, Revenue and Taxation Code; and Section 14998.1, Government Code.

§ 5528. On Screen Credit and Promotional Requirements

(a) (Continued)

(1) Provide an on-screen acknowledgement ~~to~~to THE STATE OF CALIFORNIA ~~AND~~and THE CALIFORNIA FILM COMMISSION and include the California Film Commission Logo, to be provided by the CFC to the applicant, except where that acknowledgement may be prohibited by the Children's Television Act or any other local, state, or federal government policy. ~~Such acknowledgement and logo shall appear on every episode of a television series except where prohibited as above.~~

(A) The acknowledgement must include a five-second long static logo in the end credits before the below-the-line crew crawl for the life of the project.

(B) Such acknowledgement and logo shall appear on every episode of a television series except where prohibited as specified in paragraph (1) above.

(C) The applicant may choose the wording of the acknowledgement and the placement of the required entities within that wording, but both entities specified in paragraph (1) above must be named.

(2) (Continued)

NOTE: Authority cited: Section 14998.1, Revenue and Taxation Code; and Section 11152 Government Code. Reference: Sections 17053.98(e) and 23698(e), Revenue and Taxation Code; and Section 14998.1, Government Code.

California Film & Television Tax Credit Program 3.0 AGREED UPON PROCEDURES

For Projects with Credit Allocation Letters issued on or after July 1, 2020

I. Introduction

Program 3.0 provides tax credits for qualified expenditures incurred when producing qualified motion pictures. The tax credits can be used to offset either California personal or corporate income taxes or sales and use taxes. A production company requesting a tax credit must submit an Independent Certified Public Accountant's Report on Applying Agreed-Upon Procedures (the 'Report') to demonstrate compliance with the program's requirements.

II. Statutory References

California Revenue and Taxation Code Sections:

1. 6902.5 (sales and use tax)
2. 17053.98 (personal income tax)
3. 23698 (corporate income tax)
4. California Code of Regulations, Title 10, Chapter 7.75, Sections 5520 - 5528

III. General

The following Agreed Upon Procedures (AUP) are to be performed by a certified public accountant (CPA) with an active California license to perform attest services. The CPA cannot provide production accounting services and agreed upon procedures services to the same production company as per Rule 101 of the American Institute of Certified Public Accountants Code of Professional Conduct and its interpretations and rulings. The CPA shall have successfully completed a California Film & Television Tax Credit Program 3.0 Orientation Meeting for CPAs. The accounting firm performing attest services must provide a letter from the board of review in the state in which the firm resides, evidencing the firm has actively participated in a peer review program for CPA firms performing Agreed Upon Procedures within the past 3 years from date services are rendered and has received a "pass" on said review. If the firm performing attest services is newly formed, the firm must provide evidence it is registered with the board of review in the state in which the firm resides for a peer review in the future.

The selected CPA must have sufficient knowledge of accounting principles and practices generally recognized in the film and television production industry. The CPA shall read the statute, regulations, guidelines, Qualified Expenditure Charts, Budget Tagging and Tracking Tips, and other Program 3.0 materials posted on the California Film Commission website. The appendices and/or exhibit numbers noted in red are included with this Report.

The following codes for expenses which are used to “tag” expenses by the production company are as follows: **ZC** – Out of Zone Consumables, **ZE** – Out of Zone Non-Wage Expenditures, **QW** – Qualified Wages, **QE** – Qualified Non-Wage Expenditures, **MW** – Music Wage Expenditures, **VU** – Visual Effects Expenditures, **OZ** – Out of Los Angeles Zone, **ZW** – Out of Los Angeles Zone Qualified Wages, **LW** – Local Hire Labor Qualified Wages, **NQ** – Non-Qualified Expenditures, **XX** – Non-qualified expenditures purchased/rented outside of CA.

1. The Report shall be prepared for the use of the following specified parties:
 - a. The production company (Company); and
 - b. The California Film Commission (CFC)
2. The Report should include the California CPA license number or proof of a valid out-of-state accounting firm registration for the firm practicing attest services.
3. The name of the production, the category (Feature Film, Independent Film \$10 Million and under, Independent Film over \$10 million, Miniseries, Television Series, Relocating Television Series, Pilot), Queue number and its Credit Allocation Number must also appear on the Report.
4. The Report must be dated as of the last day of the performance of all procedures.
5. The Company’s cost report must be presented in U.S. dollars.
6. The Company must provide documentation of all funds expended on the production both within and outside of California including pre-production, production and post-production periods.
7. Please include CPA name and contact information for the CPA responsible for the review and final sign off of the Report.
8. If, in connection with the application of the agreed upon procedures, matters come to the CPA’s attention by other means that significantly contradict the subject matter or assertion, the CPA should contact the CFC.

AGREED UPON PROCEDURES

The CPA shall perform the following procedures. Any exceptions are to be listed as a finding in the CPA’s report on applying agreed-upon procedures.

IV. Eligibility

1. Obtain the detailed cost ledger (e.g., Bible) of California Qualified Expenditures and Total Production Expenditures.
2. Obtain access to Applicant’s on-line Application and submitted materials from the Company, including the CFC-approved Qualified Expenditure Budget and Adjusted Jobs Ratio Comparison Calculator, **Exhibit 2**.

3. Obtain and read the Company's Credit Allocation Letter (CAL). Indicate in the Report the CFC Approved Jobs Ratio as stated by the CFC on the Credit Allocation Letter. Note in the Report the amount of tax credits reserved.
4. Obtain and inspect post-production documents (e.g., facility invoices) evidencing the date the final elements (e.g., final composite answer print, domestic air master, or digital cinema files) were created (foreign language or archival element creation does not apply). Determine and document in the Report the Qualified Period of the production, which begins as of the date of the CAL and ends 30 days after creation of the final element. Verify that the Qualified Production Period does not exceed 30 months after the date on which the CFC issued the CAL. Include Final Element Creation Letter as attachment **Exhibit A**.
5. Obtain and inspect documentation (e.g., call sheets and/or production reports, shooting schedules) for all principal photography days for the production in order to determine the following:
 - a. Based upon the inspection of the documentation, state the percentage of total California principal photography days as a percentage of the total principal photography days. (The total principal photography days in California ratio can be obtained by dividing the number of days of principal photography in California by the total number of principal photography days).
 - b. State the number of principal photography days outside the Los Angeles zone (OZ). As per Revenue and Taxation Code Section 17053.98(a)(4)(D)(i)(II)(ib) and Section 23698(a)(4)(D)(i)(II)(ib); only include in the day count OZ principal photography days in which the first scene of the day was photographed outside the Los Angeles zone. Note amount of OZ days in the Report and state the percentage of principal photography days outside the Los Angeles zone.
6. If the production did not meet or exceed 75% per the procedure in Section 5(a) above, perform the following procedures:
 - a. Obtain a detailed cost ledger of Total California Expenditures (including qualified and non-qualified expenditures) and the Total Production Expenditures. State the ratio of Total California Expenditures to the Total Production Expenditures.
 - b. Select a sample of expenditures from the Total California Expenditure population (including qualified and non-qualified expenditures) according to the sampling methodology noted in Appendix A2.
 - c. For each expenditure item selected, obtain and inspect invoices, proof of payment (e.g., bank statements, check images, credit card statement and reimbursement checks, if applicable) or other equivalent documentation. Verify that the expenditure amount agrees with the invoice and was incurred and paid for services and goods in California. The full value of all assets may be taken when determining eligibility if assets were rented or purchased and used in California. Adjust for known errors and recalculate Total California Expenditures and determine if 75% of Total Production Expenditures were spent in California.

7. Inspect the detailed cost ledger of Total Production Expenditures to determine that the Total Production Expenditures meet the minimum thresholds for Feature Films, Independent Films, Miniseries, Pilots, Relocating Television Series and Television Series per the statute.
8. Career Readiness requirement: Obtain appropriate verification form (CR1-CR5) from the Company issued by the designated representative of a California high school, community college, [California State University](#), or career-based learning and training program approved by the CFC which states that the Company has satisfied all the Career Readiness requirements. This form is a requirement to be eligible for the issuance of the tax credit certificate. If the Company made a financial contribution, verify contribution of .25% of estimated tax credit (minimum contribution of \$5,000, maximum contribution of \$12,000) and include proof of payment and a copy of the Career Readiness Verification form with the Report, **Exhibit B**.
9. Pilot Skills Training Program: Obtain verification and copy of the receipt from the Company issued by the Pilot Skills Training program fiscal agent that a contribution of no less than 0.25% of the estimated tax credit (per the CAL) was paid. A portion may be refundable if the tax credit amount is significantly reduced due to reasonable cause (contact the CFC if reasonable cause may be a factor). Include proof as attachment **Exhibit C**.
10. If Company has not met eligibility standards as noted above, there is no need to continue with the AUP. Notify the Company's management to inform the CFC that they are ineligible for the tax credit program.

V. Qualified Non-Wage Expenditures (QE) - Inside and Outside the Los Angeles Zone

1. Inspect the detailed cost ledger and verify that all QE are qualified as defined in California Revenue and Taxation Code 17053.98(b)(16) and 23698(b)(16) and do not include Non-Qualified Expenditures (NQ) as defined in 17053.98(b)(21)(B)(i)-(iv) or 23698(b)(21)(B)(i)-(iv). Adjust QE for any NQ ~~noted~~ noted, such as insurance premiums which may not have been prorated for out of state work and box/car/computer rentals for out of state qualified individuals which do not qualify unless purchased or rented and used in the state. Remove any findings from the population to be sampled below.
2. Select the non-payroll samples from the detailed cost ledger according to the sampling methodology noted in Appendix A2. For Television Series, the CPA must sample items from each episode, including amortization costs. For each expenditure item selected in the samples perform the following procedures:
 - a. Inspect invoices, proof of payment (e.g., bank statements, check images, credit card statement and reimbursement checks, if applicable) or other equivalent documentation. Verify that expenditure amount is correct, incurred and paid for services incurred and goods purchased or rented and used in QE must be purchased or rented from a California In-State Vendor as per Section 5520(d) in the Regulations. If purchased from an internet source, verify item was purchased from entity registered to do business in California and shipped from a California location to a California location.

- b. Verify that the expenditure was not associated with activities specifically excluded by the statute.
 - c. Verify that the expenditure was allowable as defined by sections 17053.98(b)(16) and (b)(18)(B)(i)-(iv) and sections 23698(b)(16) and (b)(18)(B)(i)-(iv) of the statute. In particular, inspect travel costs-costs, insurance premiums which may not have been prorated for out of state work, and box/car/computer rentals for out of state qualified individuals, which do not qualify unless purchased or rented and used in the state.
 - d. Verify that the expenditure was not for in-kind services.
 - e. Verify that the expenditure was recorded net of any refunds, insurance claims, credit notes received for discounts, rebates, invoicing errors, and purchase returns, as recorded in the cost report.
 - f. Verify that the expenditure was recorded net of proceeds from any sale of the production assets.
 - g. Verify that the expenditures purchased and/or rented in California are prorated to reflect any usage out of the state.
 - h. If applicable, and expenditure is determined to be an electronic asset with a purchase price of \$250 or more or an asset with a purchase price of \$10,000 or more, verify the asset is included in the correct asset listing. If it is not included, include in asset listing, **Exhibit D**.
 - i. Verify that the expenditure (regardless of when paid) was not incurred prior to the date on which the CAL was issued. For insurance premiums, stage rentals, completion bond, or office rent payments made prior to the issuance of the CAL, confirm that these costs are prorated by the number of pre-production, production and post-production weeks and that only the prorated costs after the CAL date are included in QE. With the exception of insurance premiums, stage rentals, completion bond and/or office rental, prorations are not allowed; if a proration has been made in error, make adjustment and include in the Report.
 - j. Verify that the expenditure (regardless of when paid) was not incurred more than 30 days after creation of the final element.
3. For exceptions noted in the QE testing in procedure 2 above:
- a. For the sample identified in the Top Stratum of Appendix A2 (Non-Payroll), adjust QE for known errors noted during your testing.
 - b. For the samples identified in Appendix A2 (Non-Payroll) as Stratum 1 and Stratum 2, adjust QE for known errors noted during your testing and project the misstatement results of the samples to all items from which the samples were selected. For purposes of calculating the projected misstatement, divide the monetary amount of misstatement of the exceptions identified by the sample population total amount (rate of misstatement). Multiply this rate of misstatement to the total expenditure population from which the Stratum 1 and Stratum 2

samples were selected (refer to Appendix B for a misstatement example). Perform the following procedures based upon the results of the calculation of the projected misstatement:

- 1) If the projected misstatement does not exceed 2% of Qualified California Production Expenditures (non-payroll), document the projected misstatement in **Exhibit E**, the list of noted non-payroll exceptions. Do not make any adjustment to QE for a projected misstatement.
- 2) If the projected misstatement exceeds 2% of Qualified California non-payroll Production Expenditures, select a second additional sample according to the sampling methodology noted in Appendix A2 (Non-Payroll) for Stratum 1 and Stratum 2. Recalculate the projected misstatement for the second additional samples. If the projected misstatement for the second additional samples does not exceed 2%, document the projected misstatement in the Report. Do not make an adjustment to QE for a projected misstatement; however, do adjust QE for noted known errors in the second samples. If the projected misstatement from the second samples exceeds 2% of QE, adjust QE for the average of the two projected misstatements to QE population not sampled.
- c. Attach a listing of any known exceptions noted in the QE tests in procedures 2 and 3(b) above in **Exhibit E**. The listing should include amount, vendor/person, and nature of discrepancy.
4. Obtain from the Company a statement, either separately or within the representation letter, that all outstanding purchase orders and all invoices for qualified expenditures have been paid and attach as **Exhibit F**. If applicable, for any invoices or purchases orders that have not been paid, deduct expenditures from total QE.
5. Sort the detailed cost ledger by invoice/ledger posting dates. Inspect the descriptions in the ledger for invoice/ledger posting dates which are prior to the Qualified Period and 14 days after issuance of the CAL. After final element creation, inspect the detailed cost ledger 14 days after element creation and thereafter. Based on this description determine if expenditures were incurred within the Qualified Period. Summarize and inquire with client those expenditures which appear to be outside the Qualified Period. Based on your inspection and the inquiries with Company, adjust QE for any amounts outside the Qualified Period.
6. For the qualified items listed which required full or partial payment, such as insurance premiums, stage rentals, completion bond, or office rent (if not reviewed in procedure (V)(2)(i), made prior to the issuance of the CAL, confirm that these costs are prorated by the number of pre-production, production and post-production weeks or obtain a statement of allocation from the California based broker and/or completion bond company. Confirm only the prorated costs after the CAL date and no more than 30 days after creation of the final element are included in QE.
7. Obtain fixed asset listings from the Company of all assets used in the production as follows: (1) all electronic equipment with a purchase price equal to or greater than \$250; and (2) all other assets not considered electronic equipment with an original purchase price equal or over \$10,000. The listings should indicate the status of the assets (e.g.,

destroyed, sold, donated, being held for future productions, given to cast or crew, etc.). Attach a copy of both asset listings as **Exhibit D**. For all assets on the listings perform the following procedures:

- a. For all electronic assets (Include electronic assets purchased for set dressing and/or prop purposes) including but not limited to computers, hardware and relevant components, printers, copiers, etc. with a purchase price equal to or greater than \$250, verify that the QE is the lesser of the net costs of the asset after sales proceeds (if assets sold) or 20% of the original cost.-If asset was given to a non-qualifying cast or crew member or sold to a non-qualifying cast or crew member for less than 20% of original purchase price, verify that the cost of such asset is not included in the QE.
 - b. For all assets equal or over \$10,000 not including electronic equipment, verify the following: (1) If the asset is sold, verify that the QE is the lesser of the net costs of the asset after sales proceeds or 50% of the original cost of such asset; (2) If the asset is retained, verify that the QE is 50% of the original cost of such asset; (3) If the asset is destroyed during the process of production, verify that the production company maintains documentation to support the destruction of the asset (e.g., call sheets, production reports, still photographs, video footage, etc.) and allow 100% of that asset; and (4) If the asset is given to a non-qualifying cast or crew member or sold to a non-qualifying cast or crew member for less than 50% of original purchase price, verify that the cost of such asset is not included in the QE.
 - c. Based on description in the detailed cost ledger, search the detailed cost ledger for primary electronic assets by description name, including cameras, copiers, printers, computers, televisions and monitors. Inspect QE found for any purchased electronic assets equal or over \$250.00 not included on electronic asset list and include in electronic asset listing.
 - d. For exceptions noted in procedures (a), (b), and (c) above, adjust QE for known errors noted and include the listing of those errors in **Exhibit D**.
8. Obtain a listing of customized leased or rented items which are manufactured, assembled, or fabricated to specification with lease payments aggregating \$10,000 or more. Verify that these items are included on the asset listing noted above (Expenditures, procedure 7) if they meet any one of the following four conditions:
- a. If the term of the lease exceeds 75% of the life of the asset;*
 - b. If there is a transfer of ownership to the lessee at the end of the lease term;
 - c. If there is an option to purchase the asset for substantially less than fair market value (“Bargain price”) at the end of the lease term; *
 - d. If the present value of the lease payments, discounted at an appropriate discount rate, exceeds 90% of the fair market value of the asset.

Any such rental or lease agreement that meets the above standards for a capital lease will be considered a purchase and subject to the 50% limitation for purposes of determining QE as per above expenditure procedure 7(b).

*If the asset value or asset life is not explicit, please contact the CFC to discuss.

9. Verify with the Company the names of any and all visual effects, digital effects, post production sound and/or title companies which worked on the production whose costs are being claimed as QE. Verify that all listed parties have provided the Company with documentation (e.g., letter on letterhead signed by managerial level personnel with knowledge of the project, with contact information including address and phone number) indicating the dollar amount of work which was performed in the state. If applicable, the letter must state the names of any subcontractors and indicate the dollar amount of work that was performed in the state through those subcontracted vendors. Verify that only the amount of work performed within the state of California is included in the total QE. Adjust QE for any work which was not performed in California. Applicant must include vendor letters and list of such vendors in **Exhibit G**, the verification letters.
10. Verify with the Company that any insurance claims related to QE have been properly credited in the cost report and obtain a signed letter from a Company representative (or as part of the representation letter) stating that the applicant (indicated in the CAL) has properly disclosed all insurance claims whose costs are being claimed as QE. Verify that completion bond expenditures, if applicable, are reported net after rebate and include in **Exhibit F**.

VI. Qualified Wage Expenditures (QW) – Inside and Outside the Los Angeles Zone

1. Obtain documentation (e.g., email or letter on letterhead signed by authorized representative) from the payroll service verifying that there are no outstanding invoices pending for work incurred up to 30 days after the creation of the final element. Adjust QW (and QE if applicable) for any non-paid invoices. Applicant must include a payroll representative letter or email with documentation submitted as **Exhibit H**.
2. Inspect the detailed cost ledger and verify that it only contains account codes entered for qualified individuals as defined in California Revenue and Taxation Code Section 17053.98(b)(17)(A) and (B)(i-ii) or 23698(b)(17)(A) and (B)(i-ii), and that all wages are qualified as defined in 17053.98(b)(21)(A)(i)-(iv) or 23698(b)(21)(A)(i)-(iv). Adjust QW for any non-qualified individuals or misclassified wages. Verify that any box/car/cell phone allowances classified as wage but rented from out-of-state workers are reclassified as non-qualified expenditures. In your review, include non-qualified payroll that may have been mis-tagged and should be qualified. Remove findings from population in the next procedure.
3. Select a sample of employees from the Qualified Wages in the detailed cost ledger according to the sampling methodology noted in Appendix A2 (Payroll). For a Television Series, the CPA must sample from each episode, including amortization costs. For each employee selected in the sample perform the following procedures:
 - a. Compare the amount of the QW in the detailed cost ledger for the individual with the payroll register from payroll company which incorporates payroll with week

ending dates within the Qualified Period. For any variances determine if the cause is due to vacation pay, holiday pay or equivalent reconciling items. Disqualify all salaries, wages, and fees included in the detailed cost ledger that are not included in the payroll register or unknown variances.

- b. Inspect time cards, production reports, call sheets or other equivalent documentation. Verify that wage amount is incurred for services performed in California.
 - c. Inspect invoices from “qualified entities”. Verify the date the expenditure was incurred, and that the loan out company name and the amount of the expenditure agrees with supporting payroll records. Verify that the expenditure was incurred in California.
 - d. Verify that the QW only include those expenses listed in Revenue and Taxation Code Section 17053.98(b)(21)(A)(i)-(iv) or Section 23698(b)(21)(A)(i)-(iv) and do not include any of the expenses listed in Section 17053.98(b)(21)(B)(i)-(iv) or Section 23698(b)(21)(B)(i)-(iv).
 - e. Determine that only “qualified individuals” as defined in Revenue and Taxation Code Section 17053.98(b)(17) or 23698(b)(17), received QW.
 - f. Verify that all QW do not include compensation for any work incurred out of the state.
 - g. Verify that the QW (regardless of when paid) was not incurred prior to the date on which the CAL was issued.
 - h. Verify that QW (regardless of when paid) was not incurred more than 30 days after creation of the final elements.
 - i. Verify that the QW are paid by the Company or its payroll service and only include those items indicated as QW on the Qualified Expenditure Charts. If payroll entity has a different federal ID for signatory purposes, contact CFC.
4. For exceptions noted in the QW test in procedure 3 above:
- a. For the sample identified in the Top Stratum of Appendix A2 (Payroll), adjust QW for known errors noted during your testing.
 - b. For exceptions noted in the QW test in procedure 3(a) through (i) above, for the sample identified in Stratum 1 in Appendix A2 (Payroll), adjust QW for known errors noted during your testing and project the misstatement results of the sample to all items from which the sample was selected. For purposes of calculating the projected misstatement, divide the monetary amount of misstatement of the exceptions identified by the sample population total amount (rate of misstatement). Multiply this rate of misstatement to the total QW population from which the Stratum 1 sample was selected. Perform the following procedures based upon the results of the calculation of the projected misstatement:

1. If the projected misstatement does not exceed 2% of QW, document the projected misstatement in the Report. Do not make adjustments to QW for the projected misstatement.
 2. If the projected misstatement exceeds 2% of QW, select a second additional sample according to the sampling methodology noted in Appendix A2 (Payroll) for Stratum 1. Recalculate the projected misstatement for the second sample. If the projected misstatement for the second sample does not exceed 2%, document the projected misstatement in the Report. Do not make adjustments to QW for a projected misstatement; however, do adjust QW for noted known errors in this second sample. If the projected misstatement from the second sample selection exceeds 2% of QW, adjust QW for the average of the two projected misstatements to the QW population not sampled.
 - c. Attach a listing in **Exhibit J** of any payroll exceptions noted in the QW tests in procedures 3 and 4(b) above. The listing should include amount, person or entity, and nature of discrepancy.
5. Sort the detailed cost ledger by invoice/ledger posting dates. Inspect the descriptions in the ledger for invoice/ledger posting dates which are prior to the Qualified Period and 14 days after issuance of the CAL. After the final element creation, inspect the detailed cost ledger 14 days after element creation and thereafter. Based on this description, determine if QW including qualified fringes were incurred within the Qualified Period. Summarize and inquire with client those QW which appear to be outside the Qualified Period. Based on your inspection and the inquiries with Company, adjust the QW for any amounts outside the Qualified Period.
6. Obtain the final “galley” or “checker” or electronic version of the main (if applicable) and end title credits for the production.
- a. For those individuals receiving both above the line (ATL) and below the line (BTL) credits (Dual Role Employees), please note the names, qualified compensation, and end title credits received and attach in **Exhibit K**.
 - b. For any Dual Role Employee whose BTL wages are not within industry standards or equivalent with other crew in similar positions, adjust QW. Additionally, verify that QW for DGA Unit Production Managers and/or Assistant Directors with ATL credits have no more than \$100,000 in wages (exclusive of guild or union or other qualified taxes, fees, or fringes, if applicable). If determination cannot be reached, contact the CFC to discuss.
 - c. For any Dual Role Employees that were tagged as NQ, but received qualified credits, adjust the NQ to QW. Note - that for DGA Unit Production Managers and/or Assistant Directors with ATL credits have no more than \$100,000 in wages (exclusive of guild or union or other qualified taxes, fees, or fringes, if applicable). If determination cannot be reached, contact the CFC to discuss. Box rentals and qualified fringes are not part of the \$100,000 cap.
 - e.d. Inspect the main and end title credits for all individuals working in non-qualified positions (e.g., performers, producers, directors, composer, etc.). Perform a

search in QW to ensure their individual wages are not included. Verify that all non-qualified individuals receiving only an ATL credit have no qualified wages included in QW. Adjust the QW for known errors and note such findings in **Exhibit K**.

~~e.e.~~ Inspect end credits and note in the Report if CFC acknowledgement and logo are included or not included. For a television series or mini-series, the acknowledgement and logo are required on each episode.

7. Verify with the Company that any insurance claims related to QW have been properly credited in the cost report and obtain a signed letter from a Company representative stating that the applicant (indicated in the CAL) has properly disclosed all insurance claims whose costs are being claimed as QW. The information in this letter can be incorporated into the representation letter, **Exhibit F**.
8. Out of Los Angeles Zone Qualified Wages Excluding Local Hire Labor (ZW) (Excluding Independent Productions and Relocating TV Series)
 - a. Select the top 15 highest paid employees from the detailed cost ledger indicated as ZW. If the percentage of principal photography days outside the Los Angeles zone is over 50% per Eligibility procedure 5(b) above, select the top 30 ZW employees.
 - b. Inspect time cards and/or individual weekly payroll summary reports and note the dates in which OZ location is indicated. Time cards may designate “bus-to” for a nearby location outside the Los Angeles Zone and should include county.
 - c. Confirm OZ location is defined as an OZ location as per Revenue and Taxation Code Section 17053.98(a)(4)((II)(ib) or Section 23698(a)(4)(II)(ib).
 - d. Inspect shooting schedule, call sheets and production reports to determine that ZW was incurred at the OZ location during the Applicable Period (as defined in Section 5520(a) of the Regulations).
 - e. Obtain daily payroll report by individual or other relevant payroll report and reconcile the OZ wages identified in the ledger with the OZ wages in the daily payroll reports by individual.
9. For exceptions noted in ZW testing in procedure 8 above:
 - a. Adjust ZW for known errors noted during your testing.
 - b. Project the misstatement results of the sample to the ZW from which the sample was selected. For purposes of calculating the projected misstatement, divide the monetary amount of misstatement of the exceptions identified by the sample population total amount (rate of misstatement). Multiply this rate of misstatement to the total ZW population from which the sample was selected. If the known errors noted during testing result in an adjustment to NQ, rather than an adjustment to QW, do not include these errors when calculating the rate of misstatement.

- c. If the projected misstatement does not exceed 2% of ZW, document the projected misstatement in the Report. Do not make adjustments to ZW for the projected misstatement.
- d. If the projected misstatement exceeds 2%, adjust ZW for the projected misstatement amount to the ZW population that was not sampled and reclassify errors to QW.
- e. Attach known errors and projected misstatement (if applicable) from the above ZW procedures 8 and 9 as **Exhibit L**, the summary of wage exceptions related to uplift and bonus points.

10. Local Hire Labor Qualified Wages (LW)

- a. Select the top 15 highest paid employees from the detailed cost ledger indicated as LW. If the percentage of principal photography days outside the Los Angeles zone is over 50% per Eligibility procedure 5(b) above, select the top 30 LW employees.
- b. Inspect documentation provided by production accountant and/or payroll service in accordance with Section 5521(h)(7)(B)1. of the regulations and verify employee address is outside the Los Angeles zone. Payroll reports should indicate employees by zip code to help identify individuals residing outside the Los Angeles zone (as per section (d) below). If address is not outside the Los Angeles zone, reclassify as QW or ZW, as applicable. ~~If required documents are not readily available and completed, the wages will not qualify for the LW uplift.~~
- c. Verify that Box/car/cell phone allowances from qualified individuals who live in the Los Angeles zone but are working outside the LA zone do not receive a local wage uplift, as the items were not purchased or rented out of the zone. If required documents are not readily available and completed, the wages will not qualify for the LW uplift.
- ~~e.d.~~ Inspect time cards and/or individual weekly payroll summary reports and note the dates in which OZ location is indicated. Time cards may designate “bus-to” for a nearby location outside the Los Angeles Zone and should include county.
- ~~e.e.~~ Confirm OZ location is defined as an OZ location as per Revenue and Taxation Code Section 17053.98(a)(4)(11)(ib) or Section 23698(a)(4)(11)(ib).
- ~~e.f.~~ Inspect shooting schedule, call sheets and production reports to determine that the qualified Local Hire Wages were incurred outside the Los Angeles zone during the applicable period (as defined in Section 5520(a) of the Regulations).
- ~~f.g.~~ Obtain daily payroll report by individual or other relevant payroll report and reconcile LW identified in the ledger with the qualified Local Hire wages in the daily payroll reports by individual.

11. For exceptions noted in the LW testing in procedure 10 above:

- a. Adjust LW for known errors noted during your testing.

- b. Project the misstatement results of the sample to the LW from which the sample was selected. For purposes of calculating the projected misstatement, divide the monetary amount of misstatement of the exceptions identified by the sample population total amount (rate of misstatement). Multiply this rate of misstatement to the total LW population from which the sample was selected. If the known errors noted during testing result in an adjustment to NQ, rather than an adjustment to QW or ZW, do not include these errors when calculating the rate of misstatement.
- c. If the projected misstatement does not exceed 2% of LW, document the projected misstatement in **Exhibit L**. Do not make adjustments to LW for the projected misstatement.
- d. If the projected misstatement exceeds 2%, adjust LW for the projected misstatement amount to the LW population that was not sampled. Reclassify the projected misstatement amount proportionally to QW and ZW, as applicable.

VII. Music Wage Expenditures (MW) (does not apply to Independent Films with budgets of \$10 Million Dollars and under)

1. Identify MW wages in the detailed cost ledger paid to individuals with the following job classifications: instrumental musicians, vocalists, music arrangers, orchestrators, Musical Instrument Digital Interface (MIDI) transcribers, music copyists, music librarians, conductors (unless also composer), musician and choral contractors.
2. If wages were paid by the Company or its payroll service, select a sample of the top 10 wage earners and verify through payroll ledger that the individuals had MW qualified job titles per the listing in procedure (VII)(1).
3. If wages were paid by a third-party music payroll service, select a sample of the top 5 transactions (by dollar value), examine backup documentation (such as invoices and check copies) and verify that all tested amounts represent MW qualified job titles per the listing in procedure (VII)(1).
4. Adjust total MW wages for any errors noted and attach findings to **Exhibit L**.

VIII. Non-Qualified Expenditure Testing (non-payroll)

1. Select a sample of NQ (other than payroll) from the detailed cost ledger which includes all items \$25,000 or over and haphazardly select an additional 15 items.
2. For each expenditure item, inspect invoices, proof of payment or other equivalent documentation. Verify that the expenditure was not qualified as per Revenue & Tax code 17053.98(b)(21)(B)(i-iv) or 23698(b)(21)(B)(i-iv) and was not purchased or rented and used in California during the applicable period.
3. For exceptions noted in the prior procedure, adjust for known errors and as per findings, reclassify as QE or QW. Utilize these additional findings, if applicable, when calculating Jobs

Ratio and tax credit amount. Attach findings and state error rate in **Exhibit M**, the list of noted NQ reclassifications.

IX. Related Parties & Other Affiliations

1. Obtain from the Company a schedule listing of all related party transactions (including parties with a 5% or greater ownership in or affiliation with the Company) for which the Company is including the transactions in the California Qualified Expenditures. The listing should note the type of relationship between the related party and the Company and the nature and amount of the transactions.
2. Obtain a signed letter from a Company representative stating that the applicant (indicated in the CAL) has properly disclosed all related parties and related party transactions and that the schedules produced in accordance with item number 1 above are complete and accurate. This statement may be included in the applicant representation letter, **Exhibit F**.
3. From the schedule obtained in item number 1, select a sample of related party transactions for testing. Select all transactions greater than \$25,000; if related party issues were addressed, it is not necessary to retest items tested in QE procedure V(2) and/or procedure QW procedure VI(3). For the transactions less than \$25,000, haphazardly select 15 transactions for testing. Perform the following procedures for each related party transaction selection:
 - a. For selected QE paid to related parties:
 - (1) Inspect studio rate cards or comparison bids obtained by the Company to determine that related party transactions did not exceed the highest rate/bid. In addition, inspect pass-through vendor invoices to determine no markup was added. Any expenditures above the highest rate/bid and/or which were marked up when passed through the related party must be noted and explained on the related party transaction listing attachment, see procedure #4.
 - (2) Verify that the expenditure is allowable as per QE procedure V(2).
 - b. For selected QW paid to related parties:
 - (1) Verify that any amounts paid to individuals as defined in Revenue and Taxation Code Sections 17053.98 (b)(17)(B)(i-ii) and 23698(b)(17)(B)(i-ii) are not included in QW.
 - (2) Verify that the wage is allowable as per QW procedure VI(3).
 - (3) Compare rate of pay with applicable union rate or industry standard for position. If industry standard wages for type of position in relation to production type and budget levels are not explicit, contact the CFC.
 - (4) For any qualified wages paid by a related party, verify that the wages paid by the related party are by the same entity (same federal ID #) in which

the Applicant is paying wages. If not, expenditure must be considered non-wage. (If paying entity has a different federal ID for signatory purposes, contact the CFC.)

- a. Request documentation from related party to verify that employee of related party worked on the production (e.g., time card, crew list, production report, screen credit).
 - b. For studio personnel whose wages are prorated based on work on other studio productions, request documentation to verify proration is accurate, based on comparing salary with payments on other studio productions.
- (5) Attach an electronic listing as **Exhibit N** of all related party transactions obtained in procedure 1 above. Note and explain any sampled transactions that did not have comparison bids, were above the higher rate/bid, and/or were marked up when passed through the related party.

X. Non-Independent Productions: Additional tax credit calculation (Uplifts)

Note: This procedure is not applicable to Relocating Series in their first season in California.

1. Visual Effects

- a. Obtain from the Company a detailed listing of all worldwide visual effects (VFX) expenditures from the detailed cost ledger and cross reference amounts from VFX vendor letters in QE procedure V(9) with inspection of invoices, ledgers, etc. **(Exhibit G)**. Determine if the production spent either a minimum of \$10 million dollars or 75% of their total worldwide VFX expenditures on qualified VFX in California. If so, note percentages and amount in the Report.
- b. Obtain a signed letter from a Company representative stating that the applicant (indicated in the CAL) has properly disclosed all visual effects expenditures worldwide. Include as part of the representation letter **Exhibit F**.
Note: If VFX spend does not qualify for uplift but the Company has qualified VFX expenditures, perform procedure below to determine amount of qualified VFX in order to complete Jobs Ratio bonus points procedure in Section XII (1)(a).
- c. Select a sample from the detailed cost ledger items identified as qualified for the visual effects uplift (VU) containing the top 5 highest costs and 5 additional haphazardly selected costs.
- d. Verify the sampled costs were incurred in California and qualify for the additional 5% tax credit (VU Uplift) as per section ~~5520(aa)~~5520(ee) of the Regulations by reviewing VFX categories indicated in green on the applicable Qualified Expenditure Chart (QEC). Adjust VU for expenditures which do not qualify for VU Uplift (or bonus points) and include in attachment **Exhibit O**, visual effects adjustment and reclassification. If the sampled VU costs represent Outside Contract Bids / VFX Vendor costs, verify that the costs are prorated 70% QW and 30% QE as per Revenue and Tax Code Sections 17053.98(b)(7) and 23698(b)(7).

Reclassify between QW and QE as necessary, based upon the errors noted.
(Exhibit O)

e. Note findings in **Exhibit Q**, uplifts and bonus points.

2. Out of Zone Expenditures:

a. Non-wages – Out of Zone Consumables Expenditures (ZC)

- (1) Select top 15 ZC expenditures and haphazardly select an additional 10 items labeled ZC and verify that the expenditures were purchased or rented from an out of the zone vendor and meet the definition of a consumable as defined in Section 5524(e)(3)(B) in the Regulations. In particular, scrutinize equipment and/or box rentals from non-local personnel, as they do not qualify as ZC.
- (2) Perform procedures in QE Section V(2) unless previously tested .
- (3) For exceptions noted above, adjust ZC for known errors and project the misstatement results of the sample to all items from which the sample was selected.
- (4) If the projected misstatement does not exceed 2% of ZC, document the projected misstatement in attachment **Exhibit P**, summary of OZ nonwages. Do not make adjustments to ZC for the projected misstatement.
- (5) If the projected misstatement exceeds 2%, adjust ZC for the projected misstatement amount to the ZC population that was not sampled and include findings in **Exhibit P**.
- (6) Utilizing findings from above procedures and calculate total amount of ZC eligible for additional 5% tax credit. Note in attachment **Exhibit Q** and in **Exhibit 1A**.

b. Non-wages – Out of Zone Non-Wage Expenditures (ZE)

- (1) Select top 15 ZE expenditures and haphazardly select an additional 10 items labeled ZE and verify that the expenditures were purchased or rented from an out of zone vendor.
- (2) Perform procedures in QE Section V(2) unless previously tested.
- (3) For exceptions, adjust ZE for known errors and project the misstatement results of the sample to all items from which the sample was selected. If the projected misstatement does not exceed 2% of ZE, document the projected misstatement in the Report. Do not make adjustments to ZE for the projected misstatement. If the projected misstatement exceeds 2%, adjust ZE for the projected misstatement to the out of zone ZE population that was not sampled and attach findings in **Exhibit P**.

(4) Utilize findings in Eligibility Section IV (5)(b) to prorate the sum from procedure above by utilizing the percentage of principal photography OZ days in relation to total California principal photography days to calculate total amount of ZE eligible for additional 5% tax credit. Note in attachment **Exhibit Q** and **Exhibit 1A**.

c. Out of Zone Wages

(1) Utilize population in the ledger tagged as ZW incorporating findings in QW procedures VI(8) and (9) to determine amount of ZW eligible for additional 5% tax credit during the Applicable Period. Include findings in **Exhibit Q**.

(2) Utilize population in the ledger tagged as LW incorporating findings in QW procedures VI(10) and (11~~4~~) to determine amount of LW eligible for additional 10% tax credit during the Applicable Period. Include findings in **Exhibit Q**.

XI: Independent Films and Relocating TV Series: Additional tax credit calculation (Uplifts)

1. Local Hire Labor Qualified Wages (LW)

a. Utilize findings from Section VI(10) and (11) to calculate LW uplift (5%) for Independent Films and Relocating TV Series, if applicable, and note findings in **Exhibit Q** and in **Exhibit 1B**.

2. Visual Effects

a. For Independent Films with qualified expenditures \$10 million or ~~under~~over, and Relocating TV Series, utilize findings in QE procedure ~~V(8)~~V(9) and if applicable, verify that top 5 highest cost and 5 haphazardly chosen expenditures tagged VU were incurred in California and qualify for bonus points as per section 5527(b)(1) of the Regulations by comparing to the VFX categories indicated in green on the applicable QEC. Adjust VFX expenditures for costs which do not qualify for bonus points. Verify that sampled Outside Contract Bids / VFX Vendor costs are prorated 70% QW and 30% QE as per Revenue and Taxation Sections 17053.98(b)(7) and 23698(b)(7) and reclassify between QW and QE as necessary, based upon the errors noted. Include findings in attachment **Exhibit O**.

XII. Re-computation of Jobs Ratio

1. Qualified Visual Effects

a. Utilizing findings from procedure 1 in Section X and procedure 2 in Section XI, state the amount of qualified visual effects performed in California eligible for additional bonus points (no minimum VFX spend requirements for additional bonus points) in attachment **Exhibit Q**.

2. Out of Los Angeles Zone Days
 - a. Utilizing findings from Eligibility Section IV (5)(b), state the number of principal photography days outside the Los Angeles zone as defined in Revenue and Taxation Code Section 17053.98(a)(4)(D)(i)(II)(ib) and Section 23698(a)(4)(D)(i)(II)(ib); state the percentage of principal photography days outside the Los Angeles zone as a percentage of the total principal photography days in California.
3. Musician Scoring/Track Recording Wages (excludes Independent Films with qualified expenditures of \$10 Million Dollars and under)
 - a. Utilizing findings from Section VII, state the amount of wages eligible for bonus points. **(Exhibit Q)**
4. Obtain Adjusted Jobs Ratio Comparison Calculator **(Exhibit 2)** from the CFC website portal. Input findings related to schedule from Section IV (Eligibility) and verified QW and QE excluding completion bond fees or any “uplifts”. Note maximum tax credit amount in re-computation is capped at CAL amount. Include the completed form **Exhibit 2** in Excel format.

Note final jobs ratio in **Exhibit 1A** or **1B** as applicable.

5. Compare original CFC approved Adjusted Jobs Ratio from Eligibility procedure IV(3) to the re-computed Adjusted Jobs Ratio. If the new Adjusted Jobs Ratio is significantly lower than the original Jobs Ratio, a penalty may apply. If the Jobs Ratio has been reduced by more than 10 percent, the credit will be reduced by the total percentage, (e.g., if 9%, no reduction; if 12% reduction, then the penalty percentage is 12%). If the penalty percentage is over 20%, reduce by total percentage and state in the Report.
6. If the Company states there is reasonable cause as defined in the Regulations, Section ~~5520~~(v)5520(y) to justify the reduction in the Jobs Ratio, please inform a representative of the Company to contact the CFC. Once the CFC has made a determination, obtain verification from the CFC and recalculate the Jobs Ratio if necessary. A reduction in the jobs ratio due to reduced expenditures related to Covid-19 pandemic may be included in the definition of reasonable cause.

XIII. Wrap-up Procedures

1. As applicable, verify and note that the Independent Film did not exceed a maximum of \$2.5 million dollars in tax credits (the \$10 million-dollar qualified expenditure threshold exclusive of uplifts) or the non-independent project did not exceed \$20 million dollars in tax credits (the \$100 million qualified expenditure threshold exclusive of uplifts). Verify that uplift amounts do not exceed the maximum allowable as per Section 5522 (f) and (g) of the Regulations.
2. If applicable (if the production does not meet the 75% principal photography threshold in Section IV Eligibility procedure 5), recalculate the 75% spend test (e.g., Eligibility procedure 6) after accounting records are revised for findings in QE and QW

procedures. Confirm that 75% of Total Production Expenditures were spent for California Expenditures.

3. If completion bond costs are included in qualified spend, obtain total completion bond costs and recalculate as a percentage of qualified expenditures not to exceed 2%. If cost exceeds 2%, reduce completion bond fee to no more than 2% of qualified spend.
4. Complete and attach **Exhibit 1A** or **1B** as applicable, based on findings in **Exhibit 2**.



California Film and Television Tax Credit Program 3.0

Credit Allocation Letter

Credit Allocation Letter _____ Date _____
Fiscal Year _____

Production Title _____
Production Type _____ Independent Film

Production Period Estimated Start Date of Principal Photography _____
Estimated End Date of Post-Production _____

Qualified Taxpayer

Applicant Entity: _____
Production Contact, Title: _____
Address: _____
City: _____
State: _____ Zip: _____
Phone: _____
Cell: _____
Email: _____
Taxpayer ID Number: _____
Type of Entity: _____

TAX CREDIT ALLOCATION RESERVED
TAX CREDIT ALLOCATION CAP

The allocation of tax credits indicated in this letter are not guaranteed and are only an estimate. Final granting of tax credits is subject to examination and verification of the claimed Qualified Expenditures, pursuant to the laws and regulations of the California Film and Television Job Retention and Promotion Act. "Tax credit allocation cap" refers to the sum the applicant would be eligible for, independent of available credits, and is the sum that should be allocated upon availability of credits, as applicable.

Granted by:

California Film Commission

Date



Career Readiness Requirement

Verification Form: **PAID INTERNSHIP**

PRODUCTION COMPANY VERIFICATION

Date _____ Queue # _____

Project Title _____

Primary Contact Name _____

Email Address _____

Office Phone _____ Cell Phone _____

**THIS VERSION
REPEALED**

PRODUCTION COMPANY VERIFICATION

Start Date _____ End Date _____

Department _____ Total # of Hours _____

Internship Duties Description: _____

Reviewed timecards and payroll records. Verified intern is at least 18 years of age.

Submitted images of intern at work. Yes No

Verified intern is from CA High School, Community College, or approved career-based learning program.

Signature _____ Date _____

CAREER READINESS ORGANIZATION & INTERNSHIP ACKNOWLEDGEMENT

School OR Career Based Learning Program _____

Program Type / Degrees Offered Associate Certificate H.S. Diploma Other _____ N/A

INTERN INFORMATION & ACKNOWLEDGEMENT

Name _____ Email _____

Area of Interest _____ Cell Phone _____

Reviewed stated hours worked. Survey completed. Video testimonial submitted. Yes No

Signature _____ Date _____



Career Readiness Requirement

Verification Form: **PAID INTERNSHIP**

PRODUCTION COMPANY INFORMATION

Date _____ Queue # _____

Project Title _____

Primary Contact Name _____

Email Address _____

Office Phone _____ Cell Phone _____

SCHOOL / ORGANIZATION & INTERNSHIP INFORMATION

School OR Career Based Learning Program _____

Program Type / Degrees Offered Associate Certificate H.S. Diploma Other _____ N/A

Intern's Name _____ Email _____

Area of Interest _____ Cell Phone _____

INTERNSHIP REQUIREMENT VERIFICATION

Start Date _____ End Date _____

Department _____ Total # of Hours _____

Internship Duties Description: _____

Reviewed timecards and payroll records. Verified intern is at least 18 years of age.

Verified intern is from CA High School, Community College, or approved career-based learning program.

Survey completed by intern. Video testimonial submitted. (Optional) Yes No

Submitted images of intern at work, if available. Yes No

I acknowledge and certify that the information provided above is accurate to the best of my knowledge or at least what would be expected of a reasonable person in the same capacity.

Primary Contact Name _____ Date _____



Career Readiness Requirement

Verification Form: **PROFESSIONAL SKILLS TOUR**

PRODUCTION COMPANY VERIFICATION

Date _____ Queue # _____

Project Title _____

Primary Contact Name _____

Email Address _____

Office Phone _____ Cel Phone _____

**THIS VERSION
REPEALED**

Professional Skills Tour Verification

Tour Date(s) _____

Location of Tour / Department _____ Total # of Hours _____

Brief description of tour activities and focus: _____

Submitted images of professional skills tour. Yes No

Signature _____ Date _____

CAREER READINESS ORGANIZATION & ACKNOWLEDGEMENT

School OR Career Based Learning Program _____

Program Type / Degrees Offered Associate Certificate H.S. Diploma Other _____ N/A

Classes Participating _____ # of Students Participating _____

Organizer's Name _____ Position _____

Email _____ Phone _____

Signature _____ Date _____

Career Readiness Requirement

Verification Form: **PROFESSIONAL SKILLS TOUR**

PRODUCTION COMPANY INFORMATION

Date _____ Queue # _____

Project Title _____

Primary Contact Name _____

Email Address _____

Office Phone _____ Cell Phone _____

SCHOOL OR ORGANIZATION INFORMATION

School OR Career Based Learning Program _____

Program Type / Degrees Offered Associate Certificate H.S. Diploma Other _____ N/A

Classes Participating _____ # of Students Participating _____

School/Organization Contact Name _____

Position _____ Email _____

EXTERNSHIP REQUIREMENT VERIFICATION

Tour Date(s) _____ Total # of Hours _____

Production Department Tour Location _____

Brief Description of Tour Activities and Focus _____

Survey completed by participants. Video testimonial submitted. (Optional) Yes No

Submitted images of professional skills tour, if available. Yes No

I acknowledge and certify that the information provided above is accurate to the best of my knowledge or at least what would be expected of a reasonable person in the same capacity.

Primary Contact Name _____ Date _____



Career Readiness Requirement

Verification Form: **FACULTY EXTERNSHIP / CONTINUING EDUCATION**

PRODUCTION COMPANY VERIFICATION

Date _____ Queue # _____

Project Title _____

Primary Contact Name _____

Email Address _____

Office Phone _____ Cell Phone _____

**THIS VERSION
REPEALED**

PRODUCTION COMPANY VERIFICATION

Externship Date(s) _____

Location of Externship / Department _____ Total # of Hours _____

Brief description of externship activities: _____

Submitted images of extern. Yes No

Signature _____ Date _____

EDUCATOR / EXTERN ACKNOWLEDGEMENT

School _____

Program Type / Degrees Offered Associate Certificate H.S. Diploma Other _____ N/A

Name _____ Title _____

Email _____ Phone _____

Courses Taught _____

Verified hours worked. Survey completed. Video testimonial submitted. Yes No

Signature _____ Date _____

Career Readiness Requirement

Verification Form: **FACULTY EXTERNSHIP / CONTINUING EDUCATION**

PRODUCTION COMPANY INFORMATION

Date _____ Queue # _____

Project Title _____

Primary Contact Name _____

Email Address _____

Office Phone _____ Cell Phone _____

EDUCATOR AND SCHOOL INFORMATION

Education Institution _____

Program Type / Degrees Offered Associate Certificate H.S. Diploma Other _____ N/A

Name _____ Title _____

Email _____ Phone _____

Courses Taught _____

EXTERNSHIP REQUIREMENT VERIFICATION

Externship Date(s) _____ Total # of Hours _____

Production Department Externship Location _____

Brief Description of Externship Duties _____

Survey completed by educator.

Video testimonial submitted. (Optional)

Yes No

Submitted images of educator at work, if available.

Yes No

I acknowledge and certify that the information provided above is accurate to the best of my knowledge or at least what would be expected of a reasonable person in the same capacity.

Primary Contact Name _____ Date _____



Career Readiness Requirement

Verification Form: **CLASSROOM WORKSHOPS / PANELS**

PRODUCTION COMPANY VERIFICATION

Date _____ Queue # _____

Project Title _____

Primary Contact Name _____

Email Address _____

Office Phone _____ Cell Phone _____

**THIS VERSION
REPEALED**

PRESENTATION, WORKSHOP, OR PANEL PRESENTERS

Name _____ Title _____

Name _____ Title _____

Name _____ Title _____

Name _____ Title _____

Name _____ Title _____

Presentation Date _____ Total # of Hours _____

Primary Contact Signature _____ Date _____

CAREER READINESS ORGANIZATION & ACKNOWLEDGEMENT

School OR Career Based Learning Program _____

Program Type / Degrees Offered Associate Certificate H.S. Diploma Other _____ N/A

Workshop / Event Topics: _____

Classes Participating _____ # of Students Participating _____

Organizer's Name _____ Position _____

Email _____ Phone _____

Organizer's Signature _____ Date _____



Career Readiness Requirement

Verification Form: **CLASSROOM PANEL / WORKSHOP**

PRODUCTION COMPANY INFORMATION

Date _____ Queue # _____

Project Title _____

Primary Contact Name _____

Email Address _____

Office Phone _____ Cell Phone _____

SCHOOL / ORGANIZATION PRESENTATION INFORMATION

School OR Career Based Learning Program _____

Program Type / Degrees Offered Associate Certificate H.S. Diploma Other _____ N/A

Classes Participating _____ # of Students Participating _____

School/Organization Contact Name _____

Position _____ Email _____

CLASSROOM WORKSHOP / PANEL / PRESENTATION VERIFICATION

Presentation Date _____ Total # of Hours _____

Workshop / Event Topics _____

Presentation, Workshop, or Panel Presenters

Name	Title	Name	Title
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____

Survey completed by participants. Video testimonial submitted. (Optional) Yes No

Submitted video and images of event, if available. Yes No

I acknowledge and certify that the information provided above is accurate to the best of my knowledge or at least what would be expected of a reasonable person in the same capacity.

Primary Contact Name _____ Date _____



Career Readiness Requirement

Verification Form: **FINANCIAL CONTRIBUTION**

PRODUCTION COMPANY VERIFICATION

Date _____ Queue # _____

Project Title _____

Primary Contact Name _____

Email Address _____

Office Phone _____ Cell Phone _____

Donation receipt from organization attached.

Signature _____ Date _____

FINANCIAL CONTRIBUTION RECIPIENT

Organization / Fund _____

Amount of Contribution _____

THIS VERSION

USE OF FUNDS: High Schools

- Teacher Professional Development & Externships
- Curriculum Development
- Equipment, Materials, Facilities
- Program Promotion
- Convening Industry Partners
- Student Leadership
- Other _____
- No Preference

NOTE: Write the check to "Californians Dedicated to Education Foundation"; write on the check "Career Readiness Program" in the memo line. Please request a receipt and submit it, along with the form, to the CFC for verification of the contribution when submitting final documentation for a tax credit certificate.

USE OF FUNDS: Community Colleges

- Non-Profit Internship Fund

NOTE: Write the check to "Foundation for California Community Colleges;" write on the check "Non-Profit Internship Fund" in the memo line. Please request a receipt and submit this form to the CFC for verification of the contribution when submitting final documentation for a tax credit certificate.

California Film Commission

Film and Television Tax Credit Program 3.0

Career Readiness Requirement

Verification Form: **FINANCIAL CONTRIBUTION**

PRODUCTION COMPANY INFORMATION

Date _____ Queue # _____

Project Title _____

Primary Contact Name _____

Email Address _____

Office Phone _____ Cell Phone _____

FINANCIAL CONTRIBUTION RECIPIENT

Organization / Fund _____

Amount of Contribution _____

The Production Company may contribute to California Department of Education (CDE) **or** Foundation of California Community Colleges (FCCC). The contribution must be of .25% of the estimated tax credit with a minimum of \$5,000 and a maximum of \$12,000. To verify financial contribution, a receipt obtained from CDE or FCCC must be submitted along with this form to the California Film Commission.

California Department of Education

Write check to *Californians Dedicated to Education Foundation*, with a note on the memo line - *Career Readiness Program*.

- Teacher Professional Development & Externships
- Curriculum Development
- Equipment, Materials, Facilities
- Program Promotion
- Convening Industry Partners
- Student Leadership
- Other _____
- No Preference

Foundation of California Community Colleges

Write check to *Foundation of California Community Colleges*, with a note on the memo line - *Non-Profit Internship Fund*.

- Non-Profit Internship Fund

I acknowledge and certify that the information provided above is accurate to the best of my knowledge or at least what would be expected of a reasonable person in the same capacity.

Primary Contact Name _____ Date _____

CALIFORNIA

Film Commission

California Film & Television Tax Credit Program 3.0

LOCAL COMMUNITY EXPENDITURE REPORT

In an effort to report the significant impact a production has on the local economy, the CFC requests an estimate of local expenditures and wages for each county (excluding L.A. county) ~~where filming occurs~~. Please fill out one form for each county where your production filmed, incurred local expenditures, hired local cast, crew, and/or background performers.

Instructions for Accountants: For all out of Los Angeles ~~county~~ County purchases and/or rentals, the county where the vendor is located must be noted. Do not include items purchased and/or rented in L.A. ~~county~~ County. For wages (local hire payroll only), note the county where the work is incurred during prep, shoot, and strike. Please create a free field code for each county, e.g., HC for Humboldt county, OC for Orange county, etc. so as to report the spend for each county. Exact spend is not crucial; estimates are acceptable.

Production Title _____ **Queue #** _____

County _____ **Total Shoot Days for Entire Project** _____

Shoot Dates _____ **Total # of Shoot Days in County** _____

Total # of Hotel Rooms _____

LOCAL HIRE PAYROLL		LOCAL VENDORS	
Local Hire Cast	\$ _____	Hotel Cost	_____
	# of Cast _____		
Local Hire Background Performers	\$ _____	Location Fees and Permits	_____
	# of Background Performers _____		
Local Hire Crew	\$ _____	All Other Local Rentals & Purchases	_____
	# of Crew _____		
Total Local Payroll	\$ _____	Total Local Vendor Spend	_____
Total Spend in County		\$ _____	

List any community support, events, and sponsorships which the production company provided in the county, if applicable.

This report was prepared by:

Print Name: _____ Title: _____

Email: _____ Phone: _____ Date: _____



Film and Television Tax Credit Program 3.0

PILOT CAREER PATHWAYS TRAINING PROGRAM

The Pilot Career Pathways Training Program is a requirement under Senate Bill 144 targeting underserved communities for entry into film and television industry jobs. These efforts, which can be applied, replicated or scaled to create broader impact and access to employment, should result in job opportunities and placement. Per the statute, approved applicants are required to fund the Pilot Skills Training Program, with the amount of .25% of the estimated tax credit on the Credit Allocation Letter (CAL). Payment must be made within 30 business days from the date of the CAL, or the CAL will be revoked. Applicants who face barriers to meeting the deadline must request an extension from the CFC prior to expiration of the 30-day deadline (see section 5525(a)(5)(B)1. of Title 10 of the California Code of Regulations).

INSTRUCTIONS

1. Fill out the form below and sign. Please make sure to include the name of the person or entity issuing the check and their relationship to the project in the designated fields below for verification purposes.
2. Make the check out to **IATSE Training Trust Fund**
3. Indicate on the memo line the title of your project and "CFC Pilot Skills Fund."
4. Submit this form along with your check to: CALIFORNIA FILM COMMISSION Attention: Tax Credit Program
7080 Hollywood Boulevard Suite 900 Hollywood, California 90028

Production Title	_____	Queue #	_____
Production Type	_____	CAL Date	_____
CAL Amount	_____	Payment Deadline	_____
Name/Entity on Check	_____	Relationship to Project	_____
Fund Amount	<div style="background-color: #fff9c4; width: 300px; height: 20px; border: 1px solid black;"></div>	Date on Check	_____

Approved Project's Contact Information

Applicant / Company	_____	Taxpayer ID #	_____
Parent / Studio	_____		
Contact Name	_____	Job Title	_____
Email Address	_____	Phone	_____
Mailing Address	_____		
Signature	_____	Date	_____

PAYMENT CONFIRMATION

Dear Applicant:
Thank you for your contribution; this email / form verifies that you are in compliance with the Pilot Skills Training Program Requirement.

Film and Television Tax Credit Program

Date

Submitted Check to IATSE TTF _____

Initials

USPS Tracking No. _____

REFUND INFORMATION (If applicable.)

Notified Fiscal Agent _____

Withdrawn, full amount due: _____

Reduction due to reasonable cause; balance due: _____

INITIAL STATEMENT OF REASONS

OVERVIEW

In 2018, the Legislature and Administration approved Senate Bill (SB) 878 (Ch. 456, Stat. 2018), which created the third iteration of the California Film and Television Tax Credit Program, applicable to taxable years beginning on or after January 1, 2020, and before January 1, 2025. Permanent regulations for the California Film and Television Tax Credit Program 3.0 were adopted on February 10, 2022, as Article 3 of Chapter 7.75 of Title 10 of the California Code of Regulations. These regulations provided a program to the motion picture industry allocating tax credits to qualified taxpayers in the motion picture industry until June 30, 2025. The provisions in the existing program provide for applicants to file a written application for the allocation of the tax credit and for the CFC to establish criteria for allocating tax credits, determine and designate applicants who meet the requirements to apply for the tax credit, and issue the credit certificate to the qualified taxpayer upon completion of an eligible and approved qualified motion picture.

The California Film and Television Tax Credit Program 3.0 encourages production companies regardless of distribution outlet to film in California instead of other states, provinces, and countries offering incentives. The Program is structured to encourage job creation and training opportunities for disadvantaged youth, and to increase and retain motion picture production in California.

The proposed amendments to the previously adopted California Film and Television Tax Credit Program 3.0 regulations clarify the specific processes necessary for Program implementation, enabling the state to successfully operate the Program and realize its benefits. The objective of these amendments is to ensure that Program processes and requirements are detailed and clear so that applicants can understand and utilize the Program as intended, and so that the CFC is better able to administer the Program fairly and consistently.

SPECIFIC PURPOSE FOR EACH REGULATION AND FACTUAL BASIS FOR DETERMINING THAT EACH REGULATION IS NECESSARY

5520

Section 5520, subdivision (g)

Specific purpose:

Subdivision 5520(g) is added to define the term "documentary" in order to clarify for prospective applicants how the concept applies to the Program because a documentary is one of the categories that is not a qualified motion picture, as defined in statute, and is therefore not eligible to apply for tax credit allocation.

Factual basis:

This definition is necessary to clarify eligibility parameters pursuant to and consistent with sections 17053.98(b)(18)(D) and 23698(b)(18)(D) of the Revenue and Taxation Code. This definition further ensures that applicants can navigate the Program with a clear understanding of the terminology in use.

The added regulation meets the "necessity," "clarity," and "consistency" standards of the APA, Section 11349 of the Government Code, subsections (a), (c), and (d). The regulation is also consistent with the requirements of style pursuant to Section 11343.1 of the Government Code and the principles of "plain English" rule drafting.

Section 5520, subdivisions (h), (i), (j), (k), and (l)

Prior subdivision (g) has been renumbered subdivision (h) to allow for the addition of new subdivision (g). This is a change without regulatory effect.

Prior subdivision (h) has been renumbered subdivision (i) to allow for the addition of new subdivision (g). This is a change without regulatory effect.

Prior subdivision (i) has been renumbered subdivision (j) to allow for the addition of new subdivision (g). This is a change without regulatory effect.

Prior subdivision (j) has been renumbered subdivision (k) to allow for the addition of new subdivision (g). This is a change without regulatory effect.

Prior subdivision (k) has been renumbered subdivision (l) to allow for the addition of new subdivision (g). This is a change without regulatory effect.

Section 5520, subdivision (m)

Specific purpose:

Paragraph 5520(m) defines a "limited series" for purposes of the California Film and Television Tax Credit Program 3.0 regulations clarifying that it has the same meaning as "miniseries" and referencing the definition for miniseries in regulations.

Factual basis:

Adding this paragraph is necessary to clarify that the term "limited series" has the same meaning as the term "miniseries" because the motion picture production industry uses these terms interchangeably and use of the term "limited series" has become more common, but only "miniseries" is defined in CFC regulations and sections 17053.98 and 23698 of the Revenue and Taxation Code.

The added regulation meets the "necessity," "clarity," and "consistency" standards of the APA, Section 11349 of the Government Code, subsections (a), (c), and (d). The regulation is also consistent with the requirements of style pursuant to Section 11343.1 of the Government Code and the principles of "plain English" rule drafting.

Section 5520, subdivisions (n), (o), (p), (q), (r), (s), (t), (u), (v), and (w)

Prior subdivision (l) has been renumbered subdivision (n) to allow for the addition of new subdivisions (g) and (m). This is a change without regulatory effect.

Prior subdivision (m) has been renumbered subdivision (o) to allow for the addition of new subdivisions (g) and (m). This is a change without regulatory effect.

Prior subdivision (n) has been renumbered subdivision (p) to allow for the addition of new subdivisions (g) and (m). This is a change without regulatory effect.

Prior subdivision (o) has been renumbered subdivision (q) to allow for the addition of new subdivisions (g) and (m). This is a change without regulatory effect.

Prior subdivision (p) has been renumbered subdivision (r) to allow for the addition of new subdivisions (g) and (m). This is a change without regulatory effect.

Prior subdivision (q) has been renumbered subdivision (s) to allow for the addition of new subdivisions (g) and (m). This is a change without regulatory effect.

Prior subdivision (r) has been renumbered subdivision (t) to allow for the addition of new subdivisions (g) and (m). This is a change without regulatory effect.

Prior subdivision (s) has been renumbered subdivision (u) to allow for the addition of new subdivisions (g) and (m). This is a change without regulatory effect.

Prior subdivision (t) has been renumbered subdivision (v) to allow for the addition of new subdivisions (g) and (m). This is a change without regulatory effect.

Prior subdivision (u) has been renumbered subdivision (w) to allow for the addition of new subdivisions (g) and (m). This is a change without regulatory effect.

Section 5520, subdivision (x)

Specific purpose:

Subdivision 5520(x) is added to define the term “reality television program” in order to clarify for prospective applicants how the concept applies to the Program because a reality television program is one of the categories that is not a qualified motion picture, as defined in statute, and is therefore not eligible to apply for tax credit allocation.

Factual basis:

This definition is necessary to clarify eligibility parameters pursuant to and consistent with sections 17053.98(b)(18)(D) and 23698(b)(18)(D) of the Revenue and Taxation Code. This definition further ensures that applicants can navigate the Program with a clear understanding of the terminology in use.

The added regulation meets the "necessity," "clarity," and "consistency" standards of the APA, Section 11349 of the Government Code, subsections (a), (c), and (d). The regulation is also consistent with the requirements of style pursuant to Section 11343.1 of the Government Code and the principles of "plain English" rule drafting.

Section 5520, subdivisions (y), and (z)

Prior subdivision (v) has been renumbered subdivision (y) to allow for the addition of new subdivisions (g), (m), and (x). This is a change without regulatory effect.

Prior subdivision (w) has been renumbered subdivision (z) to allow for the addition of new subdivisions (g), (m), and (x). This is a change without regulatory effect.

Section 5520, subdivision (aa)

Specific purpose:

Subdivision 5520(aa) is added to define the term “scripted series” in order to clarify for prospective applicants how the concept applies to the Program. Some categories not eligible to apply for tax credit allocation, such as, but not limited to a documentary or a reality television program, may partially rely on scripts or script-like materials, therefore scripted series must be defined as a fictional motion picture to ensure that the term can be used without implying eligibility for categories that are statutorily excluded from the Program.

Factual basis:

This definition is necessary to clarify eligibility parameters pursuant to and consistent with sections 17053.98(b)(18)(D) and 23698(b)(18)(D) of the Revenue and Taxation Code. This definition further ensures that applicants can navigate the Program with a clear understanding of the terminology in use.

The added regulation meets the "necessity," "clarity," and "consistency" standards of the APA, Section 11349 of the Government Code, subsections (a), (c), and (d). The regulation is also consistent with the requirements of style pursuant to Section 11343.1 of the Government Code and the principles of "plain English" rule drafting.

Section 5520, subdivisions (bb), (cc), (dd), (ee), (ff), and (gg)

Prior subdivision (x) has been renumbered subdivision (bb) to allow for the addition of new subdivisions (g), (m), (x), and (aa). This is a change without regulatory effect.

Prior subdivision (y) has been renumbered subdivision (cc) to allow for the addition of new subdivisions (g), (m), (x), and (aa). This is a change without regulatory effect.

Prior subdivision (z) has been renumbered subdivision (dd) to allow for the addition of new subdivisions (g), (m), (x), and (aa). This is a change without regulatory effect.

Prior subdivision (aa) has been renumbered subdivision (ee) to allow for the addition of new subdivisions (g), (m), (x), and (aa). This is a change without regulatory effect.

Prior subdivision (bb) has been renumbered subdivision (ff) to allow for the addition of new subdivisions (g), (m), (x), and (aa). This is a change without regulatory effect.

Prior subdivision (cc) has been renumbered subdivision (gg) to allow for the addition of new subdivisions (g), (m), (x), and (aa). This is a change without regulatory effect.

5521

Section 5521, subparagraph (h)(4)(A)

The reference to subdivision 5520(bb) has been amended to 5520(ff) due to renumbering in section 5520 through proposed changes in this rulemaking action. This is a change without regulatory effect.

Section 5521, clause (h)(6)(A)4.

Specific purpose:

The amendment to clause 5521(h)(6)(A)4. repeals language that excludes stand-ins and background performers from the individuals for whom self-reported, voluntary statistics must be gathered and reported. The scope of this requirement in statute does not preclude stand-ins and background performers.

Factual basis:

Repealing this language is necessary to avoid incongruity with sections 17053.98(g)(2)(A)(iv) and 23698(g)(2)(A)(iv) of the Revenue and Taxation Code.

Section 5521, clause (h)(7)(B)1., subclause (h)(7)(B)1.(i) and (h)(7)(B)1.(ii)

Specific purpose:

The California Film and Television Tax Credit Program 3.0 has a potential uplift for participants, based on Local Hire Labor. This relates to individuals who live and work outside the Los Angeles zone. In order for the wages of these individuals to qualify toward the uplift, proof must be collected to show that they both work and live out-of-zone. There have been issues in administering the Program, where applicants have failed to gather sufficient information and supporting documentation to substantiate the uplift-qualifying wages for these individuals which then leads to a potential loss of tax credits. The addition of clause 5521(h)(7)(B)1., and subclauses 5521(h)(7)(B)1.(i) and (h)(7)(B)1.(ii) is proposed to resolve this known programmatic issue by providing clear requirements, assignment of responsibility, and definition of acceptable supporting documentation.

Factual basis:

As set forth in, and consistent with, sections 17053.98(a)(1) and 23698(a)(1) of the Revenue and Taxation Code, the CFC is authorized under the California Film and Television Tax Credit Program 3.0 to allocate tax credits to a qualified motion picture produced in the state; section 5521 institutes the process by which applicants may apply for tax credit allocation for their qualified motion picture project. To implement the Program, the CFC has put procedures in place to verify that a qualified motion picture has met the criteria established in sections 17053.98 and 23698 of the Revenue and Taxation Code, consistent with the authority provided in Revenue and Taxation Code sections 17053.98(e) and 23698(e). These additions are necessary to ensure that applicants are aware of the documentation requirements related to the Local Hire Labor uplift instated pursuant to sections 17053.98(a)(4)(E)(i) and (ii), and 23698(a)(4)(E)(i) and (ii) of the Revenue and Taxation Code; that

applicants have a clear understanding of acceptable supporting documentation; and that applicants are aware of their responsibility to collect and provide this information to their designated CPA for the expense to qualify.

The added regulations meet the "necessity," "clarity," and "consistency" standards of the APA, Section 11349 of the Government Code, subsections (a), (c), and (d). The regulation is also consistent with the requirements of style pursuant to Section 11343.1 of the Government Code and the principles of "plain English" rule drafting.

Section 5521, subparagraphs (h)(8)(C) and (h)(8)(D)

Specific purpose:

Amendments to subparagraphs 5521(h)(8)(C) and (h)(8)(D) explain in more detail than previously the parameters of a contingency or a completion bond fee included in the Phase B applicant's budget. These amendments clarify that a contingency or a completion bond fee cannot be included as a line-item within the budget. Contingency expenditures will not be possible to classify in accordance with required budget tags prior to production. A completion bond fee is not allowed as a line item as this fee is not always required and including it as part of expenditures which comprise the jobs ratio would not be a fair comparison against projects without completion bonds. In addition, subparagraph (h)(8)(D) clarifies that only in-state completion bond costs can be included in the budget, again, to ensure that the stated expenditures are not skewed or inaccurate.

Factual basis:

As set forth in, and consistent with, sections 17053.98(a)(1) and 23698(a)(1) of the Revenue and Taxation Code, the CFC is authorized under the California Film and Television Tax Credit Program 3.0 to allocate tax credits to a qualified motion picture produced in the state; section 5521 institutes the process by which applicants may apply for tax credit allocation for their qualified motion picture project. To implement the Program, the CFC has put procedures in place to verify that a qualified motion picture has met the criteria established in sections 17053.98 and 23698 of the Revenue and Taxation Code, consistent with the authority provided in Revenue and Taxation Code sections 17053.98(e) and 23698(e). These amendments are necessary to ensure that applicants are aware of the specific requirements related to the inclusion of completion bond fees or contingencies in a submitted budget and can prepare their application accurately. These amendments are also necessary to enable the CFC to enforce rules that safeguard the integrity of the application process and prevent an applicant from gaining undue advantage based on inaccurate numbers.

The amended regulations meet the "necessity," "clarity," and "consistency" standards of the APA, Section 11349 of the Government Code, subsections (a), (c), and (d). The regulation is also consistent with the requirements of style pursuant to Section 11343.1 of the Government Code and the principles of "plain English" rule drafting.

Section 5521, clause (k)(1)(C)1.

Specific purpose:

The addition of clause 5521(k)(1)(C)1. clarifies that not only must television series include all pattern and amortization costs, which is required pursuant to subparagraph 5521(k)(1)(C), but also that if they submit more than one budget they are not permitted to submit any budget or budget versions aside from a pattern budget and an amortization budget. This addition clarifies requirements that enable applicants to correctly prepare their application materials for submission.

Factual basis:

As set forth in, and consistent with, sections 17053.98(a)(1) and 23698(a)(1) of the Revenue and Taxation Code, the CFC is authorized under the California Film and Television Tax Credit Program 3.0 to allocate tax credits to a qualified motion picture produced in the state; section 5521 institutes the process by which applicants may apply for tax credit allocation for their qualified motion picture

project. To implement the Program, the CFC has put procedures in place to verify that a qualified motion picture has met the criteria established in sections 17053.98 and 23698 of the Revenue and Taxation Code, consistent with the authority provided in Revenue and Taxation Code sections 17053.98(e) and 23698(e). The addition of clause 5521(k)(1)(C)1. is necessary to ensure that all television series applicants are aware of the specific requirements related to a submitted budget or budgets and can prepare their application accurately. These amendments are also necessary to enable the CFC to enforce rules that ensure a manageable and consistent application process.

The added regulation meets the "necessity," "clarity," and "consistency" standards of the APA, Section 11349 of the Government Code, subsections (a), (c), and (d). The regulation is also consistent with the requirements of style pursuant to Section 11343.1 of the Government Code and the principles of "plain English" rule drafting.

Section 5521, paragraph (k)(6)

Specific purpose:

The addition to paragraph 5521(k)(6) clarifies that not only must a pilot, new television series, recurring television series, or relocating television series submit a pick-up order, they are required to submit one that encompasses the full scope of the project for which they are applying. This addition clarifies a requirement which enables applicants to correctly assess their eligibility and prepare their application materials for submission.

Factual basis:

As set forth in, and consistent with, sections 17053.98(a)(1) and 23698(a)(1) of the Revenue and Taxation Code, the CFC is authorized under the California Film and Television Tax Credit Program 3.0 to allocate tax credits to a qualified motion picture produced in the state; section 5521 institutes the process by which applicants may apply for tax credit allocation for their qualified motion picture project. To implement the Program, the CFC has put procedures in place to verify that a qualified motion picture has met the criteria established in sections 17053.98 and 23698 of the Revenue and Taxation Code, consistent with the authority provided in Revenue and Taxation Code sections 17053.98(e) and 23698(e). The amendment of paragraph 5521(k)(6) is necessary to ensure that all affected applicants are aware of the specific requirements related to a pick-up order and can prepare their application accurately. This amendment is also necessary to enable the CFC to enforce rules that ensure a fair and consistent application process.

The amended regulation meets the "necessity," "clarity," and "consistency" standards of the APA, Section 11349 of the Government Code, subsections (a), (c), and (d). The regulation is also consistent with the requirements of style pursuant to Section 11343.1 of the Government Code and the principles of "plain English" rule drafting.

Section 5521, paragraphs (k)(7), (k)(8), and (k)(9)

Statutory references in paragraphs 5521(k)(7), (8), and (9) have been amended due to renumbering in sections 17053.98(g)(2)(A) and 23698 (g)(2)(A) of the Revenue and Taxation Code. These are changes without regulatory effect.

Section 5521, paragraph (k)(10)

Specific purpose:

The amendments to paragraph 5521(k)(10) repeal language that requires submission of a summary of an applicant's voluntary programs to increase the representation of women and minorities from all applicants and amend the language to apply the requirement only to applicants that have those programs or have access to such programs. As having such programs is voluntary, the requirement is only logical if applicable.

The amendments to paragraph 5521(k)(10) also include renumbering of a statutory reference due to recent renumbering in statute; this is a change without regulatory effect.

Factual basis:

As set forth in, and consistent with, sections 17053.98(a)(1) and 23698(a)(1) of the Revenue and Taxation Code, the CFC is authorized under the California Film and Television Tax Credit Program 3.0 to allocate tax credits to a qualified motion picture produced in the state; section 5521 institutes the process by which applicants may apply for tax credit allocation for their qualified motion picture project. To implement the Program, the CFC has put procedures in place to verify that a qualified motion picture has met the criteria established in sections 17053.98 and 23698 of the Revenue and Taxation Code, consistent with the authority provided in Revenue and Taxation Code sections 17053.98(e) and 23698(e). Repealing and amending this language is necessary to avoid incongruity with Revenue and Taxation Code sections 17053.98(g)(2)(A)(xiii) and 23698(g)(2)(A)(xiii), and to clarify the conditional scope of this requirement.

The amended regulation meets the "necessity," "clarity," and "consistency" standards of the APA, Section 11349 of the Government Code, subsections (a), (c), and (d). The regulation is also consistent with the requirements of style pursuant to Section 11343.1 of the Government Code and the principles of "plain English" rule drafting.

Section 5521, paragraph (k)(11)

Specific purpose:

The amendments to paragraph 5521(k)(11) correct reference to statutory requirements relating to company and financial information, due to recently repealed language in statute which affects applicant requirements and numbering.

Factual basis:

Amending this language is necessary to align with the recent amendments to sections 17053.98(k)(2)(A) and 23698(k)(2)(A) of the Revenue and Taxation Code, where clauses (vi) and (vii) were repealed and their requirements removed from applicants.

Section 5521, subdivision (l)

The reference to the Credit Allocation Letter Form 3D incorporated in subdivision 5521(l) has been amended to reflect the updated issue date of this form, which is being amended through this rulemaking action. This is a change without regulatory effect.

Section 5521, paragraph (l)(1)

Specific purpose:

Adding paragraph 5521(l)(1) prohibits applicants from applying their allocated tax credit to any project other than that which was detailed in their application. Though tax credits are allocated to a business entity, they are allocated for a specific project, the details of which determine Program eligibility. In the motion picture production industry, projects are sometimes paused or abandoned, and a business entity that received an allocation of credits but whose specific project was subsequently paused or abandoned may hope to apply the allocated tax credits to a different project so as not to forfeit them. However, this would circumvent the application process and the mandated order of allocation, as well as undo all Program eligibility checks.

Factual basis:

As set forth in, and consistent with, sections 17053.98(a)(1) and 23698(a)(1) of the Revenue and Taxation Code, the CFC is authorized under the California Film and Television Tax Credit Program 3.0 to allocate tax credits to a qualified motion picture produced in the state; section 5521 institutes the process by which applicants may apply for tax credit allocation for their qualified motion picture project. To implement the Program, the CFC has put procedures in place to verify that a qualified

motion picture has met the criteria established in sections 17053.98 and 23698 of the Revenue and Taxation Code, consistent with the authority provided in Revenue and Taxation Code sections 17053.98(e) and 23698(e). Adding this language is necessary to uphold the integrity of the application process and to enable the CFC to administer the Program with fairness and consistency.

The amended regulation meets the "necessity," "clarity," and "consistency" standards of the APA, Section 11349 of the Government Code, subsections (a), (c), and (d). The regulation is also consistent with the requirements of style pursuant to Section 11343.1 of the Government Code and the principles of "plain English" rule drafting.

Section 5521, paragraph (l)(2), subparagraphs (l)(2)(A), (B) and (C), and clauses (l)(2)(A)1., (l)(2)(B)2., and (l)(2)B3.

Specific purpose:

Adding paragraph 5521(l)(2), inclusive, clarifies that as a credit allocation letter is issued to a specific project, that project may retain its tax credit allocation even if ownership of the project changes, as long as the change is reported prior to the start of principal photography. Through previous iterations of the California Film and Television Tax Credit Program, the CFC has encountered projects that go through a change in ownership prior to start of principal photography, where the qualified motion picture project and the qualifying conditions of Program participation remain the same, but the qualified taxpayer becomes a different entity. In order to allow such an eligible project to remain in the Program, setting out clear rules for the steps the original applicant entity and the new qualified taxpayer must take to finalize a transition of the project allows the CFC to determine continued eligibility.

Factual basis:

As set forth in, and consistent with, sections 17053.98(a)(1) and 23698(a)(1) of the Revenue and Taxation Code, the CFC is authorized under the California Film and Television Tax Credit Program 3.0 to allocate tax credits to a qualified motion picture produced in the state; section 5521 institutes the process by which applicants may apply for tax credit allocation for their qualified motion picture project. To implement the Program, the CFC has put procedures in place to verify that a qualified motion picture has met the criteria established in sections 17053.98 and 23698 of the Revenue and Taxation Code, consistent with the authority provided in Revenue and Taxation Code sections 17053.98(e) and 23698(e). Adding this language is necessary to uphold the integrity of the application process and to enable the CFC to administer the Program with fairness and consistency.

The amended regulation meets the "necessity," "clarity," and "consistency" standards of the APA, Section 11349 of the Government Code, subsections (a), (c), and (d). The regulation is also consistent with the requirements of style pursuant to Section 11343.1 of the Government Code and the principles of "plain English" rule drafting.

Section 5521, paragraph (n)(1)

Statutory references in paragraph 5521(n)(1) have been amended due to renumbering in sections 17053.98(g)(2)(A) and 23698 (g)(2)(A) of the Revenue and Taxation Code. These are changes without regulatory effect.

Section 5521, subdivision (o)

The reference to subdivision 5520(s) has been amended to 5520(u) due to renumbering in section 5520 through proposed changes in this rulemaking action. This is a change without regulatory effect.

5523

Section 5523, paragraph (b)(2)

The reference to paragraph 5526(a)(6) has been amended to 5526(b)(6) due to renumbering in section 5526 through proposed changes in this rulemaking action. This is a change without regulatory effect.

5525

Section 5525, paragraph (a)(4), subparagraphs (a)(4)(A), (B), and (C)

Specific purpose:

Paragraph 5525(a)(4), inclusive, clarifies requirements and options related to the participation in career-based learning and training programs for an applicant that has been issued a Credit Allocation Letter for a qualified motion picture in the California Film and Television Tax Credit Program 3.0.

Amendments to paragraph (a)(4) adds language to clarify the reporting requirements tied to the participation, referencing the five forms from which an applicant must select and submit the one applicable to their participation, and specifies that the form must be submitted once participation has concluded. Without language to prompt the submission of applicable forms directly in connection with the participation, a long time may pass between the conclusion of the participation and the applicant's Phase IV submission, which may lead to important details being lost over time or may lead to difficulties in following up with participants. Submission of applicable forms in direct connection with the qualifying event is helpful to applicants, participants, and the CFC.

An additional amendment to paragraph (a)(4) ties in with amendments to subparagraphs 5525(a)(4)(A), (B), and (C) where "California State University" and "CFC approved career-based learning program" have been added to broaden options for partner institutions. Additionally, the participant pool has been expanded from students currently enrolled, to students enrolled within the past twelve months, to ensure that the career-based learning and training programs are able to accommodate as broad a population as possible and also capture recent graduates in the start of their careers.

Factual basis:

As set forth in, and consistent with, sections 17053.98(a)(1) and 23698(a)(1) of the Revenue and Taxation Code, the CFC is authorized under the California Film and Television Tax Credit Program 3.0 to allocate tax credits to a qualified motion picture produced in the state. To implement the Program, the CFC has put procedures in place to verify that a qualified motion picture has met the criteria established in sections 17053.98 and 23698 of the Revenue and Taxation Code, consistent with the authority provided in Revenue and Taxation Code sections 17053.98(e) and 23698(e). Paragraph 5525(a)(4), inclusive, contains clarifying details relating to the career readiness contributions requirement set forth in, and consistent with, sections 17053.98(b)(19)(A), 17053.95(e)(1)(A), 23698(b)(19)(A), and 23695(e)(1)(A) of the Revenue and Taxation Code. These amendments are necessary to allow the CFC to gauge an approved applicant's continued eligibility for the California Film and Television Tax Credit Program 3.0 and progress toward final tax credit certification, and to ensure the timely collection of information related to a requirement which may be fulfilled at different times in the process for different productions. In addition, these amendments broaden the pool of partners applicants can work with to fulfill the requirement, and the pool of participant candidates applicants may recruit from, to maximize the potential impact of the initiative.

The amended regulations meet the "necessity," "clarity," and "consistency" standards of the APA, Section 11349 of the Government Code, subsections (a), (c), and (d). The regulation is also consistent with the requirements of style pursuant to Section 11343.1 of the Government Code and the principles of "plain English" rule drafting.

Section 5525, subparagraphs (a)(5)(B), (C), (D), and (E), and clause (a)(5)(B)1.

Specific purpose:

Paragraph 5525(a)(5), inclusive, clarifies requirements related to the participation in the Career Pathways Training Program.

Amendments to subparagraph 5525(a)(5)(B) add reference to a new career pathways program form, Form CPP, and requires applicants to use this form both for payment and for subsequent verification of payment, required pursuant to section 5526(b)(5)(l), in order to formalize the collection of information necessary to administer the Program. In addition, amendments to this subparagraph repeal the permissive word “may” and replaces it with “will,” clarifying that failure to submit the contribution on time is an event that will, with certainty, result in revocation of the Credit Allocation Letter.

Adding clause 5525(a)(5)(B)1. provides applicants with the opportunity to apply for an extension of the 30-day timeframe specified in subparagraph (B), if they are facing technical barriers or barriers relating to the payment of funds which are preventing them from meeting the deadline.

The reference to the definition of “reasonable cause” is corrected from section 5520(v) to 5520(y) in subparagraph 5525(a)(5)(C) due to renumbering in section 5520 through proposed changes in this rulemaking action. This is a change without regulatory effect.

Adding subparagraph 5525(a)(5)(D) clarifies that an applicant that receives an increase in allocated tax credits, which would cause the required contribution sum to also increase, must pay the additional sum within a set timeframe.

Adding subparagraph 5525(a)(5)(E) clarifies that an applicant must make their contribution as a business or personal check payment and that no other payment options will be accepted. The CFC does receive contributions from applicants for purposes of verifying payment submission, however, the fiscal agent in charge of the Career Pathways Program is a separate entity which is responsible for processing the contributions and is only equipped to handle check payments.

Factual basis:

As set forth in, and consistent with, sections 17053.98(a)(1) and 23698(a)(1) of the Revenue and Taxation Code, the CFC is authorized under the California Film and Television Tax Credit Program 3.0 to allocate tax credits to a qualified motion picture produced in the state. To implement the Program, the CFC has put procedures in place to verify that a qualified motion picture has met the criteria established in sections 17053.98 and 23698 of the Revenue and Taxation Code, consistent with the authority provided in Revenue and Taxation Code sections 17053.98(e) and 23698(e). Paragraph 5525(a)(5), inclusive, includes clarifying details for the pilot career pathways contribution requirement set forth in, and consistent with, sections 17053.98(e) and 23698(e) of the Revenue and Taxation Code. These amendments and additions are necessary to provide applicants with clarity for this payment requirement including what information to submit, the consequences of non-payment, the opportunity to extend the timeframe for cause, the timeframe that applies to additional payments, and the acceptable payment form. The amendments and additions are also necessary to uphold the integrity of the participation process and to enable the CFC to administer the Program with fairness and consistency.

The added and amended regulations meet the "necessity," "clarity," and “consistency” standards of the APA, Section 11349 of the Government Code, subsections (a), (c), and (d). The regulation is also consistent with the requirements of style pursuant to Section 11343.1 of the Government Code and the principles of "plain English" rule drafting.

5526

Section 5526, subdivision (a), paragraphs (a)(1), (a)(2), (a)(3), and (a)(4), subparagraphs (a)(3)(A), and (B)

Specific purpose:

In the course of administering the California Film and Television Tax Credit Program 1.0 and 2.0 and owing to the fact that statute does not establish an end date for qualified motion picture projects to apply for certification of their allocated tax credits, the CFC has experienced situations where tax credits are allocated and not subsequently certified or claimed. Current California Film and Television Tax Credit Program 3.0 regulations do not include a set timeframe for certification, or a requirement that applicants communicate their intentions to the CFC. Having sums of tax credits allocated and unused, with no clear direction to applicants that prevents this from being an indefinite state, means the CFC is unable to reallocate unused credits even if years have passed and applicants have ceased communication with the CFC. Adding new subdivision 5526(a), paragraphs (a)(1), (a)(2), (a)(3), (a)(4), and subparagraphs (a)(3)(A), and (B), instates a timeframe for applicants to apply for tax credit certification, or declare that they do not intend to apply for tax credit certification, or apply for an extension of the timeframe in those cases where they are waiting to accrue sufficient tax liability to initiate the process.

The timeframe in subdivision 5526(a) is set in relation to the statutory deadline for completion of the qualified motion picture project and adds 48 months to that date. This creates a timeframe of up to six years and six months from credit allocation letter issuance before an applicant must apply for certification, declare no intent to apply, or request an extension, and this timeframe covers with good margin the average timeframe within which qualified motion pictures normally apply for certification which is 21 months.

The option added in paragraph 5526(a)(1) is for applicants to submit their complete application for tax credit certification within the stated timeframe in subdivision (a).

The option added in paragraph 5526(a)(2) is for applicants to notify the CFC in writing that they do not intend to apply for certification of their allocated tax credits; the credits allocated to that qualified motion picture will then be reallocated to new projects.

The option added in paragraph 5526(a)(3) is available for applicants with insufficient tax liability to initiate the process, and allows them to apply for an extension of the timeframe set in subdivision (a) in writing and include a statement declaring their insufficient tax liability. The word "initiate" is used as applicants are able to roll over tax credits for multiple taxable years and tax liability for the full sum of allocated credits is not necessary to initiate the process.

Paragraph 5526(a)(4) is added to clarify that non-compliance with this subdivision will result in forfeiture of allocated credits.

Added subparagraph 5526(a)(3)(A) clarifies that the CFC may grant one or more extensions under the conditions specified in subdivision (a) and that each extension may be for up to twelve months. Requiring applicants in need of multiple extensions to reapply rather than granting a longer extension ensures that the applicant stays in regular contact with the CFC, keeps their information up to date, and reaffirms their intention to apply for certification.

Added subparagraph 5526(a)(3)(B) clarifies that a request for an extension must be submitted no less than 30 business days before the timeline specified in subdivision (a), or a previously granted extension expires. Having a clear application deadline helps the CFC determine compliance.

Factual basis:

As set forth in, and consistent with, sections 17053.98(a)(1) and 23698(a)(1) of the Revenue and Taxation Code, the CFC is authorized under the California Film and Television Tax Credit Program

3.0 to allocate tax credits to a qualified motion picture produced in the state. The CFC has put procedures in place consistent with the authority provided in sections 17053.98(e) and 23698(e), and sections 17053.98(g)(3)(A) and 23698(g)(3)(A) of the Revenue and Taxation Code to clarify details and terms of tax credit certification under the California Film and Television Tax Credit Program 3.0.

Added subdivision 5526(a), inclusive, instates a timeframe for tax credit certification necessary to permit the CFC to administer the Program in a fiscally responsible manner that ensures all allocated tax credits are certified or reallocated. It further instates the option for applicants to request an extension of that timeframe, which is necessary to accommodate applicants with insufficient tax liability. The added regulations are consistent with sections 17053.98(a)(1), (c)(3), (g), (i)(1)(C), and 23698(a)(1), (c)(4), (g), (i)(1)(C), of the Revenue and Taxation Code.

The added regulations meet the "necessity," "clarity," and "consistency" standards of the APA, Section 11349 of the Government Code, subsections (a), (c), and (d). The regulation is also consistent with the requirements of style pursuant to Section 11343.1 of the Government Code and the principles of "plain English" rule drafting.

Section 5526, subdivision (b)

Previous subdivision 5526(a) has been renumbered subdivision 5526(b) to make room for added new subdivision (a). As the language directing applicants to submit required materials in a format specified by the CFC has been added to new paragraph 5526(a)(1), that same language is repealed in subdivision 5526(b) to avoid unnecessary duplication. These are amendments without regulatory effect.

Section 5526, paragraph (b)(3)

Specific purpose:

Paragraph 5526(b)(3), formerly 5526(a)(3), instructs the applicant to submit documentation which lists all cast and crew for the qualified motion picture. Amendments to the paragraph add the provision that if sensitive personal information is included on the lists, specifically Social Security Numbers, it must be redacted from the cast and crew lists an applicant is required to submit to the CFC.

Factual basis:

As set forth in, and consistent with, sections 17053.98(a)(1) and 23698(a)(1) of the Revenue and Taxation Code, the CFC is authorized under the California Film and Television Tax Credit Program 3.0 to allocate tax credits to a qualified motion picture produced in the state. The CFC has put procedures in place consistent with the authority provided in sections 17053.98(e) and 23698(e), and sections 17053.98(g)(3)(A) and 23698(g)(3)(A) of the Revenue and Taxation Code to clarify details and terms of tax credit certification under the California Film and Television Tax Credit Program 3.0. Paragraph 5526(b)(3) clarifies what an applicant in the California Film and Television Tax Credit Program must provide to apply for their final tax credit certificate, as set forth in, and consistent with, sections 17053.98(d)(1)(A), (g)(2)(A)(xiv), (g)(3)(A), and 23698(d)(1)(A), (g)(2)(A)(xiv), (g)(3)(A) of the Revenue and Taxation Code. Amendments to this paragraph are necessary to safeguard sensitive personal information of the cast and crewmembers working on qualified motion pictures participating in the Program by instructing applicants not to submit such information and allowing the CFC to enforce that prohibition.

The amended regulation meets the "necessity," "clarity," and "consistency" standards of the APA, Section 11349 of the Government Code, subsections (a), (c), and (d). The regulation is also consistent with the requirements of style pursuant to Section 11343.1 of the Government Code and the principles of "plain English" rule drafting.

Section 5526, subparagraph (b)(5)(D)

The reference to the Local Community Expenditure Report Form LE3 incorporated in subparagraph 5526(b)(5)(D), formerly subparagraph 5526(a)(5)(D), has been amended to reflect the updated issue date of this form, which is being amended through this rulemaking action. This is a change without regulatory effect.

Section 5526, subparagraph (b)(5)(I)

The reference to the Career Readiness Forms CR1, CR2, CR3, CR4, and CR5 incorporated in subparagraph 5526(b)(5)(I), formerly subparagraph 5526(a)(5)(I), has been amended to reflect the updated issue date of these forms, which are being amended through this rulemaking action. This is a change without regulatory effect.

Additional amendments to subparagraph 5526(b)(5)(I) include reference to the new career pathways program form, Form CPP, and mandates that applicants use this form as their verification of payment. Use of the form at the time of payment is required pursuant to section 5525(a)(5)(B).

Factual basis:

As set forth in, and consistent with, sections 17053.98(a)(1) and 23698(a)(1) of the Revenue and Taxation Code, the CFC is authorized under the California Film and Television Tax Credit Program 3.0 to allocate tax credits to a qualified motion picture produced in the state. The CFC has put procedures in place consistent with the authority provided in sections 17053.98(e) and 23698(e), and sections 17053.98(g)(3)(A) and 23698(g)(3)(A) of the Revenue and Taxation Code to clarify details and terms of tax credit certification under the California Film and Television Tax Credit Program 3.0. Adding this form and thus formalizing the submission of information required to implement this part of the Program is necessary to ensure the integrity of the Program participation process and enable the CFC to administer the Program with fairness and consistency.

The added regulation meets the "necessity," "clarity," and "consistency" standards of the APA, Section 11349 of the Government Code, subsections (a), (c), and (d). The regulation is also consistent with the requirements of style pursuant to Section 11343.1 of the Government Code and the principles of "plain English" rule drafting.

Section 5526, paragraph (b)(6)

The reference to the Program 3.0 AUP Form incorporated in paragraph 5526(b)(6), formerly paragraph 5526(a)(6), has been amended to reflect the updated issue date of this form, which is being amended through this rulemaking action. This is a change without regulatory effect.

Section 5526, subdivisions (c), (d), (e), (f), and (g)

Prior subdivision (b) has been renumbered subdivision (c) to allow for the addition of new subdivision (a). This is a change without regulatory effect.

Prior subdivision (c) has been renumbered subdivision (d) to allow for the addition of new subdivision (a). This is a change without regulatory effect.

Prior subdivision (d) has been renumbered subdivision (e) to allow for the addition of new subdivision (a). This is a change without regulatory effect.

Prior subdivision (e) has been renumbered subdivision (f) to allow for the addition of new subdivision (a). This is a change without regulatory effect.

Prior subdivision (f) has been renumbered subdivision (g) to allow for the addition of new subdivision (a). This is a change without regulatory effect.

5527

Section 5527, subdivision (b)

The reference to subdivision 5520(k) has been amended to 5520(l) due to renumbering in section 5520 through proposed changes in this rulemaking action. This is a change without regulatory effect.

5528

Section 5528, paragraph (a)(1), subparagraphs (a)(1)(A) and (B)

Specific purpose:

The requirements of paragraph 5528(a)(1), inclusive, serve to inform the general public and the overall film and television industry of which projects have been supported through allocation of tax credits under the California Film and Television Tax Credit Program 3.0. Amendments to paragraph 5528(a)(1) serve to provide flexibility for applicants to create a unique and/or creative on-screen acknowledgement without removing any of the required entities that must be acknowledged. This is achieved by separating the entities into two blocks of text instead of requiring them to be acknowledged in a specific order.

Subparagraph 5528(a)(1)(A) has been added to clarify in what manner and in which position the acknowledgement and logo must be placed, and that it must remain throughout the life of the project.

Requirements previously included as the last sentence of paragraph 5526(a)(1) have been separated out and renumbered as subparagraph 5528(a)(1)(B), and the reference to the prohibition has been consistently updated. This is a change without regulatory effect.

Subparagraph 5528(a)(1)(C) has been added to clarify, in detail, the flexibility applicants may use in formulating their on-screen acknowledgement.

Factual basis:

To implement the California Film and Television Tax Credit Program 3.0, the CFC has put procedures in place consistent with the authority provided in sections 17053.98(e) and 23698(e), and sections 17053.98(g)(3)(A) and 23698(g)(3)(A) of the Revenue and Taxation Code to clarify details and terms of tax credit certification. Because the statute does not include specifics regarding how an applicant is required to announce their successful participation in the Program, subdivision 5528(a), inclusive, includes on screen and promotional requirements that support implementation of the statutory objectives. The amendments to paragraph 5528(a)(1), inclusive, are necessary to ensure appropriate attention to the impact the California Film and Television Tax Credit Program 3.0 has on a participating production and to build awareness of the Program, as well as to ensure flexibility for applicants wishing to make a unique acknowledgement to the State of California and the CFC, and to provide clear terms for such an acknowledgement.

The amended regulations meet the "necessity," "clarity," and "consistency" standards of the APA, Section 11349 of the Government Code, subsections (a), (c), and (d). The regulation is also consistent with the requirements of style pursuant to Section 11343.1 of the Government Code and the principles of "plain English" rule drafting.

FORMS INCORPORATED BY REFERENCE

Career Pathways, CFC Form CPP (July 28, 2023)

Form CPP is added to formalize the information collected by applicants in relation to their mandated contribution to the pilot career pathways program, required pursuant to section 5525(b)(5), and provide applicants with a uniform document to submit as evidence of payment pursuant to section 5526(b)(5)(l).

Career Readiness, CFC Forms CR1-5 (July 28, 2023)

These forms have been amended to update the CFC logo and to add an explicit certification box; these changes are visual. In the case of Form CR2, optional submission of video testimonial has been added. In the case of Form CR4, submission of video testimonials and video and images of the event have been added, both optional/as available. In the case of Form CR5, an informational paragraph clarifying the requirement for financial contribution, including minimum and maximum amounts, has been added. The issue dates have been updated on all forms.

Credit Allocation Letter, CFC Form D3 (July 28, 2023)

Amendments to the Credit Allocation Letter Form D3 include:

- Adding a field to enter the “TAX CREDIT ALLOCATION CAP” sum, which is the sum an applicant would be eligible for, independent of available credits, and is the sum that should be allocated upon availability of credits. Qualified motion pictures are sometime allocated a partial sum of tax credits in relation to what they are eligible for because the Program has a finite amount to allocate in each application window. If those qualified motion pictures are television series, they are limited to the amount stated on their first Credit Allocation Letter for the life of the series. Adding a field that allows the CFC to list the amount of credits they are eligible for on the Credit Allocation Letter prevents undue limitations in future.
- Updating the form issue date.

Local Community Expenditure Report Form LE3 (July 28, 2023)

Amendments to the Local Community Expenditure Report Form LE3 include:

- Removing references to filming which limit the use of the form to counties where principal photography occurs. This is necessary to ensure that program participants provide expenditure data for all local expenditures, not only those that occur in the same county as filming occurs.
- Correcting typos.
- Amending the form issue date.

These amendments are necessary to provide applicants with an accurate form and to enable the CFC to have statistics on the impact of the California Film and Television Tax Credit Program 3.0 on counties throughout the state.

Program 3.0 AUP (July 28, 2023)

Amendments to the Program 3.0 AUP include:

- Adding the CFC logo to the document.
- Adding a clear issue date to the document.
- Renumbering due to additions; typo fixes; updating references due to renumbering in regulations.
- Adding California State University to eligible Career Readiness representatives; and, adding reference to the new clarifying language for verifying Local Hire Labor eligibility. This is necessary to align with regulatory amendments proposed through this rulemaking action.
- Adding, in several places, examples, of non-qualified expenditures for clarification.
- Clarifying rules relating to dual-role employees and classifying expenditures.

TECHNICAL, THEORETICAL, AND/OR EMPIRICAL STUDIES, REPORTS, OR DOCUMENTS RELIED UPON

The CFC did not rely upon any technical, theoretical, or empirical studies, reports, or documents in the development of these regulations.

REASONABLE ALTERNATIVES TO THE REGULATION AND THE OFFICE’S REASON FOR REJECTING THOSE ALTERNATIVES

No other alternatives were presented to or considered by the CFC. These regulations implement Revenue and Taxation Code sections 17053.98 and 23698.

REASONABLE ALTERNATIVES TO THE PROPOSED REGULATORY ACTION THAT WOULD LESSEN ANY ADVERSE IMPACT ON SMALL BUSINESS

The CFC has not identified any alternatives that would lessen any adverse impact on small business. The California Film and Television Tax Credit Program 3.0 provides more opportunities for small business as it affords more production companies the opportunity to film in California, and the proposed amendments to Program regulations will make the Program easier to navigate for applicants.

EVIDENCE SUPPORTING FINDING OF NO SIGNIFICANT ADVERSE ECONOMIC IMPACT ON ANY BUSINESS

The CFC has determined that the proposed regulations would not have a significant adverse economic impact on businesses. The California Film and Television Tax Credit Program 3.0 provides for an increase in revenues and employment in California by bringing more filming business into California. The proposed amendments to Program regulations will make the Program easier to navigate for applicants.

SPECIFIC TECHNOLOGY OR EQUIPMENT

These proposed regulations do not mandate the use of specific technologies or equipment.

CONSULTATION WITH THE GOVERNOR’S OFFICE OF BUSINESS AND ECONOMIC DEVELOPMENT (GO-Biz)

The CFC has worked in close consultation with GO-Biz in the development of the proposed amendments to these regulations, as required pursuant to Section 17053.98(e) and 23698(e) of the Revenue and Taxation Code. GO-Biz has reviewed and approved the regulations in their entirety prior to public notice.