

CALIFORNIA FILM COMMISSION
California Film and Television Tax Credit Program 4.0

Title 10, Chapter 7.75, Article 5,
Sections 5550, 5553.3, 5554.2, Forms DEIA1, DEIA2, DEIA3, and AUP

NOTICE OF MODIFICATIONS TO THE TEXT OF PROPOSED REGULATIONS

October 7, 2024

Pursuant to the requirements of Government Code section 11346.8(c), the California Film Commission (CFC) is hereby providing notice of changes made to proposed adoptions of sections 5550, 5553.3, and 5554.2 in Article 5 of Chapter 7.75 of Title 10 of the California Code of Regulations as well as Form DEIA1, incorporated by reference (see sections 5553, 5553.3, and 5554.2), Form DEIA2, incorporated by reference (see sections 5553, 5553.3 and 5554.2) Form DEIA3, incorporated by reference (see sections 5554 and 5554.2), and Form AUP, incorporated by reference (see sections 5552, 5553, 5553.1, and 5555).

Written Comment Period

The CFC is providing a 15-day notice of modification. Written comments relating to the modifications will be accepted by the CFC up to and including October 22, 2024. Submit comments to:

Name: Hedvig Marx
Address: California Film Commission, 7080 Hollywood Boulevard,
Hollywood, CA 90028
Email: IncentiveProgram4@film.ca.gov

All written comments received by October 22, 2024, will be reviewed and responded to by the CFC staff as part of the compilation of the rulemaking file.

Attached is the modified text. Changes to the text are indicated in the following manner: deletions are indicated by yellow text and strike-through, ~~example~~, additions are indicated by underlined pink text, example. Notice is hereby given that the CFC proposes to amend the regulations described below after considering all comments, objections and recommendations regarding the proposed action.

For additional context, the entirety of the express terms originally noticed to the public between August 16 and September 30, 2024, is available on this link:

<https://cdn.film.ca.gov/wp-content/uploads/2024/08/Program4.0-NOPA-Reg-08.16.2024.pdf>

PROPOSED ADDITIONS TO THE CALIFORNIA CODE OF REGULATIONS

Title 10

Chapter 7.75

CALIFORNIA FILM COMMISSION

Article 5.

California Film and Television Tax Credit Program 4.0

§ 5550. Definitions.

- (a)
 - (1) “Applicable period” refers to production outside the Los Angeles zone, but in the state of California, that commences with preproduction and ends when original photography concludes outside the Los Angeles zone. It includes the time necessary to strike a remote location and return to the Los Angeles zone.
 - (2) “Applicant” is any person, corporation, partnership, limited partnership, limited liability company (LLC) or other entity that is principally engaged in the production of a “qualified motion picture” and that controls the film or television program during preproduction, production, and postproduction. The applicant is the qualified taxpayer that upon final approval will receive the tax credit certificate.
- (b) (Reserved)
- (c)
 - (1) “California Film Commission” (CFC) is a state entity established and described in Government Code section 14998 et seq. that, among other functions, facilitates and promotes motion picture and television production in the State of California.
 - (2) “California in-state vendor” is a vendor or supplier which has an office or other place of business in California and is registered or qualified with the California Secretary of State or is required to file a return with the California Franchise Tax Board under Parts 10 or 11 of the Revenue and Taxation Code.
 - (3) “Cast member” means any contract player reflected as such on the production report and includes speaking roles, on-camera stunt players, pilots, puppeteers, and any dancers, singers, and musicians who are not on an extras voucher.
 - (4) “Certified ancillary building” means an ancillary building that has been certified as part of a certified studio construction project by the CFC under the California Soundstage Filming Tax Credit Program Phase A, pursuant to sections 17053.98(k) and 23698(k) of the Revenue and Taxation Code and in accordance with the conditions specified in section 5532 and section 5538 of article 4 of this chapter.
 - (5) “Certified soundstage” means a soundstage that has been certified by the CFC under the California Soundstage Filming Tax Credit Program Phase A, pursuant to sections 17053.98(k) and 23698(k) of the Revenue and Taxation Code and in accordance with the conditions specified in section 5532 and section 5538 of article 4 of this chapter.

- (6) "Credit Allocation Letter" (CAL) is the document issued by the California Film Commission reserving an amount of tax credits to an applicant having a qualified motion picture based on an estimate of qualified expenditures.
- (7) "Contracted services" means the hiring of a third party to work or perform services on behalf of the applicant including, but not limited to, visual effect shot costs, makeup prosthetic packages, sound mixing, and creation of postproduction delivery items.
- (d) (1) "Diversity, equity, inclusion, and accessibility" (DEIA) means a commitment to providing equitable access to opportunities for people with varying racial, ethnic, and gender identities, disabilities, sexual orientations, age, religions, and socioeconomic statuses in an environment that is reasonably accessible to all whereby all are welcomed and respected.
- (2) "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.
- (e) (1) "Equity education" means, for purposes of the diversity, equity, inclusion, and accessibility provisions specified in sections 17053.98.1(g)(3)(D) and 23698.1(g)(3)(D) of the Revenue and Taxation Code, learning about the historical and contemporary experiences of underrepresented communities and people, and existing civil rights and discrimination laws, laws protecting these communities and people, and setting robust, impactful, and achievable goals for ensuring diversity, equity, inclusion, and accessibility for everyone on production.
- (f) (1) "Feature film" means a production of a film with a minimum budget of one million dollars (\$1,000,000) that has a running time of at least seventy-five (75) minutes.
- (2) "Final safety evaluation report" means the mandatory report prepared in accordance with section 9152(h) of the Labor Code by the safety advisor as part of the Safety on Productions Pilot Program established pursuant to section 9152 of the Labor Code.
- (3) "Force Majeure" means an event or series of events, which are not under the control of the qualified taxpayer, including death, disability, disfigurement or breach by the motion picture director or principal cast member, an act of God, including, but not limited to, fire, flood, earthquake, storm, hurricane or other natural disaster, labor disruption, public health emergency, armed conflict, terrorist activities, or government sanction.
- (g) (1) "Good-faith effort" means, for purposes of the diversity, equity, inclusion, and accessibility provisions specified in sections 17053.98.1(g)(3)(D) and 23698.1(g)(3)(D) of the Revenue and Taxation Code, proactive, intentional, diligent, and impactful actions taken for purposes of broadening and maintaining access to motion picture industry jobs and ensuring toward diverse, equitable, inclusive, and accessible productions whose that strive to have a workforce which is broadly reflective of California's population in terms of, but not limited to, race, ethnicity, gender, and disability status.
- (h) (1) "Hiatus" means a break or interruption in the continuity of work that may be implemented after at minimum one (1) day of principal photography, subject to the

requirements in section 5554(a)(2) of this article, for up to one hundred twenty (120) calendar days.

(A) Once principal photography has resumed, a project is not required to request another hiatus for a subsequent break or interruption.

(B) Implementing a hiatus does not impact the thirty (30) month timeframe for completion of the final element required pursuant to section 5555(c) of this article.

(i) (1) "Inclusive hiring" means, for purposes of the diversity, equity, inclusion, and accessibility provisions specified in sections 17053.98.1(g)(3)(D) and 23698.1(g)(3)(D) of the Revenue and Taxation Code, minimizing bias during the hiring process, valuing diverse perspectives, and implementing an equitable recruiting process.

(2) "Independent film" means a film with a running time of at least seventy-five (75) minutes with a minimum budget of one million dollars (\$1,000,000) which is produced by a company that is not publicly traded and a publicly traded company does not own, directly or indirectly, more than twenty-five percent (25%) of the producing company.

(3) "Industry capacity building" means, for purposes of the diversity, equity, inclusion, and accessibility provisions specified in sections 17053.98.1(g)(3)(D) and 23698.1(g)(3)(D) of the Revenue and Taxation Code, helping to increase an inclusive and qualified workforce and an inclusive and qualified vendor and supplier base in all areas that contribute to motion picture production in California.

(j) (1) "Jobs Ratio" means the amount of qualified wages paid to qualified individuals divided by the amount of tax credit as further described in Revenue and Taxation Code section 17053.98.1(b)(8) and 23698.1(b)(8) and section 5553.1 of this article.

(k) (Reserved)

(l) (1) "Limited series" shall be understood to have the same meaning as "miniseries," as defined in section 5550(m)(1) of this section, and the terms may be used interchangeably for purposes of the California Film and Television Tax Credit Program 4.0.

(2) "Local Hire Labor" refers to qualified individuals who reside in California, but outside the Los Angeles zone, and who are working outside the Los Angeles zone during the applicable period.

(3) "Logline" means a short summary of the content of a motion picture project.

(m) (1) "Miniseries" means a motion picture based on a single theme or storyline that is resolved within the piece. A miniseries consists of two or more episodes each longer than 40 minutes of running time, exclusive of commercials, with a minimum production budget of one million dollars (\$1,000,000) per episode.

(n) (1) "Non-proprietary document format" means a document format which the CFC can access and open without specialized software requiring purchase, without subscriptions, or other access keys.

- (o)
 - (1) "Office or other place of business" means real property with a physical address in California that is owned or leased by a vendor for the purpose of conducting business. For purposes of these regulations, conducting business includes maintaining a product inventory or otherwise creating, assembling, or offering for sale the product purchased or leased by a motion picture production company.
 - (2) "Once-certified soundstage" means a soundstage, as defined in section 5550(c)(5) of this article, which was originally part of a studio construction project certified pursuant to sections 17053.98(k) and 23698(k) of the Revenue and Taxation Code as part of the California Soundstage Filming Tax Credit Program, for which the active period of certification of five (5) years has expired.
 - (3) "Outside Los Angeles zone vendor" means a vendor or supplier in California which maintains an office or place of business outside the Los Angeles zone, and is registered or qualified with the California Secretary of State, or is required to file a return with the California Franchise Tax Board under Parts 10 or 11 of the Revenue and Taxation Code and employs one or more full-time employees, or is a sole proprietor working at the place of business outside the Los Angeles zone. Pass-through businesses do not qualify as an "Outside Los Angeles zone vendor."
- (p)
 - (1) "Pass-through business" means a company maintaining an office or other place of business in California that primarily fulfills orders from a production company for products or third-party services from sources other than its own inventories or employees.
 - (2) "Pick-up order" means a contractual obligation from a licensee-exhibitor that a pilot or television series has been ordered or renewed for the production of an initial episode or episodes to be delivered within a specific time frame.
 - (3) "Picture editing and postproduction sound labor and services" means labor and services related to the process of assembling and winnowing the filmed material into its final form, from the raw dailies of principal photography through inclusion of visual effects, optical effects and image color correction, to delivery of the final element of the completed motion picture project, and to the process of compiling, re-recording, and mixing all of the elements that go into making the sound of the completed motion picture project, including adding music, sound effects, foley, dialogue, re-recorded dialogue, background looping, and the final mix of those elements.
 - (4) "Pilot" means the initial episode produced for a proposed television series that is longer than 40 minutes of running time, exclusive of commercials, with a minimum production budget of one million dollars (\$1,000,000).
 - (5) "Preproduction start date" means the first day of work on a project for either the unit production manager or the production designer, whichever occurs first.
 - (6) "Principal photography days" means the number of days shot by the principal unit with the director present and lead actors usually present. "Principal photography days" in California does not include the filming of primarily backgrounds, visual effects, action, and/or crowd scenes by the second, stunt, or visual effects units.

- (A) "Principal photography outside the Los Angeles Zone" means that, at minimum, the first scene of the day is filmed outside the Los Angeles Zone.
- (7) "Producer" means any individual who receives an on-screen producer credit including but not limited to any of the following titles: producer, co-producer, line producer, executive producer, co-executive producer, associate producer, supervising producer, post producer, or visual effects producer.
- (8) "Production budget" means the budget used by the applicant and production company and shall include qualified and non-qualified expenditures. Production budget shall include wages, goods, and services performed and incurred within and outside of California. It does not include costs which are not directly associated with the preproduction, production, or postproduction of the project, such as, but not limited to, distribution prints and advertising, marketing, film festival participation, financing, or distribution costs such as DVD manufacturing.
- (q) (1) "Qualified period" means the period that begins at the date of issuance of a qualified motion picture project's CAL, as defined in section 5550(c)(6) of this article, and ends thirty (30) calendar days after the creation of the final element, if that date falls within the thirty (30) month completion timeframe set forth in sections 17053.98.1(b)(19)(B)(ii) and 23698.1(b)(19)(B)(ii) of the Revenue and Taxation Code and section 5555(c) of this article.
- (r) (1) "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.
- (2) "Reasonable cause" means unforeseen circumstances beyond the control of the applicant, including, but not limited to: an event of force majeure; the cancellation of a television series prior to the completion of the scheduled number of episodes; failure by third parties to perform; a change in essential talent such as the director, principal cast and the associated costs; and/or a change in production financing exigencies resulting in a significant reduction to the production budget.
- (3) "Recurring television series" means any television series, relocating television series, or any new television series based on a pilot for a new television series that was approved and issued a CAL in a previous allocation period under the California Film and Television Tax Credit Program 1.0, 2.0, 3.0, or 4.0, or the California Soundstage Filming Tax Credit Program.
- (4) "Relocating television series" has the same meaning as "television series that relocated to California;" as defined in section 5550(t)(4) of this article for purposes of the California Film and Television Program 4.0, and the terms may be used interchangeably and shall be understood to have the same meaning.
- (s) (1) "Safety advisor" means, for purposes of the California Film and Television Program 4.0, an individual ~~approved by the Industry-Wide Labor-Management Safety Committee~~, who fulfills the criteria of section 9151(k) of the Labor Code, including successful completion of the training course that has been implemented by the Industry-Wide Labor-Management Safety Committee pursuant to paragraph

9151(k)(2) of the Labor Code, and who prepares and submits the final safety evaluation report.

- (2) "Scripted series" means a fictional episodic television series based upon scripted materials.
- (3) "Scoring musician" means an instrumental musician, a vocalist, a music arranger, an orchestrator, a Musical Instrument Digital Interface (MIDI) transcriber, a music copyist, a music librarian, a conductor (except a conductor that is also the composer), and a musician or a choral contractor employed solely for the purpose of recording music for a qualified motion picture.
- (4) "Soundstage applicant" means an applicant, as defined in this section, that films its project on a soundstage or soundstages certified or once certified by the California Film Commission pursuant to sections 17053.98(k) and 23698(k) of the Revenue and Taxation Code and fulfilling specific requirements of those sections to receive the one hundred thirty-three percent (133%) jobs ratio advantage specified in section 5553.1(a)(2) of this article.
- (5) "Soundstage wages" means wages for production services performed within the production period, as defined in sections 17053.98.1(b)(15) and 23698.1(b)(15) of the Revenue and Taxation Code, on a certified soundstage or certified ancillary building and in alignment with section 5530(l)(1)(A) of article 4 of this chapter. Wages related to maintenance of the certified soundstage, and wages incurred for services performed at locations or facilities that are not a certified soundstage or certified ancillary building shall not be included for the purpose of satisfying the criteria in sections 17053.98(k)(2)(B)(ii) and 23698(k)(2)(B)(ii).
- (6) "Stage shooting day" means a principal photography day, as defined in section 5550(p)(6) of this article, during which an applicant utilizes its certified soundstage(s), or other soundstage(s) for six hours or more. For purposes of qualifying as a stage shooting day, time spent filming on the backlot or similar contiguous area immediately adjacent to the certified soundstage(s) or other soundstage(s) shall qualify.
- (7) "Supplemental television season" means a backorder of episodes related to a season that is already in production.
- (8) "Supplier diversity" means, for purposes of the diversity, equity, inclusion, and accessibility provisions specified in sections 17053.98.1(g)(3)(D) and 23698.1(g)(3)(D) of the Revenue and Taxation Code, contracting with vendors, including but not limited to catering companies, accounting firms, equipment rentals, and postproduction houses, owned and operated by individuals from socially and economically underrepresented groups to support production.
- (t)
 - (1) "Television project" means pilots for new television series, new television series, miniseries/limited series, a relocating television series, and recurring television series.
 - (2) "Television season" means the initial exhibition of a set of interrelated new television episodes lasting no less than six (6) episodes and no more than thirty (30) episodes within a period of twelve (12) months.

(A) A supplemental television season may consist of fewer than six (6) episodes.

(3) "Television series" also known as "episodic television," means a regularly occurring production and may include a series with multiple episodes available to the public in a single viewing and without regard to distribution transmission.

(4) "Television series that relocated to California" means a television series without regard to episode length or initial media exhibition, with a minimum production budget of one million dollars (\$1,000,000) per episode, that filmed at least seventy-five percent (75%) of principal photography days in its most recent season outside of California or has filmed all seasons outside of California and for which the taxpayer certifies that the credit is the primary reason for relocating to California.

(u) (Reserved)

(v) (1) "Visual effects" (VFX) means the digital and/or in-camera creation, alteration, or enhancement of images. Visual Effects includes, but is not limited to, clean-up, wire removals, matte paintings, animation, set extensions, computer-generated objects, characters and environments, digital FX simulations, compositing (combining two or more elements in a final image), motion capture, facial capture, world capture (locations, set scanning) and visualizations (previz, techviz, postviz). It also includes the digital creation, clean-up, alteration or enhancement of materials for and resulting from shooting in a virtual production volume. "Visual effects" does not include fully animated projects, whether created by traditional or digital means.

NOTE: Authority cited: Sections 17053.98.1(e), and 23698.1(e), Revenue and Taxation Code; and Section 11152, Government Code. Reference: 17053.98(k), 17053.98.1(a), 17053.98.1(b), 17053.98.1(g), 17053.98.1(h), 17053.98.1(i), 23698(k), 23698.1(a), 23698.1(b), 23698.1(g), 23698.1(h), and 23698.1(i), Revenue and Taxation Code; Section 9151(k) and 9152(h), Labor Code; and Section 14998.1, Government Code.

§ 5551. Program Eligibility.

(a) In order for an applicant to be eligible to apply for an allocation of tax credits under the California Film and Television Tax Credit Program 4.0, the applicant must ensure that the qualified motion picture referenced in the application complies with the provisions of sections 17053.98.1(b)(19) and 23698.1(b)(19) of the Revenue and Taxation Code, including but not limited to:

(1) (A) Filming at least seventy-five percent (75%) of principal photography days wholly in California; or,

(B) Incurring at least seventy-five percent (75%) of the total production budget in California.

(2) Not commencing principal photography in California prior to issuance of a Credit Allocation Letter (CAL), Form D4 (January 1, 2025), hereby incorporated by reference.

- (b) (1) An applicant may apply for tax credit allocation under the California Film and Television Tax Credit Program 4.0 with a qualified motion picture project in one of the following categories:
- (A) Non-independent feature film
 - (B) Independent film with a qualified expenditure budget over ten million dollars (\$10,000,000).
 - (C) Independent film with a qualified expenditure budget of ten million dollars (\$10,000,000) or less.
 - (D) Pilot.
 - (E) New television series.
 - (F) Recurring television series.
 - (G) Relocating television series.
 - (H) Miniseries/limited series.
- (2) Pursuant to sections 17053.98(k)(8)(D), 17053.98(g)(2)(D)(iv)(II), 17053.98.1(g)(2)(D)(iii)(II), 23698(k)(8)(D), 23698(g)(2)(D)(iv)(II), and 23698.1(g)(2)(D)(iii)(II) of the Revenue and Taxation Code, an applicant may qualify for the Program by filming a qualified motion picture project on a soundstage or soundstages certified by the California Film Commission (CFC) as part of a Certified Studio Construction Project in accordance with Revenue and Taxation Code sections 17053.98(k) and 23698(k), subject to a jobs ratio enhancement of one hundred thirty-three percent (133%).
- (A) A qualified motion picture project utilizing the jobs ratio enhancement must fulfill all applicable California Film and Television Tax Credit Program 4.0 requirements as well as all applicable California Soundstage Filming Tax Credit Program requirements, as specified in sections 5553(j)(5)(D), 5553(j)(6)(E), 5553(j)(6)(F), and 5553(j)(10)(C) of this article.
 - (B) The category designation for a qualified motion picture project utilizing the jobs ratio enhancement shall be the same as in subparagraphs (A) through (H) of paragraph (1) above, as applicable, with "Soundstage" added as a suffix.
- (c) To qualify as a non-independent feature film, the motion picture project shall have a running time of at least seventy-five (75) minutes and a minimum budget of one million dollars (\$1,000,000).
- (d) To qualify as an independent film, the motion picture project shall have a running time of at least seventy-five (75) minutes and a minimum budget of one million dollars (\$1,000,000), and must be produced by a company that is not publicly traded and a publicly traded company does not own, directly or indirectly, more than twenty-five percent (25%) of the producing company.
- (e) To qualify as a pilot for a new television series, the pilot episode shall have a running time longer than forty (40) minutes, exclusive of commercials, shall be produced in California with

a minimum budget of one million dollars (\$1,000,000), and shall be the initial episode in a proposed television series.

- (f) To qualify as a new television series, the television series shall produce episodes with a running time longer than forty (40) minutes each, exclusive of commercials, and with a minimum production budget of one million dollars (\$1,000,000) per episode.
- (g) To qualify as a recurring television series, the television series must be an eligible qualified motion picture project that is a subsequent season of a new television series or a relocating television series, or a season of a television series based on a pilot, initially allocated tax credits pursuant to sections 17053.85, 17053.95, 17053.98, 17053.98.1, 23685, 23695, 23698, or 23698.1 of the Revenue and Taxation Code.
- (h) To qualify as a relocating television series, the television series shall meet the following criteria:
 - (1) Provide a certification from the applicant that the tax credit provided pursuant to this section is the primary reason for relocating to California.
 - (2) Produce episodes of any length, filmed its most recent season outside of California, and have a minimum production budget of one million dollars (\$1,000,000) per episode.
 - (3) At least seventy-five percent (75%) of principal photography days of its most recent season have been filmed outside of California.
- (i) To qualify as a miniseries/limited series, the project shall consist of two or more episodes each longer than forty (40) minutes of running time, exclusive of commercials, with a minimum production budget of one million dollars (\$1,000,000) per episode and shall be based on a single theme or storyline that is resolved within those episodes.
- (j) For purposes of tax credit allocation and program requirements, any category of qualified motion picture project that is episodic television (including a pilot or a miniseries/limited series) shall be considered a non-independent project, regardless of whether the project is produced by a company that is publicly traded or owned, directly or indirectly, by a publicly traded company.
- (k)
 - (1) An animated production is not considered a qualified motion picture and shall not be eligible for a tax credit. Animated production means content created that does not utilize or incorporate live action footage but creates a motion picture consisting principally of computer generated or hand painted images. An animated production does not engage in principal photography and therefore does not meet the conditions for eligibility set forth in sections 17053.98.1(b)(14) and 23698.1(b)(14) of the Revenue and Taxation Code.
 - (2) Revenue and Taxation Code sections 17053.98.1(b)(19)(D) and 23698.1(b)(19)(D) contain a listing of other project types, content, and production circumstances ineligible for tax credit allocation under the California Film and Television Tax Credit Program 4.0.

NOTE: Authority cited: Sections 17053.98.1(e), and 23698.1(e), Revenue and Taxation Code; and Section 11152, Government Code. Reference: Sections 17053.98(k), 17053.98.1(a), 17053.98.1(b), 17053.98.1(c), 17053.98.1(g), 17053.98.1(i), 23698(k), 23698.1(a), 23698.1(b), 23698.1(c), 23698.1(g), and 23698.1(i), Revenue and Taxation Code; Section 14998.1, Government Code.

§ 5552. Tax Credit Allocation.

- (a) In each fiscal year beginning with the 2025-26 fiscal year and ending with the 2029-30 fiscal year, the CFC shall allocate tax credits to qualified motion picture projects produced by eligible California Film and Television Tax Credit Program 4.0 applicants in two or more allocation periods publicized as specified in section 5553(a) of this article.
- (b) The amount of tax credits allocated to a qualified motion picture project shall be based on a percentage of the qualified expenditures provided in sections 17053.98.1(a)(4) and 23698.1(a)(4) of the Revenue and Taxation Code, as follows:
 - (1) Twenty percent (20%) of the qualified expenditures attributable to a qualified motion picture project category listed in subparagraphs (A), (D), (E), (F), and (H) of section 5551(b)(1) of this article.
 - (2) Twenty-five percent (25%) of the qualified expenditures attributable to a qualified motion picture project category listed in subparagraphs (B), (C), and (G) of section 5551(b)(1) of this article.
- (c) If all tax credits have been allocated for any application period, qualified motion pictures shall be placed in a prioritized waiting list according to their project type and in the order of their jobs ratio ranking until one of the following occurs: credits become available that allocation period, the production elects to be removed from the queue, the production starts principal photography in California, or until the allocation period ends.
 - (1) In the event that a partial tax credit allocation is available for the highest ranked project on a waiting list, the CFC shall offer that tax credit allocation to the waitlisted project if it amounts to or exceeds fifty percent (50%) of the waitlisted project's total eligible tax credit allocation amount.
 - (A) A waitlisted project that rejects an offer of a partial tax credit allocation shall keep its place on the waiting list within that allocation period. A waitlisted project that rejects an offer of partial tax credit allocation shall remain eligible to apply for credit allocation for the same project in any future allocation period for that project category, provided it has not commenced principal photography and continues to fulfill all applicable program requirements.
 - (B) If the highest ranked project on a waiting list rejects the offer of a partial credit allocation and elects to be removed from the queue, the CFC shall offer the credits to the next project on the waiting list in accordance with the percentage rule in paragraph (1) above, and so on until the available tax credits are exhausted or amount to less than fifty percent (50%) of the total eligible tax credit allocation amount for the next project on the waiting list.

- (d) If the applicant is producing a series of feature films that will be filmed concurrently and the series of films continues the narrative of the original work and financing is confirmed, then the CFC shall have the authority to divide the allocation over multiple fiscal years if it is determined that the production schedule occurs over more than one fiscal year.
- (e) Tax credits for a feature film, new or recurring television series, relocating television series, pilot, or miniseries/limited series shall be applied to a maximum of one hundred million dollars (\$100,000,000) of the qualified expenditure budget. There shall be no maximum on the production budget.
- (1) A one hundred million-dollar (\$100,000,000) qualified expenditure maximum applies to the five percent (5%) augmentation as per section 5552(h)(1-3).
 - (2) A one hundred million-dollar (\$100,000,000) qualified expenditure maximum applies to the ten percent (10%) augmentation as per section 5552(i)(1).
 - (3) A one hundred million-dollar (\$100,000,000) qualified expenditure maximum applies to the five percent (5%) augmentation as per section 5552(i)(2) with respect to a relocating television series.
- (f) Tax credits for an independent film shall be applied to a maximum of ten million dollars (\$10,000,000) of the qualified expenditure budget. There shall be no maximum on the production budget.
- (1) A ten million-dollar (\$10,000,000) qualified expenditure maximum applies to the five percent (5%) augmentation as per Section 5552(i)(2).
- (g) Pursuant to sections 17053.98.1(g)(3)(D) and 23698.1(g)(3)(D) of the Revenue and Taxation Code, except in the case of a qualified motion picture that is an independent film with a qualified expenditure budget of ten million dollars (\$10,000,000) or less, the CFC shall for informational purposes include on each Credit Allocation Letter (CAL), Form D4 (January 1, 2025), hereby incorporated by reference, issued for the California Film and Television Program 4.0 the total sum of allocated credits for a qualified motion picture project and the sum that equals ninety-six percent (96%) of the total sum of allocated credits, including uplifts.
- (1) An applicant that opts in to the diversity provisions detailed in sections 5553.3 and 5554.2 of this article and meets or makes a good-faith effort to meet the goals in its diversity workplan shall be eligible for tax credit certification of the full amount, subject to verification and audit, pursuant to sections 17053.98.1(g)(3)(D) and 23698.1(g)(3)(D) of the Revenue and Taxation Code.
 - (2) An applicant that opts out of the diversity provisions outlined in sections 5553.3 and 5554.2 of this article or that does not meet or make a good-faith effort to meet the goals in its diversity workplan shall be eligible for tax credit certification of the sum that equals ninety-six percent (96%) of the total sum of allocated credits, including uplifts, subject to verification and audit, pursuant to sections 17053.98.1(g)(3)(D) and 23698.1(g)(3)(D) of the Revenue and Taxation Code.
 - (3) The one hundred percent (100%) sum is the sum that shall be referenced for purposes of establishing the maximum sum of allocated tax credits for a subsequent

season of a television series and the sum that shall constitute the basis of calculation for an applicant's Career Pathways Program contribution.

(h) For purposes of this section, a five percent (5%) augmentation ("uplift") to the tax credit allocation for non-independent motion pictures (excluding relocating television series) shall be made by the CFC when any of the following conditions have been met:

- (1) The production company pays or incurs qualified expenditures relating to qualified visual effects work totaling a minimum of ten million dollars (\$10,000,000) in California or at least seventy-five percent (75%) of total worldwide visual effects expenditures are incurred in California.
- (2) The production company pays or incurs qualified wages for services performed outside the Los Angeles zone during the applicable period relating to original photography outside the Los Angeles zone by individuals who reside within the Los Angeles zone. The foregoing amounts shall be substantiated by documentation including, but not limited to, timesheets and payroll records as requested by the CFC and/or the CPA performing the Agreed Upon Procedures (AUP; January 1, 2025), hereby incorporated by reference.
- (3) The production company purchases or leases tangible personal property outside the Los Angeles zone during the applicable period and the personal property is used or consumed outside the Los Angeles zone. Tangible personal property must be purchased, rented or leased from an outside of Los Angeles vendor through an office or other place of business outside the Los Angeles zone. Rentals or purchases from a pass-through business do not qualify for the five percent (5%) augmentation.
 - (A) If the tangible personal property purchased or leased outside the Los Angeles zone was not completely used or consumed solely outside the Los Angeles zone, the production company shall apportion amounts paid or incurred for tangible personal property outside the Los Angeles zone during the applicable period by multiplying these non-wage outside the Los Angeles zone expenditures by the ratio of days of principal photography outside the Los Angeles zone to the total number of days of principal photography.
 - (B) If the tangible personal property purchased or leased outside the Los Angeles zone was completely used or consumed solely outside the Los Angeles zone, and the production company wishes to seek an uplift based on out of zone consumables, the company shall substantiate that with its records. Tangible person property purchased or leased outside the Los Angeles zone shall be deemed to be completely used or consumed provided the property was of a type or nature such that it would have no residual material value remaining after its use or consumption outside the Los Angeles zone. Examples of such property include, but are not limited to, food and catering items, rented hotel or corporate housing usage, construction supplies and materials for sets, automotive or other fuels, security services, location and stage services, government permit fees, personnel services, printing, equipment rentals for the applicable period outside the Los Angeles Zone, transportation services, dry cleaning, and shipping and travel costs from within the state to and from the out of zone location.

- (i) (1) For the purposes of this section, a ten percent (10%) augmentation (“uplift”) to the tax credit allocation for non-independent motion pictures (excluding relocating television) shall be made by the CFC if the production company pays or incurs qualified wages for services performed by local hire labor outside the Los Angeles zone during the applicable period relating to original photography outside the Los Angeles zone. The foregoing amounts shall be substantiated by documentation in accordance with paragraph (3) below.
- (2) For the purposes of this section, a five percent (5%) augmentation (“uplift”) to the tax credit allocation for an independent film or a relocating television series in its first season in California shall be made by the CFC if the production company pays or incurs qualified wages for services performed by local hire labor outside the Los Angeles zone during the applicable period relating to original photography outside the Los Angeles zone. The foregoing amounts shall be substantiated by documentation in accordance with paragraph (3) below.
- (3) The applicant is responsible for collecting proof of identity and proof of the location where the qualified individual resides for local hire labor at the time of hire and for providing copies to the CPA performing the Agreed Upon Procedures, Form AUP (January 1, 2025), hereby incorporated by reference. Without proof of identity and proof of the location where the qualified individual resides for a crewmember the Local Hire Labor Uplift shall not be applied for that individual.
 - (A) Acceptable proof of identity is a California Driver's License, a State ID Card, or a Passport.
 - (B) For purposes of sections 17053.98.1(a)(4)(E) and 23698.1(a)(4)(E) of the Revenue and Taxation Code, acceptable proof of the location where the qualified individual resides is a current home or apartment rental agreement, a utility bill, mortgage statement, internet or phone provider bill, renter's or homeowner's insurance bill, or equivalent document, issued within the previous three months.
- (j) Any recurring television series, meaning any subsequent season of a new television series or relocating television series, or any season of a television series based on a pilot that has been approved and issued a CAL in a previous allocation period, shall be given first priority for a credit allocation during an open allocation period in each subsequent year in the life of that series whenever credits are allocated and available within a fiscal year.
 - (1) A recurring television series shall submit a new application for each season during any open television project application period as specified by the CFC in its written notification.
 - (A) The application for a season of a recurring television series shall reflect the estimated qualified expenditures of that specific season, however, the tax credit allocation will not exceed the amount allocated in the credit allocation letter(s) issued for that series in the previous fiscal year or the most recent fiscal year in which a credit allocation letter or letters were issued for that series.

(B) If a pick-up order for the season is available at the time of application, it must be submitted.

(2) The allocation amount requested by a relocating television series applying for tax credits in subsequent fiscal years as a recurring television series shall not exceed the amount allocated in the credit allocation letter(s) issued for that series in the previous fiscal year or the most recent fiscal year in which a credit allocation letter or letters were issued for that series.

(k) Revocation by the CFC of a tax credit allocation is final and shall not be subject to administrative appeal or review.

NOTE: Authority cited: Sections 17053.98.1(e), and 23698.1(e), Revenue and Taxation Code; and Section 11152, Government Code. Reference: Sections 17053.98.1(a), 17053.98.1(b), 17053.98.1(e), 17053.98.1(g), 17053.98.1(i), 17053.98.1(j), 23698.1(a), 23698.1(b), 23698.1(e), 23698.1(g), 23698.1(i), and 23698.1(j), Revenue and Taxation Code; and Section 14998.1, Government Code.

§ 5553. Application Process for Tax Credit Allocation.

(a) The open allocation periods for the California Film and Television Tax Credit Program 4.0 shall be announced by the Director of the CFC prior to each new fiscal year on the CFC website. The California fiscal year runs from July 1 to June 30. The announcement shall identify the application categories that may be submitted in each application period as follows:

(1) Independent films, which includes independent films with a qualified expenditure budget of ten million dollars (\$10,000,000) or less and independent films with a qualified expenditure budget over ten million dollars (\$10,000,000), as well as independent films of both budget categories filming on certified or once-certified soundstages.

(2) Feature films, which includes non-independent films that film on certified or once-certified soundstages.

(3) Relocating television series, which includes relocating television series filming on certified or once-certified soundstages.

(4) Television projects, which includes pilots, miniseries/limited series, new television series, and recurring television series, including projects that film on certified or once-certified soundstages.

(b) An application for an allocation of tax credits under the California Film and Television Tax Credit Program 4.0 shall contain the information outlined in this section, as applicable, and shall be submitted to the CFC through the online application portal accessible on the website www.film.ca.gov or, if necessary prior to portal completion or due to technical issues, in PDF or equivalent non-proprietary document format.

- (c) An applicant that begins principal photography in California prior to receiving a Credit Allocation Letter (CAL), Form D4 (January 1, 2025), hereby incorporated by reference, shall be disqualified from receiving such letter for that particular production.
- (d) An applicant shall not submit a duplicate application for a project during any given allocation period. Submittal of duplicate applications will disqualify an applicant from the tax credit program.
 - (1) Submitting an application for an allocation of credits under the California Film and Television Tax Credit Program 4.0 simultaneously with an application for an allocation of tax credits under the California Soundstage Filming Tax Credit Program shall constitute a “duplicate application.”
 - (2) Submitting an application for an allocation of credits under the California Soundstage Filming Tax Credit Program for a project that has applied for but has confirmation that it is not receiving tax credits under the California Film and Television Tax Credit Program 4.0 for the project shall not constitute a “duplicate application.”
- (e) An applicant may submit a new application for the same project during any fiscal year if the qualified production did not receive or retain a tax credit allocation from a previous allocation period in the same fiscal year.
- (f) An applicant, including any affiliated entities, that has been issued a tax credit allocation for a particular production that begins but does not complete principal photography of that production, shall not be eligible to reapply for a tax credit reservation for that particular production.
- (g) Any expenditures for services, wages, or goods incurred prior to the date of CAL issuance shall not be considered qualified expenditures with the exception of production facility, office rentals, completion bonds and insurance premiums, which are permitted on a prorated basis, to include the expenditures which are incurred on or after CAL issuance.
- (h) An applicant producing a qualified motion picture that is a television series shall submit one application per season of that television series.
 - (1) A television series with an order for additional episodes for the same season, known as a supplemental season, may submit an application for the additional episodes in a subsequent television allocation period.
- (i) The application process for tax credit allocation shall occur in two phases. Phase I requires applicants to complete and submit the application as set forth on the CFC website. Phase II occurs after all applicants have been ranked by jobs ratios and the highest ranked productions per category are required to submit their supporting documentation.
- (j) Phase I: The applicant shall initiate the application process by indicating a production category in accordance with subdivision 5551(b) of this article. The application shall include and the applicant shall provide, as applicable, the following information:
 - (1) Project details:
 - (A) Production title and production category.

- (B) Preproduction start date, principal photography start date, and postproduction end date.
 - (C) Applicant entity, type of taxpayer ID, and taxpayer ID number.
 - (D) Identify if the applicant is a corporation, limited liability company, individual proprietorship, subchapter S corporation, partnership, or other.
- (2) The applicant shall enter the contact type and provide the contact name, title, address, email, and phone number(s) for each of the following, as applicable:
- (A) Applicant contact.
 - (B) Primary contact.
 - (C) Production company contact.
 - (D) Parent company contact.
 - (E) Budget contact.
 - (F) Schedule contact.
- (3) The applicant shall list the following information for financing sources:
- (A) For all motion picture projects:
 1. Names of financing sources.
 2. Amounts of funding and percentage of overall funding per financing source.
 3. Named sources must total a minimum of sixty percent (60%) of the project's total production budget.
 - (B) For independent films, additionally:
 1. Names of all equity investors including, without limitations, all partners (including percentage of ownership).
 2. Attest that the applicant entity is not a publicly traded company or owned directly or indirectly more than twenty-five percent (25%) by a publicly traded company.
- (4) The applicant shall provide information about the proposed project as follows:
- (A) For television series applicants:
 1. If it is a new television series or a miniseries/limited series, indicate if the pilot was initially accepted in a California Film and Television Tax Credit Program, provide the number of episodes in the season, and confirm that each episode has over forty (40) minutes of running time exclusive of commercials.
 2. If it is a pilot, confirm that it has over forty (40) minutes of running time exclusive of commercials.

3. If it is a recurring television series, provide the number of episodes for the season, the number of episodes for the prior season, and the episode running time exclusive of commercials.
 4. If it is a relocating television series, provide the previous location, the number of episodes previously shot, the number of episodes included in this season, and the episode running time. Indicate if any part of the previous season was filmed in California and if so, the number of principal photography days inside California and outside California.
- (B) Production schedule: Provide start dates of preproduction and principal photography, end date of principal photography, estimated end date of postproduction and projected or actual release date.
- (C) Key Personnel and Department Heads: Provide names, to the extent such information is known at the time of application, of executive producer(s), producer(s), writer(s), director, lead actor(s), director of photography, location manager, and the safety advisor required pursuant to section 9152(a) of the Labor Code.
- (D) For applicants opting into the provisions specified in paragraph (8) below, provide the name and contact information of a designated diversity, equity, inclusion, and accessibility main contact.
1. The person listed is the person that will be contacted to coordinate the mandatory diversity, equity, inclusion, and accessibility orientation required pursuant to section 5554(c) of this article, and the person that will be contacted about any of the submitted forms detailed in sections 5553.4³ and 5554.2 of this article.
 2. If the designated person changes during the course of the production, applicants shall notify the CFC of the change.
- (E) Provide a logline.
- (F) Provide a synopsis. The synopsis must be a minimum of one thousand six hundred (1600) characters and a maximum of six thousand (6000) characters and include a description of the main characters, plotline, beginning and ending, and major scene descriptions.
- (5) Information about principal photography days:
- (A) The applicant must provide the following information:
1. Number of principal photography days in the Los Angeles (LA) zone.
 2. Number of principal photography days in California outside the LA zone.
 3. Number of California principal photography days (1. plus 2.).
 4. Percentage of principal photography days outside the LA zone (2. divided by 3. x 100).

(i) This is the percentage that determines the number of bonus points a qualified motion picture project is eligible for in accordance with section 5553.1 of this article.

5. Number of principal photography days outside of California.

6. Total number of principal photography days (3. plus 5.).

7. Percentage of California principal photography days (3. divided by 6. x 100).

(B) If shooting outside of Los Angeles zone, list the California counties where filming will occur.

(C) If shooting outside California, list states and/or countries where filming will occur.

(D) Soundstage applicants must also provide the following information:

1. Number of principal photography stage shooting days. This number must include principal photography stage shooting days on certified or once-certified soundstages as well as principal photography days on non-certified soundstages.

(i) A soundstage must be in use for at least six (6) hours for the day to count as a stage shooting day.

2. Number of principal photography stage shooting days on a certified or once-certified soundstage.

3. Percentage of stage shooting days on a certified or once-certified soundstage (2. divided by 1. x 100).

(i) A qualified motion picture must film fifty percent (50%) or more of stage shooting days on certified or once-certified soundstages to be eligible as a soundstage applicant.

4. The unique soundstage identifier for each certified or once-certified soundstage on which the project will film, as provided by the owner of the certified studio construction project.

(6) Production statistics:

(A) The applicant shall provide the following information regarding labor statistics for in-state work:

1. Estimated total number of cast members.

2. Estimated total number of base crew members, meaning the average number of staff and shooting crew employed per principal photography day.

3. Estimated total background performers/stand-in days worked, meaning the sum of the number of days, full or partial, a person is estimated to work.

4. All applicants will be required to check a box to acknowledge that if and when they apply for a tax credit certificate, the applicant will submit separate listings of voluntary, self-reported race/ethnicity and gender statistics for all individuals who received qualified wages and all individuals who received non-qualified wages on the motion picture project, as required pursuant to sections 17053.98.1(d)(1)(E), 17053.98.1(d)(1)(J), 17053.98.1(g)(2)(A)(iv), 23698.1(d)(1)(E), 23698.1(d)(1)(J), and 23698.1(g)(2)(A)(iv) of the Revenue and Taxation Code and as detailed in section 5554.2 of this article.

(B) The applicant shall provide the following budget information:

1. Total worldwide production budget.
2. Total California expenditures (qualified and non-qualified).
3. Indicate if seventy-five percent (75%) or more of the total production budget will be spent in California.

(C) All applicants shall provide the following visual effects (VFX) information:

1. The total worldwide VFX budget amount.
2. The total California VFX budget amount.
 - (i) This is the sum that determines the number of bonus points a non-independent project (including any television series) or an independent film with a qualified expenditure budget over ten million dollars (\$10,000,000) is eligible for in accordance with section 5553.1 of this article.

(D) All applicants shall provide the total budgeted amount of California music scoring and track recording qualified wages.

1. This is the sum that determines the number of bonus points a non-independent project (including any television series) or an independent film with a qualified expenditure budget over ten million dollars (\$10,000,000) is eligible for in accordance with section 5553.1 of this article.

(E) Soundstage applicants shall provide:

1. The total budgeted amount of worldwide picture editing and postproduction sound labor and services.
2. The total budgeted amount of California picture editing and postproduction sound wages.
3. The total budgeted amount of California picture editing and postproduction sound non-wage expenditures.
4. A soundstage applicant must incur no less than seventy-five percent (75%) of picture editing and postproduction sound labor and services costs in California to qualify.

(F) Soundstage applicants shall provide the total budgeted amount of qualified soundstage wages, as defined in section 5550(s)(5) of this article.

1. A soundstage applicant must incur a minimum of five million dollars (\$5,000,000) in soundstage wages to qualify.

(7) Productions have access to additional tax credit calculations in the form of uplifts detailed below related to specific expenditures and wages, as applicable and as referenced in section 5552(h) and (i) of this article. Details for non-independent productions, except relocating television series, are outlined in subparagraphs (A)-(C) below. Details for independent productions and relocating television series are outlined in subparagraph (D) below.

(A) To be eligible for the five percent (5%) Out of Zone Uplift, non-independent productions, except relocating television series, must:

1. Provide the total budgeted out of zone wages, excluding local hire labor, incurred during the applicable period.
2. Provide the total budgeted out of zone non-wages, excluding the total consumables, incurred during the applicable period.
3. Provide the total non-wage expenditures entirely consumed outside the Los Angeles Zone during the applicable period.
4. The combined sum of the qualified out of zone expenditures provided pursuant to clauses 1., 2., and 3. above is the sum to which the uplift percentage applies.
5. The aggregate uplift amount of the combined sums pursuant to subparagraphs (A) and (B) of this paragraph cannot exceed five percent (5%) of the non-independent production's overall qualified expenditures.

(B) To be eligible for the five percent (5%) California Visual Effects (VFX) Uplift, non-independent productions, except relocating television series, must:

1. Have an eligible California VFX budget by meeting one of the two below qualifying criteria. Either:
 - i. The total California qualified VFX is equal to or greater than seventy-five percent (75%) of the total worldwide VFX budget; or,
 - ii. The California qualified VFX budget is equal to or greater than ten million dollars (\$10,000,000).
2. Provide the total budgeted dollar amount of California VFX expenditures.
3. The total dollar amount of California VFX expenditures provided pursuant to clause 2., above, is the sum to which the uplift percentage applies.
4. The aggregate uplift amount of the combined sums pursuant to subparagraphs (A) and (B) of this paragraph cannot exceed five percent (5%) of the non-independent production's overall qualified expenditures.

- (C) To be eligible for the ten percent (10%) Local Hire Labor Uplift, non-independent productions, except relocating television series, must:
1. Provide the total budgeted wages for out of zone local hire labor.
 2. The sum of the local hire labor wages provided pursuant to clause 1., above, is the sum to which the applicable uplift percentage applies.
- (i) Local hire wages must be substantiated in accordance with section 5552(i)(3) of this article.
- (D) To be eligible for the five percent (5%) Local Hire Labor Uplift, independent productions and relocating television series must:
1. Provide the total budgeted wages for out of zone local hire labor.
 2. The sum of the local hire labor wages provided pursuant to clause 1., above, is the sum to which the applicable uplift percentage applies.
- (i) Local hire wages must be substantiated in accordance with section 5552(i)(3) of this article.
- (8) Applicants may opt in to, or opt out of, participating in diversity provisions required pursuant to sections 17053.98.1(g)(3)(D) and 23698.1(g)(3)(D) of the Revenue and Taxation Code and as detailed in sections 5553.3 and 5554.2 of this article. An applicant with a project that is an independent film with a qualified expenditure budget of ten million dollars (\$10,000,000) or less is exempt from the diversity provisions required pursuant to sections 17053.98.1(g)(3)(D) and 23698.1(g)(3)(D) of the Revenue and Taxation Code.
- (A) An applicant that opts in to the diversity provisions detailed in paragraph (8) must state its intention to do so in the application and must submit a diversity, equity, inclusion, and accessibility workplan, Form DEIA2 (January 1, 2025), hereby incorporated by reference, within thirty (30) calendar days of CAL issuance as detailed in subdivision (b) of section 5553.3 of this article.
- (B) An applicant that opts out of the diversity provisions detailed in paragraph (8) above must state its intention to do so in the application.
1. An applicant that states its intention to opt out in the application may still choose to opt in by submitting the diversity workplan required pursuant to section 5553.3(b) of this article within thirty (30) calendar days of CAL issuance.
- (C) In addition to the diversity provisions detailed in paragraph (8) above, other related requirements are mandatory and apply to all applicants regardless of project category pursuant to sections 17053.98.1(b)(19)(B)(vi), 17053.98.1(d)(1)(E), 17053.98.1(d)(1)(J), 17053.98.1(g)(2)(A)(iv), 17053.98.1(g)(2)(A)(ix), 23698.1(b)(19)(B)(vi), 23698.1(d)(1)(E), 23698.1(d)(1)(J), 23698.1(g)(2)(A)(iv), and 23698.1(g)(2)(A)(ix) of the Revenue and Taxation Code.

(9) For purposes of estimated Credit Allocation and Jobs Ratio, all applicants must provide:

- (A) The total budgeted amount of Qualified Wages.
- (B) The total budgeted amount of qualified non-wages.
- (C) If applicable, the total contingency, which can be no more than ten percent (10%) of qualified expenditures. The contingency cannot be included as a line-item within the body of the budget.
- (D) If applicable, the total completion bond fee, which can be no more than two percent (2%) of qualified expenditures. Completion bond costs for any filming outside of California must be excluded proportionately.
- (E) The total budgeted amount of Qualified Expenditures, (A) plus (B) plus (C) plus (D).
- (F) Total eligible tax credit allocation amount, excluding uplifts.
 - 1. For a non-independent project, the total qualified expenditures calculated pursuant to subparagraph (E) above shall be multiplied by twenty percent (20%).
 - 2. For an independent film or a relocating television series, the total qualified expenditures calculated pursuant to subparagraph (E) above shall be multiplied by twenty-five percent (25%).
- (G) Total tax credit uplift amounts, as calculated pursuant to paragraph (7) above, and as applicable to each project.
- (H) Total requested tax credit amount including uplifts, combining the sum calculated pursuant to subparagraph (F) and the sum calculated pursuant to subparagraph (G) above.
 - 1. Credit allocation applies only to the first ten million dollars (\$10,000,000) of qualified expenditures for independent films and the first ten million dollars (\$10,000,000) of qualified expenditures eligible for uplifts.
 - 2. Credit allocation applies only to the first one hundred million dollars (\$100,000,000) of qualified expenditures for non-independent productions and the first one hundred million dollars (\$100,000,000) of qualified expenditures eligible for uplifts.

(10) Acknowledgements and Attestation:

- (A) Every applicant must acknowledge that they are aware of the requirement for motion picture projects allocated tax credits under the California Film and Television Program 4.0 to participate in the Safety on Productions Pilot Program required pursuant to section 9152(a) of the Labor Code and outlined in sections 9150 et seq. of the Labor Code.

- (B) Every applicant must acknowledge that they are aware of the requirement for projects allocated tax credits under the California Film and Television Tax Credit Program 4.0 to contribute a sum equal to a percentage of their CAL amount to the Career Pathways Program within thirty (30) calendar days of CAL issuance. The applicable percentage is detailed in section 5554.1 of this article.
- (C) A soundstage applicant must attest that they are the qualified taxpayer that is either:
1. More than fifty percent (50%) owned, directly or indirectly, by the same owner or owners of the soundstage or soundstages that is part of a certified studio construction project on which the production is filmed; or,
 2. Entered into a contract or lease of ten (10) years or more with the owner or owners of a certified studio construction project on which the production is filmed.
- (11) The applicant is required to provide the submission date as well as the name and title of the person submitting the application. Signing the application or submitting the application in the online portal is the applicant's acknowledgement, agreement and certification that the applicant has read and reviewed the application, including all its attachments, and that the content provided in the application by the applicant is true and accurate to the best of their knowledge or at least the knowledge of what would be expected of a reasonable person in the same capacity.
- (12) A jobs ratio shall be assigned to the application, based on the criteria in section 5553.1 and the information provided by the applicant in its application. The jobs ratio number for the production will be indicated once the application is complete.
- (k) Applicants shall be selected for Phase II of the application process based on the jobs ratio ranking of their application within the application category, pursuant to section 5553.1 of this article.
- (l) The CFC shall notify, by electronic mail, the top ranked projects in each category of qualified motion pictures, as provided for in sections 17053.98.1(g)(2)(D), 17053.98.1(i), 23698.1(g)(2)(D), and 23698.1(i) of the Revenue and Taxation Code. These applicants shall provide the additional materials and supporting documentation requested by the CFC pursuant to subdivision (m) below.
- (1) The submission timeframe for an applicant to provide the information and documentation required pursuant to subdivision (m) below shall be within five (5) calendar days of the electronic notification.
- (A) An applicant facing business-related barriers to providing the information and documentation required pursuant to subdivision (m) below may request an extension of up to four (4) calendar days of the timeframe specified in paragraph (1) above and the CFC will approve that request if the applicant requests the extension prior to the expiration of the original timeframe and provides supporting documentation clarifying those barriers.
- (m) An applicant that moves forward to Phase II shall submit the following:

- (1) An electronic copy of the qualified expenditure budget in a motion picture industry standard budgeting program, such as, but not limited to, Movie Magic Budgeting or Showbiz. The industry standard budgeting program shall provide qualified wage expenditures and qualified non-wage expenditures.
- (A) Qualified wage expenditures and qualified non-wage expenditures in the budget shall be tagged in accordance with section 5553.2 of this article, and must for eligible productions specifically indicate the following:
1. The budget lines to which the out of zone uplift is applicable.
 2. The budget lines to which the VFX uplift is applicable.
 3. The budget lines to which the local hire labor uplift is applicable.
 4. The budget lines to which the music labor bonus points are applicable.
- (B) A television series shall submit a qualified expenditure budget including all pattern and amortization costs, or separate amortization and pattern budgets, in accordance with the information required pursuant to paragraph (1) and subparagraph (1)(A) above.
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.
- (2) Fringe Benefit Matrix: The applicant shall submit information on fringe benefit payments included in the qualified expenditure budget and provide a detailed breakdown of qualified fringe benefit payments for union and/or non-union background performers, crew, and directing staff, as applicable.
- (A) The fringe rates must reflect the rates used in the qualified expenditure budget.
- (B) All federal and out-of-state fringes must be excluded, including but not limited to those related to the Federal Income Contributions Act (FICA), Federal Unemployment Insurance (FUI), Federal Unemployment Tax Act (FUTA), and Medicare.
- (C) Allowable fringes include State Unemployment Insurance (SUI), payroll/handling fees, pension, health and welfare, vacation and holiday, workers compensation, and non-union health insurance payments.
- (D) Casting fees must not be included as fringe benefit payments.
- (3) One-Line Schedule ("production board"). The applicant shall submit in PDF or equivalent non-proprietary document format a one-line schedule which shall include scene descriptions, scene numbers that match the submitted screenplay for the production, holidays, and cast numbers, and shall indicate which days are scheduled for filming outside of the Los Angeles zone.
- (A) In lieu of a one-line shooting schedule, a television series applicant may submit in PDF or equivalent non-proprietary document format a production calendar that includes the start and end dates of the season, the number of in-state and

out-of-state principal photography days, holidays, and the total number of episodes. The production calendar must indicate which days are scheduled for filming outside the Los Angeles zone.

- (4) The applicant shall submit in PDF or equivalent non-proprietary document format the screenplay, including scene numbers that match the submitted schedule for the production.
 - (A) Notwithstanding the timeframe set out in subdivision (I) of this section, a pilot, new television series, or relocating television series shall submit a screenplay no later than thirty (30) calendar days prior to the start of principal photography.
 - (B) If the application is for a pilot that does not have a script the applicant shall fulfill this requirement by submitting a detailed synopsis.
 - (C) The requirement to submit a screenplay does not apply to a recurring television series.
- (5) The applicant shall submit supporting documentation that confirms at least sixty percent (60%) of production financing.
 - (A) The applicant shall include documentation for each financing source including, but not limited to, commitment letters, financing agreements, term sheets, and/or bank statements in PDF or equivalent nonproprietary document format.
 - (B) If the CFC is unable to verify at least sixty percent (60%) of production financing based on the supporting documentation provided, the application shall be considered incomplete.
- (6) A pick-up order. A pilot, new television series, or relocating television series shall submit evidence, in PDF or equivalent non-proprietary document format, that the pilot or series is scheduled for photography when applying for a credit allocation.
 - (A) Notwithstanding the timeframe set out in subdivision (I) of this section, the deadline to submit a pick-up order for a pilot, new television series, or relocating television series shall be seven (7) calendar days prior to the CAL issuance date for that application window.
 - (B) 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 one hundred forty (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 a subsequent television allocation period.
- (7) The applicant shall submit one of the following in PDF or equivalent non-proprietary document format:
 - (A) A narrative statement required pursuant to sections 17053.98.1(g)(2)(A)(vii) and 23698.1(g)(2)(A)(vii) of the Revenue and Taxation Code, if the application is for an independent project or a non-independent project except a relocating television series.

1. The narrative statement required pursuant to sections 17053.98.1(g)(2)(A)(vii) and 23698.1(g)(2)(A)(vii) of the Revenue and Taxation Code shall be deemed as met for a recurring television series that submitted such a statement when it was accepted into the program as a pilot, new, or relocating television series.
 - (B) A relocating statement, if the application is for a relocating television series, in which the applicant certifies that the credit provided is the primary reason for relocation to California (if applicable). The statement must include confirmation that at least seventy-five percent (75%) of principal photography days of its most recent season was filmed outside of California.
- (8) Unlawful harassment policy. The applicant shall submit the company's written policy against unlawful harassment as set forth in section 17053.98.1(g)(2)(A)(viii) and 23698.1(g)(2)(A)(viii) of the Revenue and Taxation Code.
- (9) The applicant shall submit its diversity checklist, Form DEIA1 (January 1, 2025), hereby incorporated by reference), required pursuant to sections 17053.1(b)(19)(B)(vi) and 23698.1(b)(19)(B)(vi) of the Revenue and Taxation Code and detailed in section 5553.3(a) of this article.
- (10) If applicable, the applicant shall submit a summary of its voluntary programs as set forth in sections 17053.98.1(g)(2)(A)(ix) and 23698.1(g)(2)(A)(ix) of the Revenue and Taxation Code.
- (n) Within forty-five (45) calendar days of receipt of the completed application and all requested supporting documents required pursuant to this section, the Director of the CFC, or their designee, will notify the applicant whether the application is accepted or rejected. An approved application shall meet the eligibility requirements in Section 5551.
 - (1) Failure by an applicant to submit all Phase I required information within the allocation window specified by the CFC will result in disqualification.
 - (2) Failure by an applicant that progresses to Phase II to submit all supporting documentation required pursuant to this section, as applicable, in accordance with the timeframe set in subdivision (l) will result in disqualification.
- (o) Upon approval of an applicant's submitted application, a Credit Allocation Letter (CAL), Form D4 (January 1, 2025), hereby incorporated by reference, shall be issued to the applicant indicating the amount of tax credits allocated.
 - (1) (A) If the applicant's submissions following completion of the qualified motion picture project, including the AUP (January 1, 2025), hereby incorporated by reference, shows that an overstatement was made during the application process which caused the allocation of tax credits to be greater than what the applicant is eligible for upon CFC verification of such submissions as compared to the criteria for the program, the amount of tax credits allocated shall be proportionately reduced prior to issuance of the final tax credit certificate.
 - (B) If an understatement was made in the application process that caused the allocation of tax credits to be less than what the applicant is eligible for upon

verification, no increase will be made to the tax credit amount; the applicant may never receive more tax credits than as provided on the CAL.

- (2) Each CAL is issued to the specific project described and outlined in the synopsis, script, schedule, and budget that were submitted with the application. Substituting the approved project for a different project is prohibited and shall result in revocation of the CAL.
- (3) If an entity other than the original applicant entity takes over a qualified motion picture project and wishes to retain the project's tax credit allocation, it 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 new business entity that will take over the project, including that business entity's taxpayer ID.
 - (B) The new applicant entity taking over the project must submit:
 - 1. Applicant contact, production company contact, and budget contact.
 - 2. Updated contact information for key personnel and department heads, including the set safety advisor and the diversity, equity, inclusion, and accessibility main contact, if applicable.
 - 3. An updated production schedule required pursuant to paragraph (3) of subdivision (m) of this section.
 - 4. Documentation required pursuant to paragraph (3) of subdivision (j) and paragraphs (5), (6), (7), (8), (9), and (10) of subdivision (m) of this section.
 - (C) A qualified motion picture project described in paragraph (3) above can only be transferred to a different business entity prior to the start of principal photography.
 - (D)
 - 1. For purposes of program requirements and tax credit allocation, a qualified motion picture project described in paragraph (3) above will remain in the project category under which the project originally applied.
 - 2. For purposes of program eligibility, tax credit certification, and usage, only a business entity that meets the requirements of an independent film production company, as defined in section 17053.98.1(b)(7) and 23698.1(b)(7) of the Revenue and Taxation Code, is permitted to take over a project that applied as an independent film.

NOTE: Authority cited: Sections 17053.98.1(e), and 23698.1(e), Revenue and Taxation Code; and Section 11152, Government Code. Reference: Sections 17053.98(k), 17053.98.1(a), 17053.98.1(b), 17053.98.1(d) 17053.98.1(g), 17053.98.1(i), 17053.98.1(j) 23698(k), 23698.1(a), 23698.1(b), 23698.1(d), 23698.1(g), 23698.1(i), and 23698.1(j), Revenue and Taxation Code; and Section 14998.1, Government Code.

§ 5553.1. Jobs Ratio and Bonus Points.

- (a) (1) The base jobs ratio of a project shall be determined by dividing the qualified wages specified in subparagraph (A) below by the estimated jobs ratio tax credit amount calculated pursuant to subparagraph (B) below.

(A) For the purposes of the jobs ratio calculation, qualified wages shall include:

1. Qualified wages which are directly paid by the applicant or its payroll service; plus
2. Thirty-five percent (35%) of all qualified non-wage expenditures, including contracted services in which the qualified wages are not directly paid by the applicant, but by the vendor.
 - (i) For purposes of jobs ratio calculation only, qualified VFX expenditures shall be apportioned as seventy percent (70%) qualified wage and thirty percent (30%) qualified non-wage for VFX work performed by third party California vendors.

(B) For purposes of the jobs ratio calculation, the estimated jobs ratio tax credit amount shall be calculated as follows:

1. Add the sum of total budgeted qualified wages as stated pursuant to section 5553(j)(9)(A) of this article to the sum of total budgeted qualified non-wage expenditures as stated pursuant to section 5553(j)(9)(B) of this article.
 2. Multiply the combined sum of clause 1. above:
 - (i) By 0.2 for a non-independent project except a relocating television series.
 - (ii) By 0.25 for an independent film or a relocating television series.
 3. The base jobs ratio shall not include any increase to the tax credit based on an uplift or from expenditures relating to a contingency or completion bond.
- (2) For a soundstage applicant, the base jobs ratio calculated pursuant to paragraph (1) shall be multiplied by one hundred thirty-three percent (133%), pursuant to sections 17053.98.1(g)(2)(D)(iii)(II) and 23698.1(g)(2)(D)(iii)(II) of the Revenue and Taxation Code.
- (A) The base jobs ratio multiplied by one hundred thirty-three percent (133%) in accordance with paragraph (2) above shall function as base jobs ratio for purposes of calculating a bonus point increase for a soundstage applicant.

- (b) The jobs ratio, as defined in section 5550(j)(1), 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 measured and assigned bonus points based on the following:

- (1) One (1) to seven (7) bonus points based on the visual effects expenditures per qualified motion picture project category. Excludes independent films with qualified expenditure budgets of ten million dollars (\$10,000,000) or less. The bonus point range is assigned in paragraph (1) of subdivision (c) below.
- (2) One (1) to ten (10) bonus points based on the percentage of principal photography days outside the Los Angeles Zone, as defined in section 5550(p)(6)(A) of this article, in relation to the qualified motion picture's total principal photography days in the state. The bonus point range is assigned in paragraph (2) of subdivision (c) below.
- (3) One (1) to five (5) bonus points based on the wages paid to scoring musicians, as defined in section 5550(s)(3) of this article. Excludes independent films with qualified expenditure budgets of ten million dollars (\$10,000,000) or less. The bonus point range is assigned in paragraph (3) of subdivision (c) below.

(c) The CFC has established the bonus point ranges as follows:

(1) Bonus points for VFX as provided in paragraph (b)(1) above apply as follows:

(A) For non-independent feature film productions:

1. One (1) bonus point for California VFX spend of two million dollars (\$2,000,000) or more.
2. Two (2) bonus points for California VFX spend of three million dollars (\$3,000,000) or more.
3. Three (3) bonus points for California VFX spend of five million dollars (\$5,000,000) or more.
4. Four (4) bonus points for California VFX spend of seven million five hundred thousand dollars (\$7,500,000) or more.
5. Five (5) bonus points for California VFX spend of ten million dollars (\$10,000,000) or more.
6. Six (6) bonus points for California VFX spend of fifteen million dollars (\$15,000,000) or more.
7. Seven (7) bonus points for California VFX spend of twenty million dollars (\$20,000,000) or more.

(B) For television series:

1. One (1) bonus point for California VFX spend of one hundred thousand dollars (\$100,000) or more.
2. Two (2) bonus points for California VFX spend of three hundred fifty thousand dollars (\$350,000) or more.
3. Three (3) bonus points for California VFX spend of five hundred thousand dollars (\$500,000) or more.

4. Four (4) bonus points for California VFX spend of one million dollars (\$1,000,000) or more.
5. Five (5) bonus points for California VFX spend of two million dollars (\$2,000,000) or more.
6. Six (6) bonus points for California VFX spend of three million five hundred thousand dollars (\$3,500,000) or more.
7. Seven (7) bonus points for California VFX spend of five million dollars (\$5,000,000) or more.

(C) For independent films with a qualified expenditure budget over ten million dollars (\$10,000,000):

1. One (1) bonus point for California VFX spend of one hundred thousand dollars (\$100,000) or more.
2. Two (2) bonus points for California VFX spend of three hundred fifty thousand dollars (\$350,000) or more.
3. Three (3) bonus points for California VFX spend of five hundred thousand dollars (\$500,000) or more.
4. Four (4) bonus points for California VFX spend of one million dollars (\$1,000,000) or more.
5. Five (5) bonus points for California VFX spend of two million dollars (\$2,000,000) or more.
6. Six (6) bonus points for California VFX spend of three million dollars (\$3,000,000) or more.
7. Seven (7) bonus points for California VFX spend of four million dollars (\$4,000,000) or more.

(2) Bonus points for percentage of principal photography days outside the Los Angeles zone as provided in paragraph (b)(2) above shall be determined by applying percentage points on a linear proportionate scale. Starting with ten percent (10%) of principal photography days, the applicants will receive one point for every ten percent (10%) increase of out of zone principal photography days in the following manner:

- (A) One (1) bonus point for ten percent (10%) or more but less than twenty percent (20%) of out of zone principal photography days;
- (B) Two (2) bonus points for twenty percent (20%) or more but less than thirty percent (30%) of out of zone principal photography days;
- (C) Continuing with an increase of one bonus point per ten percent (10%) increase, until the maximum cap of ten (10) bonus points is received.
- (D) The percentages are determined by dividing the out of zone principal photography days by the total principal photography days, as described in section 5553(j)(5)(A)4. of this article.

(3) Bonus points for California music scoring and track recording labor (music wages) as provided in paragraph (b)(3) apply as follows:

(A) For non-independent feature film productions:

1. One (1) bonus point for California music wages of one hundred thousand dollars (\$100,000) or more.
2. Two (2) bonus points for California music wages of two hundred thousand dollars (\$200,000) or more.
3. Three (3) bonus points for California music wages of four hundred thousand dollars (\$400,000) or more.
4. Four (4) bonus points for California music wages of six hundred thousand dollars (\$600,000) or more.
5. Five (5) bonus points for California music wages of eight hundred thousand dollars (\$800,000) or more.

(B) For television series:

1. One (1) bonus point for California music wages of fifty thousand dollars (\$50,000) or more.
2. Two (2) bonus points for California music wages of one hundred fifty thousand dollars (\$150,000) or more.
3. Three (3) bonus points for California music wages of two hundred fifty thousand dollars (\$250,000) or more.
4. Four (4) bonus points for California music wages of six hundred thousand dollars (\$600,000) or more.
5. Five (5) bonus points for California music wages of eight hundred thousand dollars (\$800,000) or more.

(C) For independent films with a qualified expenditure budget over ten million dollars (\$10,000,000):

1. One (1) bonus point for California music wages of thirty thousand dollars (\$30,000) or more.
2. Two (2) bonus points for California music wages of sixty thousand dollars (\$60,000) or more.
3. Three (3) bonus points for California music wages of ninety thousand dollars (\$90,000) or more.
4. Four (4) bonus points for California music wages of one hundred twenty thousand dollars (\$120,000) or more.
5. Five (5) bonus points for California music wages of one hundred fifty thousand dollars (\$150,000) or more.

(d) The adjusted jobs ratio calculated pursuant to paragraph (1) below shall be utilized to rank qualified motion pictures within the categories non-independent feature, independent film with a qualified expenditure budget of ten million dollars (\$10,000,000) or less, independent film with a qualified expenditure budget over ten million dollars (\$10,000,000), recurring television series, relocating television series, and new television series/miniseries/limited series/pilot during the application process, pursuant to section 5553(k) of this article.

(1) The adjusted jobs ratio of a project shall be determined by multiplying the base jobs ratio, or the soundstage base jobs ratio for a soundstage applicant, by (total bonus points x 1/100) + 1.

(e) Based on the information provided by the applicant, the jobs ratio and adjusted jobs ratio shall be automatically calculated in accordance with this section in the online application portal accessible on the website www.film.ca.gov or, if necessary prior to portal completion or due to technical issues, in Excel or equivalent non-proprietary document format, provided by the CFC.

(f) If information submitted by an applicant is overstated on the application compared to the final jobs ratio verified in the AUP (January 1, 2025), hereby incorporated by reference, the applicant will be penalized as provided in Revenue and Taxation Code sections 17053.98.1(d)(2) and 23698.1(d)(2).

(1) If the overstatement exceeds twenty percent (20%) the applicant shall submit documentation identifying the members of its controlled group to enable the CFC to implement the provisions of sections 17053.98.1(d)(2)(B)(ii) and 23698.1(d)(2)(B)(ii) of the Revenue and Taxation Code.

NOTE: Authority cited: Sections 17053.98.1(e) and 23698.1(e), Revenue and Taxation Code; and Section 11152, Government Code. Reference: Sections 17053.98(k), 17053.98.1(b), 17053.98.1(d), 17053.98.1(g), 23698(k), 23698.1(b), 23698.1(d), and 23698.1(g), Revenue and Taxation Code; and Section 14998.1, Government Code.

§ 5553.2. Budget Tags and Qualified Expenditures.

(a) Qualified expenditures shall be allowed as provided in sections 17053.98.1(b)(17) and 23698.1(b)(17) of the Revenue and Taxation Code.

(1) For a television series that is allocated tax credits under the California Film and Television Tax Credit Program 4.0 and that is based on a pilot, eligible subsequent costs related to the pilot episode, such as but not limited to re-shoots or additional scenes, that are incurred after CAL issuance for the television series shall be considered qualified expenditures.

(2) Examples of Qualified Expenditures are set forth on the Qualified Expenditure Charts as identified on the CFC website. These charts are provided as a reference for the applicant and should not be considered conclusive or limiting.

(3) The following expenses shall not be allowed as qualified expenditures:

- (A) State and federal income taxes.
 - (B) Certified public accountant expenses for the report required in Section 5555(b)(6) of this article.
 - (C) Expenditures for rentals or purchases outside the state, regardless of whether those rentals or purchases are used in the state.
 - (D) Expenditures for services performed outside the state, including but not limited to digital visual effects work which is physically performed out-of-state.
 - (E) Expenditures for the exhibition of the qualified motion picture including, but not limited to, digital cinema distribution copies and release prints.
 - (F) Expenditures incurred thirty (30) calendar days after the creation of the final elements, such as, but not limited to, composite answer print, air master, and digital cinema files.
 - 1. Creation of additional versions for foreign distribution and/or archival purposes are not considered final elements.
 - (G) Financial contribution expenditures related to:
 - 1. The career pathways program, required pursuant to sections 17053.98.1(e)(1)(A)(iii), 17053.98.1(e)(1)(A)(iv), 23698.1(e)(1)(A)(iii), and 23698.1(e)(1)(A)(iv) of the Revenue and Taxation Code.
 - 2. The career readiness program, allowed pursuant to section 5554.1(b)(5)-(6) of this article.
 - 3. The above clauses refer specifically to financial contributions made by a production to satisfy one or both requirements and not to qualified wages paid to individuals affiliated with the career programs, which are allowed as qualified expenditures.
- (b) Qualified expenditures shall include qualified wages, as defined in section 17053.98.1(b)(22) and 23698.1(b)(22) of the Revenue and Taxation Code.
- (1) Qualified Wages shall also include payments to a qualified entity, as defined in sections 17053.98.1(b)(16) and 23698.1(b)(16) of the Revenue and Taxation Code, to the extent its services are performed in California.
 - (2) Pursuant to sections 17053.98.1(b)(22)(B) and 23698.1(b)(22)(B) of the Revenue and Taxation Code, qualified wages shall not include:
 - (A) Expenses, including wages, related to new use, reuse, clip use, licensing, secondary markets, or residual compensation, or the creation of any ancillary product, as these terms are defined in sections 17053.98.1(b) and 23698.1(b) of the Revenue and Taxation Code, including, but not limited to, a soundtrack album, toy, game, trailer, or teaser.

- (B) Expenses, including wages, paid or incurred with respect to acquisition, development, or turnaround of the qualified motion picture, or for any rights to the qualified motion picture.
 - (C) Expenses, including wages, related to financing, overhead not directly related to the production, marketing, promotion, or distribution of a qualified motion picture.
 - (D) Expenses, including wages, paid per person per qualified motion picture for writers, directors, music directors, music composers, music supervisors, producers, and performers, other than background actors with no scripted lines.
- (c) All applicants shall utilize the following tags in their qualified expenditure budget and audit documents, as applicable to their productions:
- (1) Qualified wages shall be tagged QW.
 - (A) Qualified wages for labor outside the Los Angeles zone shall be double-tagged QW, ZW.
 - (B) Qualified wages for local hire labor shall be double-tagged QW, LW.
 - (C) For soundstage applicants:
 - 1. Qualified wages for picture editing and postproduction sound labor shall be double-tagged QW, PW.
 - 2. Qualified soundstage wages shall be double-tagged QW, SW.
 - (2) Qualified non-wage expenditures shall be tagged QE.
 - (A) Qualified non-wage expenditures for consumables incurred and entirely used outside the Los Angeles zone shall be double-tagged QE, ZC.
 - (B) Qualified non-wage expenditures incurred outside the Los Angeles zone and used both outside and inside the Los Angeles zone shall be double-tagged QE, ZE.
 - (C) For soundstage applicants:
 - 1. Qualified expenditures for picture editing and postproduction sound services shall be double-tagged QE, PE.
 - (3) Non-qualified wages and expenditures incurred in California shall be tagged NQ.
 - (4) Non-qualified wages and expenditures incurred outside California shall be tagged XX.
 - (5) Expenditures to which VFX uplift or bonus points can be applied shall be double tagged QW, VU or QE, VU, as applicable.
 - (6) Expenditures to which music wage bonus points can be applied shall be double tagged QW, MW, as applicable.
 - (7) Examples of budget tagging organized by production roles and expenses are available in the Budget Tagging and Tracking Tips on the CFC website. These charts

are provided as a reference for the applicant and should not be considered conclusive or limiting.

NOTE: Authority cited: Sections 17053.98.1(e), and 23698.1(e), Revenue and Taxation Code; and Section 11152, Government Code. Reference: Sections 17053.98.1(a), 17053.98.1(b), 17053.98.1(g), 23698.1(a), 23698.1(b), and 23698.1(g), Revenue and Taxation Code; and Section 14998.1, Government Code.

§ 5553.3. Diversity, Equity, Inclusion, and Accessibility Checklist and Workplan.

- (a) Any applicant for an allocation of tax credits under the California Film and Television Tax Credit Program 4.0 that moves on to Phase II of the application process in accordance with subdivisions (k) and (l) of section 5553, shall submit to the CFC a completed diversity checklist, Form DEIA1, (January 1, 2025), hereby incorporated by reference, pursuant to sections 17053.98.1(b)(19)(B)(vi) and 23698.1(b)(19)(B)(vi) of the Revenue and Taxation Code.
- (1) The submission of a diversity checklist is mandatory for all Phase II applicants; failure to submit the diversity checklist shall result in disqualification.
- (b) An approved applicant that opts in to the diversity provisions of sections 17053.98.1(g)(3)(D) and 23698.1(g)(3)(D) shall, within thirty (30) calendar days of CAL issuance, submit to the CFC a diversity, equity, inclusion, and accessibility workplan, Form DEIA2 (January 1, 2025), hereby incorporated by reference, consistent with the diversity checklist referenced in subdivision (a) of this section.
- (1) Failure to submit Form DEIA2 within the timeframe specified in subdivision (b) shall constitute opting out of the diversity provisions of 17053.98.1(g)(3)(D) and 23698.1(g)(3)(D) of the Revenue and Taxation Code, regardless of an applicant's previously stated intent. Opting out means an applicant, except an independent film with a qualified expenditure budget of ten million dollars (\$10,000,000) or less, shall be eligible for tax credit certification of at most the sum that equals ninety-six percent (96%) of the total sum of allocated credits, including uplifts, subject to verification and audit.
- (c) In reviewing an applicant's Form DEIA2 for approval or rejection, the CFC will consider, to the extent allowed by federal and state law, whether:
- (1) The applicant has included goals related to the focus areas detailed in Form DEIA1 (January 1, 2025) and Form DEIA2 (January 1, 2025) and as required pursuant to sections 17053.98.1(g)(3)(D)(ii)(I)(ia), 17053.98.1(g)(3)(D)(ii)(I)(ib), 23698.1(g)(3)(D)(ii)(I)(ia), and 23698.1(g)(3)(D)(ii)(I)(ib) of the Revenue and Taxation Code.
- (2) The applicant has included a detailed description of the proposed strategies the applicant will employ to meet or make a good-faith effort to meet its non-numeric goals, as required pursuant to sections 17053.98.1(g)(3)(D)(ii)(I)(ic) and 23698.1(g)(3)(D)(ii)(I)(ic) of the Revenue and Taxation Code.

- (3) The applicant has included a detailed description of how the proposed strategies may help achieve goals that are broadly reflective of California's population, in terms of factors such as race, ethnicity, gender, and disability status, as required pursuant to sections 17053.98.1(g)(3)(D)(ii)(I) and 23698.1(g)(3)(D)(ii)(I) of the Revenue and Taxation Code.
- (4) The goals and strategies described are:
 - (A) Original and/or demonstrably tailored to the project; and
 - (B) Thoroughly detailed; and
 - (C) Reasonably achievable within the scope of the project.
- (d) The CFC will reject any submitted Form DEIA2 that includes quotas or other numeric goals regarding protected classes, including race, ethnicity, gender, and disability status.
- (e) Within thirty (30) calendar days of receipt of an applicant's Form DEIA2, the Director of the CFC, or their designee, will notify the applicant whether the diversity workplan is approved or rejected.
 - (1) If a diversity workplan is rejected, the CFC will provide feedback and an applicant may revise and resubmit its workplan within ~~fifteen~~ thirty (~~15~~30) calendar days of the notice of rejection.
 - (A) An applicant that does not submit its amended Form DEIA2 within the timeframe specified in paragraph (1) or that does not amend its Form DEIA2 in accordance with CFC feedback shall be considered not to have met the diversity workplan provision of sections 17053.98.1(g)(3)(D)(ii)(I) and 23698.1(g)(3)(D)(ii)(I) of the Revenue and Taxation Code. Not meeting this provision means that an applicant, except an independent film with a qualified expenditure budget of ten million dollars (\$10,000,000) or less, shall be eligible for tax credit certification of at most the sum that equals ninety-six percent (96%) of the total sum of allocated credits, including uplifts, subject to verification and audit.

NOTE: Authority cited: Sections 17053.98.1(e) and 23698.1(e), Revenue and Taxation Code; and Section 11152, Government Code. Reference: Sections 17053.98.1(b), 17053.98.1(g), 23698.1(b), and 23698.1(g), Revenue and Taxation Code; and Section 14998.1, Government Code.

§ 5554. Approved Applicant Responsibilities.

- (a) Principal photography in California shall commence no later than one hundred eighty (180) calendar days after the CAL is issued. Qualified motion pictures with a qualified expenditure budget of at least one hundred million dollars (\$100,000,000) must begin principal photography, as defined in section 5550(p)(6), no later than two hundred forty (240) calendar days after CAL issuance.
 - (1) If the production does not begin principal photography by 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, as described in sections 17053.98.1(b)(19)(B)(iv) and 23698.1(b)(19)(B)(iv) of the Revenue and Taxation Code.

(A) With submission of documentation verifying a Force Majeure event, the CFC shall grant an extension.

(2) If a production implements a hiatus, as defined in section 5550(h)(1) of this article, the hiatus period may not exceed one hundred twenty (120) calendar days.

(A) A production requesting a hiatus must notify the CFC prior to the project's 180- or 240-day deadline, as applicable. A production that requests a hiatus prior to the deadline and submits the documentation required to substantiate principal photography in accordance with subparagraph (B), below, shall have its hiatus approved.

(B) A production requesting a hiatus must provide the CFC with all of the following within seven (7) calendar days of filming:

1. Scenes to be filmed ("sides").
2. Approved call sheet(s).
3. All approved production report(s).
4. Dailies.

(b) As soon as feasible, but not less than four (4) weeks prior to the start of principal photography, the production accountant is required to attend an orientation meeting with the Director of the CFC or their designee, along with any or all of the following staff members: a primary producer, production manager or other appropriate personnel as determined by the applicant.

(1) Applicants and staff members attached to a recurring television series shall not be required to attend more than one (1) orientation meeting for that recurring television series in the California Film and Television Program 4.0.

(2) Prior participation in an orientation meeting for the California Soundstage Filming Tax Credit program, the California Film and Television Tax Credit Program 3.0, or previous tax credit programs, shall not satisfy this requirement.

(c) Within twenty (20) calendar days of CAL issuance, the designated diversity, equity, inclusion, and accessibility contact person for the production is required to attend a diversity, equity, inclusion, and accessibility orientation meeting scheduled by the Director of the CFC or their designee, along with any or all of the following staff members: the line producer or unit production manager, heads of departments, or other appropriate personnel as determined by the applicant.

(1) If applicants and staff members are attached to or employed by more than one qualified motion picture project allocated tax credits under the California Film and Television Tax Credit Program 4.0, they are required to attend the diversity, equity, inclusion, and accessibility orientation at least once per fiscal year.

(d) An applicant issued a credit allocation letter shall be required to comply with the following during the production period:

- (1) Within thirty (30) calendar days of CAL issuance, fulfill the requirements of section 5554.1(c) of this article, which include making a financial contribution to the CFC's designated non-profit fiscal agent to fund the Career Pathways Program, pursuant to sections 17053.98.1(e)(1)(A)(iii)(I) and 23698.1(e)(1)(A)(iii)(I) of the Revenue and Taxation Code.
- (2) For an approved applicant that opts in to the diversity provisions of sections 17053.98.1(g)(3)(D) and 23698.1(g)(3)(D) of the Revenue and Taxation Code, submit, prior to the start of principal photography, a diversity, equity, inclusion, and accessibility interim assessment, Form DEIA3 (January 1, 2025), hereby incorporated by reference, in accordance with section 5554.2(a) of this article.
- (3) On the first day of principal photography and after a hiatus period, if applicable, submit by email to the CFC the daily call sheet, signed by the production manager or equivalent position, in PDF or equivalent non-proprietary document format.
- (4) Each week or as available, submit by email to the CFC the final production reports for each day of principal photography, signed by the production manager or equivalent position, in PDF or equivalent non-proprietary document format.
- (5) After issuance of the CAL, if there are any significant changes to the project details provided in the application, such as, but not limited to anticipated changes in the estimated qualified expenditures, change of start date, shooting location, number of television episodes ordered, project title change, change in financing, key personnel, or any other factors that may impact communication with the CFC, accuracy of issued documents, program deadlines, or jobs ratio, the applicant shall notify the CFC of such changes via email to IncentiveProgram4@film.ca.gov.
- (6) Participate in providing or supporting career-based learning and training program opportunities known as the Career Readiness Program, in accordance with section 5554.1(b) of this article.
- (7) Within sixty (60) calendar days following completion of filming activities, the qualified motion picture safety advisor shall submit to the CFC in PDF or an equivalent non-proprietary document format the final safety evaluation report, as required pursuant to section 9152 of the Labor Code.
 - (A) If any addendum report(s) are required after the final safety evaluation report, in accordance with subdivision (h) of section 9152 of the Labor Code, such addendum report(s) shall be submitted upon completion.
- (8) Within sixty (60) calendar days of the creation of the final element, an applicant that opts in to the diversity provisions of sections 17053.98.1(g)(3)(D) and 23698.1(g)(3)(D) of the Revenue and Taxation Code, shall submit to the CFC its final diversity, equity, inclusion, and accessibility assessment, Form DEIA4 (January 1, 2025), hereby incorporated by reference, as described in section 5554.2(b) of this article, and required pursuant to sections 17053.98.1(g)(3)(D)(ii)(III) and 23698.1(g)(3)(D)(ii)(III) of the Revenue and Taxation Code.

NOTE: Authority cited: Sections 17053.98.1(e) and 23698.1(e), Revenue and Taxation Code; and Section 11152, Government Code. Reference: Sections 17053.95(e), 17053.98(e), 17053.98.1(b), 17053.98.1(d), 17053.98.1(e), 17053.98.1(g), 23695(e), 23698(e), 23698.1(b), 23698.1(d), 23698.1(e), and 23698.1(g), Revenue and Taxation Code; Section 9152, Labor Code; and Section 14998.1, Government Code.

§ 5554.1. Career Programs and Requirements.

- (a)
 - (1) Qualified motion picture project applicants allocated tax credits under the California Film and Television Tax Credit Program 4.0 must fulfill the responsibilities outlined in subdivisions (b) and (c) of this section.
 - (2) Organizations wishing to provide career training opportunities related to the California Film and Television Tax Credit Program 4.0 must be approved for participation or partnership in accordance with subdivision (d) of this section, for Career Readiness, or subdivision (e) of this section, for Career Pathways.
- (b) Pursuant to section 5554(d)(6) of this article, qualified motion picture project applicants of any category are required to participate in the Career Readiness Program which focuses on 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, community 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 CR4-1, CR4-2, CR4-3, CR4-4, or CR4-5 (January 1, 2025), hereby incorporated by reference, to the CFC within seven (7) calendar days of the conclusion of the career-based learning and training program or public service opportunity. To meet the requirements of this section, the applicant may do any of the following:
 - (1) Provide to students enrolled within the past twelve months in an accredited California high school, community college, California State University, or career-based learning program one or more trainee/internship positions. The total number of hours worked by a trainee/intern, or a combination of trainees/interns must be a minimum of three hundred (300) hours and each trainee/intern hired must work a minimum of one hundred (100) hours. Trainees/interns must be 18 years of age or older. Trainee/internship experience must include working with professionals in the film industry and hands-on work assignments. Any production utilizing trainees/interns in technical craft positions must notify the applicable union representative prior to the start of the trainee/internship; or
 - (2) Provide to students enrolled within the past twelve months in an accredited California high school, community college, California State University, or career-based learning program one or more live or virtual classroom workshops, panels, or demonstrations on aspects of the film industry, which may include but are not limited to set operations, pre- or postproduction and specific technical crafts, conducted by entertainment industry professionals; or

- (3) Provide to students enrolled within the past twelve months in an accredited California high school, community college, California State University, or career-based learning program a minimum of eight (8) hours of professional skills tours, which may include visits to a set, studio, or one or more departments during preproduction, production, or postproduction to observe set operations; or
 - (4) Provide a minimum of eight (8) hours of continuing education for educators and/or faculty to observe the set operations, postproduction, and other specialized departments in the film industry; or
 - (5) Make a financial contribution to a specific local or state educational agency or higher education institution specializing in arts, media, and entertainment career-oriented programs. The contribution shall be based on a quarter percent (0.25%) of the estimated tax credit reservation, amounting to no less than five thousand dollars (\$5,000) and not required to exceed twelve thousand dollars (\$12,000), though contributions in excess of the maximum required amount are permitted; or
 - (6) Provide a learning opportunity or financial contribution of equal time or value through other arts, media, and entertainment programs, workforce programs, etc., which are not affiliated with CCCCO or CDE, but which have been proposed to and approved by the CFC, on a case by case basis, as having been demonstrated by the applicant to be a learning opportunity or financial contribution of equal time or value to the other options in this subdivision.
- (c) A qualified motion picture shall make a contribution to the Career Pathways Training Program, which is a program created to fund technical skills training for individuals from underserved communities for entry into film and television jobs, as specified in Revenue and Taxation Code sections 17053.98.1(e)(1)(A)(iii) and 23698.1(e)(1)(A)(iii).
- (1) The contribution shall be based on a percentage of the estimated tax credit reservation as stated on the CAL. The applicable percentage is:
 - (A) For independent films, 0.25% of the CAL amount.
 - (B) For all other motion picture projects, 0.5% of the CAL amount.
 - (2) The contribution shall be submitted to the CFC with the career pathways program form, Form CPP4 (January 1, 2025), hereby incorporated by reference, no later than thirty (30) calendar days after the CAL date; failure to submit the contribution within this time frame will result in revocation of the CAL.
 - (A) An applicant facing a technical or funds-related barrier to meeting the deadline may request an extension of up to ten (10) calendar days and the CFC will grant the extension if the applicant requests such an extension prior to the expiration of the timeframe specified in paragraph (2) above and provides supporting documentation.
 - (3) The contribution is refundable if the project does not receive a tax credit certificate, Form M4 (January 1, 2025), hereby incorporated by reference. A portion may also be refundable if the tax credit amount is significantly reduced due to reasonable cause, as defined in section 5550(r)(2) of this article.

- (4) 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) calendar days of notification of that increase in allocation.
- (5) The contribution must be made by business check. No other payment options will be accepted.
- (d) (1) Career-based learning organizations seeking CFC approval of their program for Career Readiness participation must submit an application to the CFC, including supporting documentation that demonstrates that the program meets the requirements outlined in paragraph (2) below.
 - (A) The application must include:
 - 1. Type of organization, name of organization, contact person or persons, and organization website, if available.
 - 2. Supporting documentation that demonstrates that the program meets the requirements outlined in paragraph (2) below.
 - (B) The application shall be submitted to the CFC via email to IncentiveProgram4@film.ca.gov.
- (2) Career-based learning programs approved for the Career Readiness Program by the CFC must be one of the following:
 - (A) A mentorship program, which, at minimum:
 - 1. Provides individualized supportive services including career guidance, individualized coaching, networking, and goal setting.
 - 2. Facilitates opportunities for peer-to-peer or group mentorship.
 - (B) An awareness and exploration program, which, at minimum:
 - 1. Builds awareness of career opportunities through guest speakers, online platforms, and master classes.
 - 2. Identifies interests, skills, and career possibilities through guided self-assessments and research.
 - 3. Facilitates work-based learning experiences including mentorships, exploratory trainee/internships, and workplace simulations.
 - (C) A preparation and training program, which, at minimum:
 - 1. Facilitates essential workplace skills training, including resume development, interview preparation, professional networking, set etiquette training, industry-specific financial planning, and/or industry fundamentals.
 - 2. Facilitates paid on-the-job training in a specific craft, trade, or occupation in partnership with an employer.
 - (D) A union-approved training program, which, at minimum:

1. Facilitates craft-specific skills training by experienced union industry professionals and/or approved third party training vendors as determined by the local union.
 2. Facilitates essential set etiquette training, industry and labor union fundamentals, safety courses and certifications as determined by the local union.
 3. Facilitates craft-specific paid on-the-job training with a signatory company as determined by the local union.
- (3) An applicant that fulfills the requirements of this subdivision shall be approved for participation in the Career Readiness Program.
- (e) (1) Career-based organizations seeking CFC approval of their program for Career Pathways partnership must submit an application to the CFC's Career Pathways fiscal agent during a Request for Proposal (RFP) process initiated by the fiscal agent, as specified in subparagraphs (A), (C), and (D) below.
- (A) Applications will be accepted in accordance with the RFP process initiated by the fiscal agent. An RFP will be issued prior to the start of the California Film and Television Tax Credit Program 4.0. RFPs will subsequently be released as needed in response to changes in program revenue or training partners. Organizations interested in participating in the RFP process may request to be placed on an RFP alert mailing list by emailing the CFC at IncentiveProgram4@film.ca.gov or by emailing the fiscal agent directly.
- (B) To ensure Career Pathways Program success and meaningful impact, the CFC and its fiscal agent for the Career Pathways Program will, in addition to the factors outlined in paragraph (2) below, consider the following aspects when evaluating applications:
1. Availability of participants.
 2. Fiscal agent administrative resources.
 3. Overlap with the focus areas of currently approved organizations, including but not limited to industry role focus and student outreach focus.
 4. Specific industry labor needs, as determined by the fiscal agent based on information from industry and labor stakeholders.
- (C) The application must include:
1. Organization name, date founded, contact person or persons, organization website, information about any industry affiliations.
 2. Supporting documentation that demonstrates that the program meets the requirements outlined in paragraph (2) below.
 3. Unless included in the above, information about the focus areas of the organization with regard to industry roles.

4. Unless included with the above, information about the focus areas with regard to the intended participant pool.
 - (i) For purposes of compliance with federal and state law, the CFC will reject any application that includes quotas or numeric goals related to a protected class.
 5. Unless included in the above, participant capacity and potential for growth.
- (D) The application shall be submitted to the CFC Career Pathways fiscal agent as directed in the RFP.
- (2) Career Pathways programs approved by the CFC and its fiscal agent must:
- (A) Be conducted by a nonprofit organization that has an established record of training and job placement in the entertainment industry.
 - (B) Be focused on training individuals eighteen (18) years or older from traditionally underserved communities.
 - (C) Offer training courses focused on one or more of the following:
 1. Skilled, technical positions that would be eligible for qualified wages if performed on a qualified motion picture.
 2. Administrative- and industry-related technical occupations.
 3. Soft skills training for the motion picture industry.
- (3) The Career Pathways program fiscal agent and the CFC shall approve or reject a career-based organization applicant based on the information provided pursuant to paragraph (2) and the information provided relating to the factors considered pursuant to subparagraph (B) of paragraph (1).
- (A) An applicant that fulfills the requirements of paragraph (2) and is rejected because of a factor or factors detailed in subparagraph (B) of paragraph (1) may respond to and be considered again under a future RFP.
 - (B) An applicant that is rejected because it does not fulfill the requirements of paragraph (2) may respond to a future RFP if it makes changes to fulfill the requirements.
- (4) The Career Pathways program fiscal agent shall have the authority to enter into and implement contracts, including terminating such contracts, with approved applicants as appropriate to carry out the purposes and intent of this subdivision.

NOTE: Authority cited: Sections 17053.98.1(e), and 23698.1(e), Revenue and Taxation Code; and Section 11152, Government Code. Reference: Sections 17053.95(e), 17053.98(e), 17053.98.1(d), 17053.98.1(e), 23695(e), 23698(e), 23698.1(d), and 23698.1(e), Revenue and Taxation Code; and Section 14998.1, Government Code.

§ 5554.2. Interim and Final Diversity, Equity, Inclusion, and Accessibility Assessments.

- (a) Prior to the start of principal photography, an approved applicant that opts in to the diversity provisions of Revenue and Taxation Code sections 17053.98.1(g)(3)(D) and 23698.1(g)(3)(D) shall submit a diversity, equity, inclusion, and accessibility interim assessment, Form DEIA3 (January 1, 2025), hereby incorporated by reference, consistent with Form DEIA1 (January 1, 2025) and Form DEIA2 (January 1, 2025), hereby incorporated by reference, submitted by the applicant.
- (1) In reviewing an applicant's Form DEIA3 for determination, the CFC will consider whether:
- (A) The applicant has made progress towards its goals stated in Form DEIA2.
 - (B) The applicant has a clear plan for how to progress towards and meet its goals stated in Form DEIA2.
 - (C) The applicant has identified any barriers to meeting its goals stated in Form DEIA2, and if so has identified steps to overcome those barriers.
 - (D) The responses in Form DEIA3 are original and/or demonstrably tailored to the project, thoroughly detailed, and indicate that the applicant is making a good-faith effort toward achieving its goals.
- (2) The CFC will review the applicant's Form DEIA3 and within thirty (30) calendar days of the date of submission will provide its determination of whether the Form DEIA3 indicates that the qualified motion picture is making a good-faith effort to meet the goals of its diversity workplan.
- (3) Failure to submit Form DEIA3 prior to start of principal photography shall constitute opting out of the diversity provisions of 17053.98.1(g)(3)(D) and 23698.1(g)(3)(D) of the Revenue and Taxation Code, regardless of an applicant's previously stated intent or submitted materials. Opting out means an applicant, except an independent film with a qualified expenditure budget of ten million dollars (\$10,000,000) or less, shall be eligible for tax credit certification of at most the sum that equals ninety-six percent (96%) of the total sum of allocated credits, including uplifts, subject to verification and audit.
- (A) An applicant whose start date for principal photography falls within thirty (30) calendar days of CAL issuance for its project shall be given an extension to submit its Form DEIA3 no later than the business day following the date of CFC approval of its Form DEIA2, if that date falls on or after the start date of principal photography for the project.
- (b) Within sixty (60) calendar days of the creation of the final element, an approved applicant that opts in to the diversity provisions of Revenue and Taxation Code sections 17053.98.1(g)(3)(D) and 23698.1(g)(3)(D) shall submit a final diversity, equity, inclusion, and accessibility assessment to the CFC. The final assessment required pursuant to Revenue and Taxation Code sections 17053.98.1(g)(3)(D)(ii)(III) and 23698.1(g)(3)(D)(ii)(III) shall include two separate parts.

- (1) Part one shall consist of Form DEIA4 (January 1, 2025), hereby incorporated by reference, and shall be clearly and completely separated from part two of the final assessment. Only the information provided in part one of the DEIA Final Assessment, Form DEIA4, shall be considered by the CFC in determining whether the applicant has met or made a good-faith effort to meet the goals of its diversity, equity, inclusion, and accessibility Workplan, Form DEIA2.
- (2) Part two shall be submitted in accordance with section 5555(b)(5)(H) of this article and shall include:
 - (A) A listing of voluntary, self-reported race/ethnicity and gender statistics for all individuals who received qualified wages, as required pursuant to sections 17053.98.1(d)(1)(J), 17053.98.1(g)(2)(A)(iv), 23698.1(d)(1)(J), and 23698.1(g)(2)(A)(iv) of the Revenue and Taxation Code.
 - (B) A listing of voluntary, self-reported race/ethnicity and gender statistics for all individuals who received non-qualified wages on the motion picture project, as required pursuant to sections 17053.98.1(d)(1)(E), 17053.98.1(g)(2)(A)(iv), 23698.1(d)(1)(J), and 23698.1(g)(2)(A)(iv) of the Revenue and Taxation Code.
 - ~~(C) A description of the barriers faced by the applicant, if any, in collecting or receiving the data.~~
 - (D) Part two shall be clearly and completely separated from part one of the final assessment and the statistics presented in part two shall not be referenced in part one. The statistics presented in part two shall have no bearing on the goals and outcomes presented by the applicant in part one and will not be considered by the CFC in determining whether the applicant has met or made a good-faith effort to meet the goals of its diversity workplan.
 1. The data required pursuant to this paragraph shall be submitted by all approved applicants in the California Film and Television Tax Credit Program 4.0, including an independent film with a qualified expenditure budget of ten million dollars (\$10,000,000) or less and an applicant that has opted out of the requirements of Revenue and Taxation Code sections 17053.98.1(g)(3)(D) and 23698.1(g)(3)(D).
- (3) Within thirty (30) calendar days of receipt of an applicant's Form DEIA4, the Director of the CFC, or their designee, will notify the applicant whether the applicant has been determined to have met or made a good-faith effort to meet its diversity goals and is eligible for certification of one hundred percent (100%) of its allocated tax credits or has been determined not to have met or made a good-faith effort to meet its diversity goals and is eligible to have ninety-six percent (96%) of its allocated tax credits certified.
 - (A) The applicant shall submit this determination to the CPA performing its final audit pursuant to section 5555(b)(6) of this article.
- (4) Failure to submit Form DEIA4 within the timeframe specified in subdivision (b) above shall constitute opting out of the diversity provisions of 17053.98.1(g)(3)(D) and 23698.1(g)(3)(D) of the Revenue and Taxation Code, regardless of an applicant's

previously stated intent or submitted materials. Opting out means an applicant, except an independent film with a qualified expenditure budget of ten million dollars (\$10,000,000) or less, shall be eligible for tax credit certification of at most the sum that equals ninety-six percent (96%) of the total sum of allocated credits, including uplifts, subject to verification and audit.

- (c) The CFC will reject any submitted Form DEIA3 or Form DEIA4 that includes quotas or other numeric goals regarding a protected class, including, but not limited to race, ethnicity, gender, and disability status.

NOTE: Authority cited: Sections 17053.98.1(e) and 23698.1(e), Revenue and Taxation Code; and Section 11152 Government Code. Reference: Sections 17053.98.1(d), 17053.98.1(g), 23698.1(d), and 23698.1(g), Revenue and Taxation Code; and Section 14998.1, Government Code.

§ 5555. Credit Certificate Issuance.

- (a) (1) Within forty-eight (48) months of the date of the thirty (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 4.0 shall do one of the following:
- (A) Submit the documents specified in this section through the online application portal accessible on the website www.film.ca.gov or, if necessary prior to portal completion or due to technical issues, in PDF or equivalent non-proprietary document format; or,
 - (B) Submit a written notice to the CFC stating that they will not be requesting certification for the allocated credits; or,
 - (C) An applicant with insufficient tax liability to initiate the process at the timeframe set in subdivision (a) above can request an extension in writing.
 - 1. The applicant may request one or more extensions of up to twelve (12) months and the CFC will approve the extension for an applicant that requests such an extension within the timeframe specified in clause 2. below and submits a statement of insufficient tax liability to initiate use of the allocated tax credits.
 - 2. The applicant shall request an extension no less than thirty (30) calendar days prior to the expiration of the timeline specified in paragraph (1) above or prior to the expiration of a previously approved extension for the request to be considered by the CFC.
 - (D) Failing to comply with the requirements of this paragraph shall constitute forfeiture of an applicant's allocated tax credits.

- (2) Within the timeframe specified in paragraph (1) above, after the qualified motion picture has been produced and the final element has been created, the applicant may proceed to submit the documentation described in this section.
- (A) The CFC shall not certify any tax credit until it has received a final safety evaluation report from the qualified motion picture project safety advisor, as required pursuant to sections 17053.98.1(g)(3)(A)(ii) and 23698.1(g)(3)(A)(ii) of the Revenue and Taxation Code and outlined in section 5554(d)(7) of this article.
- (b) The applicant shall be required to submit the following documents upon completion of the qualified motion picture:
- (1) Proof of copyright registration of the screenplay, teleplay, motion picture, television series or pilot.
- (2) Documentation indicating the date of completion of postproduction.
- (A) Documentation may include, but is not limited to, the facility invoice evidencing the date the final element was completed.
- (3) The final cast list and the final crew list for the project with social security numbers redacted, if applicable.
- (4) A copy of the script supervisor's lined script or the continuity/spotting log of the project.
- (A) A television series must submit these materials for two separate episodes of the season.
1. A season of a television series that has submitted both a regular and a supplemental season application is only required to submit two episode scripts for the season as a whole.
- (5) Expenditure summary report information, as set forth in subparagraphs (A) through (K) of this paragraph, provided to the CFC through the online application portal accessible on the website www.film.ca.gov or, if necessary prior to portal completion or due to technical issues, in PDF or equivalent non-proprietary document format.
- (A) Applicant Information, updated and current, including:
1. Applicant entity business name.
2. Type of business entity.
3. Type of taxpayer ID and taxpayer ID number.
4. Up to date address(es), phone number(s), contact person(s) and their title(s).
5. Parent company entity, if applicable.
6. CPA name.
7. Copyright registration number.

8. Seller's permit number, if applicable.

9. Payroll service provider.

(B) Additional contact information, including:

1. Up to date parent company contact information, if applicable.

2. CPA company name and contact information.

(C) Project Information:

1. Actual start date of preproduction.

2. Actual start date of principal photography.

3. Start and return-date(s) of any hiatus period(s), if applicable.

4. Actual end-date of principal photography.

5. Actual end-date of postproduction (creation of final element).

6. Projected or actual release date, if known.

7. For a television series, actual number of completed episodes.

(D) Information about production shooting days and locations:

1. Production shooting days inside the Los Angeles zone.

2. Production shooting days outside the Los Angeles zone.

3. Information on each country, state, or county outside the Los Angeles zone where the project filmed, with a Local Community Expenditure Report, Form LCER4 (January 1, 2025), hereby incorporated by reference, filled out for each California county outside of LA County.

4. For a soundstage applicant, total actual number of stage shooting days and number of actual stage shooting days on a certified or once-certified soundstage.

(E) Production statistics, including actual numbers for:

1. Total number of cast members.

2. Total number of base crew members.

3. Total number of extras/background performer days worked.

4. Total number of stand-in days worked.

5. Total number of California resident cast and crew.

6. Total number of non-California resident cast and crew.

7. Total number of local hire labor crewmembers.

(F) Financial statistics, including actual numbers for:

1. Total worldwide expenditures.
2. Total California expenditures, including:
 - (i) Total qualified California expenditures; and,
 - (ii) Total non-qualified California expenditures.
3. Total worldwide VFX expenditures.
4. Total California VFX expenditures, including:
 - (i) Total qualified California VFX expenditures; and,
 - (ii) Total non-qualified California VFX expenditures.
5. Total qualified California VFX expenditures eligible for uplifts.
6. Total California music scoring/recording wages eligible for bonus points.
7. For soundstage applicants, total soundstage wage expenditures.
8. For soundstage applicants, total expenditures for California picture editing and postproduction sound labor and services.

(G) Career Readiness and Career Pathways Programs:

1. Verification of fulfillment of career readiness requirement utilizing one of the required forms for Career Readiness verification, Forms CR4-1, CR4-2, CR4-3, CR4-4, and CR4-5 (January 1, 2025), hereby incorporated by reference. If applicable, verify submission of Career Readiness payment.
2. Verification of payment to the Career Pathways Program, of the amount specified in section 5554.1(c)(1), with date paid and amount, utilizing required Form CPP4 (January 1, 2025), hereby incorporated by reference.

(H) A listing of voluntary, self-reported race/ethnicity and gender statistics as specified in sections 5554.2(b)(2) of this article. All applicants must submit this data, including an independent film with a qualified expenditure budget of ten million dollars (\$10,000,000) or less and an applicant that has opted out of the requirements of Revenue and Taxation Code sections 17053.98.1(g)(3)(D) and 23698.1(g)(3)(D).

(I) Uplifts, as confirmed in the AUP report required pursuant to paragraph (6) of this section:

1. For non-independent productions, except relocating television series, information relating to the five percent (5%) Out of Zone Uplift:
 - (i) The verified total out of zone wages, excluding local hire labor, incurred during the applicable period.
 - (ii) The verified total out of zone non-wages, excluding the total consumables, incurred during the applicable period.

- (iii) The verified total non-wage expenditures entirely consumed outside the Los Angeles Zone during the applicable period.
 - (iv) The combined sum of the qualified out of zone expenditures provided pursuant to subclauses (i), (ii), and (iii) above, is the sum to which the uplift percentage applies. Multiply this amount by .05.
 - (v) The aggregate uplift amount of the combined sums pursuant to clauses 1. and 2. of this subparagraph cannot exceed five percent (5%) of the non-independent production's overall qualified expenditures.
2. For non-independent productions, except relocating television series, information relating to the five percent (5%) California Visual Effects (VFX) Uplift:
- (i) For a qualified motion picture project that fulfills the uplift threshold detailed in section 5553(j)(7)(B)1. of this article, provide the total actual dollar amount of California VFX expenditures.
 - (ii) The total dollar amount of California VFX expenditures provided pursuant to subclause (i), above, is the sum to which the uplift percentage applies. Multiply this amount by .05.
 - (iii) The aggregate uplift amount of the combined sums pursuant to clauses 1. and 2. of this subparagraph cannot exceed five percent (5%) of the non-independent production's overall qualified expenditures.
3. For non-independent productions, except relocating television series, information relating to ten percent (10%) Local Hire Labor Uplift:
- (i) Provide the verified total of out of zone local hire labor wages.
 - (ii) The sum of the local hire labor wages provided pursuant to subclause (i), above, is the sum to which the applicable uplift percentage applies. Multiply this sum by .10.
 - (iii) Local hire wages must be substantiated in accordance with section 5552(i)(3) of this article.
4. For independent productions and relocating television series, information relating to the five percent (5%) Local Hire Labor Uplift:
- (i) Provide the verified total of out of zone local hire labor wages.
 - (ii) The sum of the local hire labor wages provided pursuant to subclause (i), above, is the sum to which the applicable uplift percentage applies. Multiply this sum by .05.
 - (iii) Local hire wages must be substantiated in accordance with section 5552(i)(3) of this article.
5. Total additional tax credit:

(i) For non-independent productions, excluding relocating television series, calculate the total uplift amount by adding the sums of 1.(iv) + 2.(ii) + 3.(ii) above.

(ii) For independent productions and relocating television series the total additional tax credit is the sum of 4.(ii) above.

(J) Total Credit Amount. Applicants must provide, based on the findings of the AUP report:

1. Total sum of verified qualified wages paid or incurred during the qualified period, as defined in section 5550(q)(1).
2. Total sum of verified qualified non-wages paid or incurred during the qualified period, as defined in section 5550(q)(1).
3. Verified completion bond fee, if applicable.
4. Total qualified expenditures: 1. + 2. + 3.
5. Total tax credit amount, which equals the sum pursuant to clause 4. above multiplied by 0.2 for non-independent projects except relocating television series and by 0.25 for independent films and relocating television series.
6. Total uplift amount as calculated in accordance with 5555(b)(5)(I)5.(i) or 5555(b)(5)(I)5.(ii) above, as applicable.
7. Total adjusted tax credit percentage, 5. + 6.
8. Total verified tax credit amount: 7. adjusted for original CAL amount limit, if applicable.
9. Verified adjusted jobs ratio, as provided in the AUP. Any jobs ratio reduction penalty consistent with sections 17053.98.1(d)(2) and 23698.1(d)(2) of the Revenue and Taxation Code shall be applied to the sum pursuant to clause 8. above.
10. Diversity goals percentage in accordance with CFC determination pursuant to section 5554.2 of this article and as noted in the AUP. The percentage shall be applied to the sum pursuant to clause 9. above, if applicable, or the sum pursuant to clause 8. above if no jobs ratio reduction penalty is applied.

(K) Signature certification. By signing the Report, the applicant acknowledges, agrees and certifies that the applicant has read and reviewed the summary, and that the content provided is true and accurate to the best of their knowledge or at least the knowledge of what would be expected of a reasonable person in the same capacity.

(6) An AUP report in compliance with the Program 4.0 agreed upon procedures, Form 4.0 AUP (January 1, 2025), hereby incorporated by reference. The AUP report shall be prepared and certified by a certified public accountant (CPA) who meets the following criteria:

- (A) Maintains an active license or has proof of a valid out-of-state accounting firm registration for the firm practicing attest services in California.
 - (B) The accounting firm performing the assurance services shall provide documentation from the California Society of Certified Public Accountants or other organization administering said review, indicating that a Peer Review Report was completed within the last three years and the rating was a "Pass." If the firm performing attest services is newly formed, the firm must provide evidence it is registered for review by an organization administering the review in the state in which the firm resides.
 - (C) Successful completion of a CFC orientation meeting for CPAs performing Agreed Upon Procedures for the California Film and Television Tax Credit Program 4.0. The frequency of training shall be offered on an as needed basis as determined by the CFC.
 - (D) The same public accounting firm is not permitted to perform the AUP report required pursuant to this section for a soundstage applicant, if it is providing or has provided services related to Phase A for the soundstage or soundstages where the soundstage applicant's qualified motion picture is being produced, such as the certified studio construction project verification report required pursuant to section 5532 of article 4 of this chapter, or the annual soundstage workforce report required pursuant to section 5538 of article 4 of this chapter.
- (7) The actual layout of the main and end titles produced by a title house or other postproduction facility.
- (8) A vendor final element creation letter documenting the date the final composite answer print, air master, or digital cinema files of the qualified motion picture is/are produced, not including archival or international elements. In the case of a television series, the required letter shall refer to the final episode of the season. The letter shall originate from the postproduction facility or postproduction department, printed on letterhead with original signature.
- (9) Documentation from each visual effects, title, digital effects and/or post sound company contracted by the production company, indicating the total dollar amount of work performed within the State of California shall be certified by managerial level personnel with knowledge of the project.
- (10) Documentation from the designated representative of the California Community Colleges Chancellor's office and/or the California Department of Education or the CFC, verifying participation in the career-based learning and training program as required in section 5554.1.
- (11) A miniseries/limited series shall submit documentation verifying that its initial distribution consists of two or more episodes longer than forty (40) minutes each exclusive of commercials.
- (12) Form CPP4 (January 1, 2025), hereby incorporated by reference, verifying that the required fee was paid by the qualified taxpayer to fund the Career Pathways Training Program.

- (c) The production shall be completed within thirty (30) months from the issuance date of the CAL, Form D4 (January 1, 2025), hereby incorporated by reference as required in sections 17053.98.1(b)(19)(B)(ii) and 23698.1(b)(19)(B)(ii) of the Revenue and Taxation Code.
- (d) The qualified motion picture shall be considered complete when the process of postproduction has been finished and a final composite answer print, delivery air master, or digital cinema files of the qualified motion picture is completed.
- (e) The CFC shall review all the required materials submitted by the applicant to determine the sufficiency of the required documentation and that the applicant meets all the criteria for the program. During the review, the CFC may reject insufficient documentation not in compliance with the requirements found in this section or may request additional documentation to determine if the production is a qualified motion picture and to verify the qualified expenditures.
 - (1) An applicant that receives a request for additional documentation shall have thirty (30) calendar days to submit that documentation.
 - (2) An applicant that fails to meet the deadline in paragraph (1) shall have its request for a tax credit certificate disapproved in accordance with section 5555(f)(2) below.
- (f) The CFC shall approve or disapprove the request for the tax credit certificate, Form M4 (January 1, 2025), hereby incorporated by reference.
 - (1) An entity that fulfills all program requirements, provides all required supporting documentation, and is able to substantiate its eligibility with information requested by the CFC shall be approved. Upon approval, the tax credit certificate shall be issued to the applicant.
 - (A) If the entity that incurs the qualified expenditures is a partnership, limited liability company or subchapter S corporation (pass-through entity), that entity is the applicant for purposes of filing the tax credit application and receiving the final tax credit certificate.
 - (2) Upon rejection of insufficient documentation or disapproval of the request for a tax credit certificate, the CFC shall provide the applicant with a notice of disapproval stating the reasons for the disapproval. Disapproval is final and shall not be subject to administrative appeal or review.
- (g) Certified tax credits attributable to an independent film may be sold by the applicant to an unrelated party, as applicable and in accordance with section 17053.98.1(c) of the Revenue and Taxation Code.
- (h) Certified tax credits attributable to non-independent production that exceed the applicant's tax liability may be assigned to one or more affiliated parties, as applicable and in accordance with section 23698.1(c) of the Revenue and Taxation Code.
- (i) An applicant allocated tax credits under the California Film and Television Tax Credit program 4.0 that has received its tax credit certificate may make a one-time, irrevocable election to be paid a refund of at most ninety percent (90%) of the certified tax credit amount, as applicable and in accordance with sections 17053.98.1(k) and 23698.1(k) of the Revenue and Taxation Code. The one-time, irrevocable election must be made to the Franchise Tax Board on an

original, timely filed tax return for the taxable year in which the tax credit certificate is issued by the CFC.

- (1) The total refundable amount is ninety percent (90%) of the amount of certified tax credits that exceed the applicant's tax liability in the first taxable year.
- (2) The total refundable amount will be paid out over five consecutive taxable years, making the annual refundable amount twenty percent (20%) of the total refundable amount.
- (3) The annual refundable amount will first be applied to any tax liability the applicant has, and the excess of the annual refundable amount will then be refunded.
- (4) If the one-time, irrevocable election to make the tax credits refundable has been made, the applicant cannot hold any amount over to use against future tax liability outside of the sums and timeframes of the set refundability schedule.
- (5) A taxpayer that has purchased a tax credit from an independent producer, as referenced in subdivision (g) of this section, cannot elect to be paid a refund.

NOTE: Authority cited: Sections 17053.98.1(e), 17053.98.1(j), 23698.1(e), and 23698.1(j), Revenue and Taxation Code; and Section 11152, Government Code. Reference: Sections 17053.98(k), 17053.98.1(a), 17053.98.1(b), 17053.98.1(c), 17053.98.1(d), 17053.98.1(e), 17053.98.1(f), 17053.98.1(g), 17053.98.1(k), 23698(k), 23698.1(a), 23698.1(b), 23698.1(c), 23698.1(d), 23698.1(e), 23698.1(f), 23698.1(g), and 23698.1(k), Revenue and Taxation Code; Section 9152, Labor Code; and Section 14998.1, Government Code.

§ 5556. On-Screen Credit and Promotional Requirements.

- (a) All productions that request certification of their allocated tax credits and are issued a tax credit certificate shall be required to comply with the following provisions:
 - (1) Provide an on-screen acknowledgement to THE STATE OF CALIFORNIA 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.
 - (A) Such acknowledgement and logo shall appear on every episode of a television series except where prohibited as specified in paragraph (1) above.
 - (B) The acknowledgement can be made in any font or graphic format and 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) Provide five (5) production stills in digital file format cleared by the production company and with cast approvals to illustrate the diversity of California locations and/or job creation for promotional use by the CFC.

- (3) Except for an applicant that is an independent film with a qualified expenditure budget of ten million dollars (\$10,000,000) or less, provide an electronic press kit (EPK), when available, for promotional and marketing use by the CFC to highlight productions that received tax credits.
- (b) The public information posted to the CFC website pursuant to sections 17053.98.1(h)(2)(A)(i) and 23698.1(h)(2)(A)(i) of the Revenue and Taxation Code, which includes qualified taxpayers and the tax credit amounts allocated to each qualified taxpayer, the number of production days in California the qualified taxpayer represented in its application would occur, the number of California jobs that the qualified taxpayer represented in its application would be directly created by the production, and the total amount of qualified expenditures expected to be spent by the production, is subject to inclusion in any public presentation or press release issued by the CFC on or after the date of CAL issuance for the production.

NOTE: Authority cited: Sections 17053.98.1(e), and 23698.1(e), Revenue and Taxation Code; and Section 11152 Government Code. Reference: Sections 17053.98.1(e), 17053.98.1(h), 23698.1(e), and 23698.1(h), Revenue and Taxation Code; and Section 14998.1, Government Code.



California Film and Television Tax Credit Program 4.0

DIVERSITY, EQUITY, INCLUSION, AND ACCESSIBILITY CHECKLIST

Production Title:	
Production Category:	
Queue Number:	

The California Film Commission (CFC) defines Diversity, Equity, Inclusion, and Accessibility (DEIA) as a commitment to providing equitable access to opportunities for people with varying racial, ethnic, and gender identities, disabilities, sexual orientations, age, religions, and socioeconomic statuses in an environment that is reasonably accessible to all whereby all are welcomed and respected.

In accordance with section 5553(m)(9) of the regulations, applicants shall submit a Diversity Checklist as part of the Phase II application process; failure to do so will result in disqualification. The applicant acknowledges, by checking each box below, best practices for promoting a diverse, equitable, inclusive, and accessible motion picture production industry in California. As set forth in sections 17053.98.1(g)(3)(D)(ii)(I) and 23698.1(g)(3)(D)(ii)(I) of the Revenue and Taxation Code, goals shall reflect both individuals whose wages are included within qualified wages and individuals whose wages are excluded from qualified wages. Resources related to the best practices listed below are available on the [CFC website](#). The CFC will reject any form related to the diversity, equity, inclusion, and accessibility requirements of sections 17053.98.1(b)(5), 17053.98.1(b)(19)(B)(vi), 17053.98.1(g)(3)(D), 23698.1(b)(5), 23698.1(b)(19)(B)(vi), and 23698.1(g)(3)(D) that includes quotas or other numeric goals regarding protected classes, including but not limited to race, ethnicity, gender, and disability status.

The U.S. Census Data is available as a resource to view statistics broadly reflective of California's population. The items on this form are not intended to require applicants to make any statements, set any goals, or take any actions that are incompatible with or contrary to federal, state, or local law, or applicable collective bargaining agreements.

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DIVERSITY, EQUITY, INCLUSION, AND ACCESSIBILITY CHECKLIST

☐ Inclusive Hiring

Inclusive hiring means minimizing bias during the hiring process, valuing diverse perspectives, and implementing an equitable recruiting process.

Efforts may include, but are not limited to:

- ✓ Conducting outreach to a wide range of candidates by, for example, utilizing DEIA- and industry capacity building related staffing resources and lists, among other resources.
- ✓ Expanding access to employment through developing hiring criteria that demonstrate consideration for, but not limited to, the following:
 - graduates of pathway programs.
 - underrepresented individuals who lack established relationships in the motion picture production industry in California.
- ✓ Making interviews and casting sessions accessible to people with disabilities in alignment with applicable state law and the Americans with Disabilities Act of 1990 (ADA).
- ✓ Hiring hair and makeup crew members who are skilled in working with a variety of racial/ethnic hairstyles, textures, facial features and skin tones that reflect the cast members.
- ✓ Hiring a cinematographer and gaffer/chief lighting technician and key grips who are skilled in lighting for a variety of skin tones that reflect the cast members.
- ✓ Hiring a casting director skilled in casting underrepresented individuals in major and minor roles, as well as background, unless the storyline ~~requires calls for~~ casting of specific racial, ethnic, gender or other characteristics that would ~~prevent impede~~ such casting.
- ~~✓—Awareness of wage parity among comparable or similar cast and crew regardless of, but not limited to, race, ethnicity, gender and disability status.~~

☐ Equity Education

Equity Education means learning about the historical and contemporary experiences of underrepresented communities and people, ~~and laws protecting these communities and people~~ existing civil rights and discrimination laws, and setting goals for ensuring DEIA for everyone on the production.

Efforts may include, but are not limited to:

- ✓ Setting Equity Education goals and providing training opportunities to address these goals.
- ✓ Building awareness of the production's commitment to DEIA with department heads.

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- ✓ Acknowledging ~~the benefits of~~ what the production hopes to gain from learning about the historical and contemporary experiences of underrepresented communities and people specific to the project.
- ✓ Recognizing the people and communities, including but not limited to California tribal nations, Native communities, and Indigenous peoples, living or located in the geographical area where principal photography is conducted.
- ✓ Sharing a Land Acknowledgement at any point during production.
- ✓ ~~Considering potential impacts on the environment~~ Given that underrepresented communities are disproportionately affected by environmental impacts, building awareness of sustainability efforts during ~~the~~ production.

☐ Industry Capacity Building

Industry Capacity Building means helping to increase an inclusive and qualified workforce and qualified vendor and supplier base in all areas that contribute to motion picture production in California.

Efforts may include, but are not limited to:

- ✓ Helping to increase an inclusive and qualified workforce and qualified vendor and supplier base, including but not limited to the use of apprenticeships, internships, mentoring, and ~~traineeships and shadowing~~.
- ✓ Enabling everyone on the production to understand its anti-discrimination and anti-harassment policies and the process for reporting such experiences as well as the steps to be taken once such a report is received.
- ✓ Offering gender-neutral ~~public~~ bathrooms on set and in administrative production spaces throughout the production.
- ✓ Ensuring an accessible production in alignment with applicable state law and the ADA.

☐ Supplier Diversity

Supplier Diversity means contracting with qualified vendors, including but not limited to catering companies, accounting firms, equipment rentals, and postproduction houses, owned and operated by individuals from socially and economically underrepresented groups to support production.

Efforts may include, but are not limited to:

- ✓ Conducting outreach to diverse suppliers utilizing resources and lists to identify available suppliers.

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- ✓ Contracting with diverse suppliers including, if applicable, suppliers reflective of the people and communities specific to the project.
- ~~✓ Creating an accessible environment for vendors with disabilities working with the production in alignment with applicable state law and the ADA.~~

NOTE: Approved projects opting in to the diversity provisions of sections 17053.98.1(g)(3)(D) and 23698.1(g)(3)(D) of the Revenue and Taxation Code must complete a diversity, equity, inclusion, and accessibility workplan, Form DEIA2, which includes setting goals related to all of the areas described above.

Acknowledgment

I acknowledge and agree that I, the applicant, have read and reviewed the Diversity Checklist, including all the content provided.

Applicant Signature: _____

Date: _____

Applicant Name: _____

Applicant Title: _____



California Film and Television Tax Credit Program 4.0

DIVERSITY, EQUITY, INCLUSION, AND ACCESSIBILITY

WORKPLAN

Production Title:		DEIA Contact Person:	
Queue Number:		Contact E-mail:	
Project Category:		Contact Phone:	
CAL Date:		DEIA Workplan Deadline:	

In accordance with sections 17053.98.1(g)(3)(D) and 23698.1(g)(3)(D) of the Revenue and Taxation Code, approved applicants in the California Film Commission (CFC) Film and Television Tax Credit Program that elect to OPT IN to the diversity requirements shall submit a Diversity Workplan (Form DEIA2) within 30 calendar days of the date of the Credit Allocation Letter (CAL). Failure to submit the Form DEIA2 shall result in opting out of the diversity provisions. The CFC will reject any submitted Form DEIA2 that includes quotas or other numeric goals regarding protected classes, including but not limited to race, ethnicity, gender, and disability status.

Approved projects must complete this Form by including information specific to individuals whose wages are included within qualified wages and information specific to individuals whose wages are excluded from qualified wages as set forth in sections 17053.98.1(b)(22)(B)(iv) and 23698.1(b)(22)(B)(iv) of the Revenue and Taxation Code. The Form must include a description of how the project's diversity goals may help achieve outcomes that are broadly reflective of California's population, in terms of factors such as, but not limited to race, ethnicity, gender, and disability status.

Resources to support applicants are available on the [CFC website](#). If you have questions about how to complete this Form, please contact DEIAProgram@film.ca.gov. The U.S. Census Data is available as a resource to view statistics broadly reflective of California's population. The questions and prompts on this form are not intended to require applicants to make any statements, set any goals, or take any actions that are incompatible with or contrary to federal, state, or local law, or applicable collective bargaining agreements.

A. INCLUSIVE HIRING:

Inclusive hiring means minimizing bias during the hiring process, valuing diverse perspectives, and implementing an equitable recruiting process. Include in your responses information specific to above-the-line and below-the-line individuals.

1. What are the production's non-numeric goals for hiring outreach for open positions, such as utilizing DEIA- and industry capacity building related staffing resources and lists to identify candidates?

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DIVERSITY, EQUITY, INCLUSION, AND ACCESSIBILITY WORKPLAN

2. What are the production's non-numeric goals for expanding access to employment through developing hiring criteria that demonstrate consideration for, but not limited to, the following:

- a. graduates of pathway programs
- b. underrepresented individuals who lack established relationships in the motion picture production industry in California

3. What are the production's non-numeric goals for making interviews and casting sessions accessible to people with disabilities in alignment with applicable state law and the Americans with Disabilities Act of 1990 (ADA)?

4. What are the production's non-numeric goals for hiring hair and makeup crew members who are skilled in working with a variety of racial/ethnic hairstyles, textures, facial features and skin tones that reflect the cast members?

5. What are the production's non-numeric goals for hiring a cinematographer and gaffer/chief lighting technician and key grips who are skilled in lighting for a variety of skin tones that reflect the cast members?

6. What are the production's non-numeric goals for hiring a casting director skilled in casting underrepresented individuals in major and minor roles, as well as background, unless the storyline ~~requires~~ calls for casting of specific racial, ethnic, gender or other characteristics that would ~~prevent~~ impede such casting?

~~7. What are the production's goals for enabling awareness of wage parity among comparable or similar cast and crew regardless of, but not limited to, race, ethnicity, gender, disability status.~~

BE. EQUITY EDUCATION

Equity Education means learning about the historical and contemporary experiences of underrepresented communities and people, ~~and existing civil rights and discrimination laws, laws protecting these communities and people~~, and setting goals for ensuring DEIA for everyone on the production.

1. What are the training opportunities the production will provide to address its Equity Education goals?

2. What are the production's goals for building awareness of its commitment to DEIA

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DIVERSITY, EQUITY, INCLUSION, AND ACCESSIBILITY WORKPLAN

with the production's department heads?

3. ~~Describe the benefits~~ What does the production hope to gain, specific to this project, ~~of from~~ learning about the historical and contemporary experiences of underrepresented communities and people?

4. What are the production's goals in recognizing the people and communities, including but not limited to California tribal nations, Native communities, and Indigenous peoples, living or located in the geographical area where it is conducting principal photography?

5. What are the production's goals for sharing a Land Acknowledgement at any point during production?

6. Given that underrepresented communities are disproportionately affected by environmental impacts, ~~What~~ what are the production's goals for building awareness ~~considering potential impacts on the environment during production of its sustainability efforts?~~

CD. INDUSTRY CAPACITY BUILDING:

For the purposes of this application, Industry Capacity Building means helping to increase an inclusive and qualified workforce and qualified vendor and supplier base in all areas that contribute to motion picture production in California.

1. What are the production's non-numeric goals for helping to increase an inclusive and qualified workforce and qualified vendor and supplier base including, but not limited to, the use of apprenticeships, internships, mentoring, and traineeships ~~and shadowing~~?

2. What are the production's goals for enabling everyone on the production to understand its anti-discrimination and anti-harassment policies and the process for reporting such experiences as well as the steps to be taken once such a report is received?

3. What are the production's goals for offering gender-neutral public bathrooms on set and in administrative production spaces throughout the production?

4. What are the production's goals for ensuring an accessible production in alignment with applicable state law and the ADA?

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DIVERSITY, EQUITY, INCLUSION, AND ACCESSIBILITY WORKPLAN

DE. SUPPLIER DIVERSITY:

For purposes of this application, Supplier Diversity means contracting with vendors, including but not limited to catering companies, accounting firms, equipment rentals, and postproduction houses, owned and operated by individuals from socially and economically underrepresented groups to support production.

1. What are the production's goals for outreach to diverse suppliers, including the resources or lists it will utilize to identify available suppliers?

2. What are the production's non-numeric goals for contracting with diverse suppliers on this project including, if applicable, suppliers reflective of the people and communities specific to the project?

~~What are the production's goals for creating an accessible environment for vendors with disabilities working with the production in alignment with applicable state law and the ADA?~~

NOTE: Approved projects opting in to the diversity provisions of sections 17053.98.1(g)(3)(D) and 23698.1(g)(3)(D) of the Revenue and Taxation Code must complete a diversity, equity, inclusion, and accessibility Interim Assessment, Form DEIA3, prior to start of principal photography.

Acknowledgment and Certification

I acknowledge, agree, and certify that I, the DEIA contact, have read and reviewed the Diversity Workplan, including all the content provided, and that it is accurate to the best of my knowledge, or at least what would be expected of a reasonable person in the same capacity.

Date:	DEIA Contact Name:	Applicant Signature:

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DIVERSITY, EQUITY, INCLUSION, AND ACCESSIBILITY

INTERIM ASSESSMENT

Production Title:		DEIA Contact Person:	
Queue Number:		Contact E-mail:	
Project Category:		Contact Phone:	
CAL Date:		Principal Photography Start Date:	

In accordance with sections 17053.98.1(g)(3)(D) and 23698.1(g)(3)(D) of the Revenue and Taxation Code, approved applicants in Program 4.0 that elect to OPT IN to the diversity provisions shall submit an Interim Assessment (Form DEIA3) prior to the start of principal photography. Failure to submit Form DEIA3 in accordance with section 5554.2(a) shall result in opting out of the diversity provisions. The CFC will reject any submitted Form DEIA3 that includes quotas or other numeric goals or outcomes regarding protected classes, including but not limited to race, ethnicity, gender, and disability status. Resources to support applicants in the completion of this Form are available on the CFC website. If you have questions about how to complete this form, please contact DEIAProgram@film.ca.gov.

In your answers below, provide details about the efforts made, progress, and any barriers encountered so far by the production, including information specific to individuals whose wages are included within qualified wages and information specific to individuals whose wages are excluded from qualified wages as set forth in sections 17053.98.1(b)(22)(B)(iv) and 23698.1(b)(22)(B)(iv) of the Revenue and Taxation Code, regarding diversity, equity, inclusion, and accessibility (DEIA) goals and other responses submitted on Form DEIA2 Workplan. The questions and prompts on this form are not intended to require applicants to make any statements, set any goals, or take any actions that are incompatible with or contrary to federal, state, or local law, or applicable collective bargaining agreements.

INCLUSIVE HIRING:

1. List the DEIA- and industry capacity building related staffing resources and lists the production has used so far for hiring outreach for open positions. What are the barriers, if any, the production has faced in addressing its non-numeric goals for hiring outreach?

2. Provide example(s) of how the production has addressed its non-numeric goals for expanding access to employment through developing hiring criteria that demonstrate consideration for, but not limited to, the following:

- a. graduates of pathway programs.
- b. underrepresented individuals who lack established relationships in the motion picture production industry in California.

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DIVERSITY, EQUITY, INCLUSION, AND ACCESSIBILITY INTERIM ASSESSMENT

3.	Provide a specific example of how the production has made interviews and casting sessions accessible to people with disabilities.
4.	Provide the specific language the production used for hair and makeup potential hires and, if applicable, example(s) of cases in which this hiring benefited cast members with underrepresented racial/ethnic hairstyles, <u>textures</u> , facial features and skin tones.
5.	Provide the specific language the production has used for cinematographer, gaffer/chief lighting technician and key grip potential hires and, if applicable, example(s) of cases in which this hiring benefited cast members with underrepresented skin tones.
6.	Provide the specific language the production has used for casting director potential hires skilled in casting underrepresented individuals in major and minor roles, as well as background, if applicable.
7.	Provide a specific example of how the production enabled awareness of wage parity among comparable or similar cast and crew regardless of, but not limited to, race, ethnicity, gender, disability status.

EQUITY EDUCATION

1.	List the training opportunities the production has provided to address its Equity Education goals so far.
2.	Provide the language, specific to the project, the production has used for building awareness of the production's commitment to DEIA with the production's department heads.
3.	Provide example(s) of <u>how what the production has gained so far from</u> addressing the production's goals for learning about the historical and contemporary experiences of underrepresented communities and people <u>has benefited the project so far.</u>

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DIVERSITY, EQUITY, INCLUSION, AND ACCESSIBILITY INTERIM ASSESSMENT

4. List the names of the people and/or communities, including but not limited to California tribal nations, Native communities, and Indigenous peoples living or located in the geographical area where the production is conducting principal photography and how the production has recognized or plans to recognize them.

5. List the location(s) and date(s) in which the production shared or will share a Land Acknowledgement and the language the production has used or will use, and state whether the production has offered or plans to offer an honorarium to a member of the California tribal nations, Native communities, and Indigenous peoples to conduct the Land Acknowledgement(s).

6. List the individuals/companies and/or organizations with whom the production has contracted, or other efforts made, in ~~considering~~ the production's ~~environmental impacts during production~~ sustainability efforts, given that underrepresented communities are disproportionately affected by environmental impacts.

INDUSTRY CAPACITY BUILDING:

1. List the names of the organizations the production has utilized for apprenticeships, internships, mentoring, and traineeships ~~and shadowing~~.

2. Detail how the production has enabled everyone on the production to understand its anti-discrimination and anti-harassment policies and the process for reporting such experiences as well as the steps to be taken once such a report is received.

3. Provide specific examples of how and/or where the production has offered gender-neutral bathrooms on set and in administrative production spaces throughout the production.

4. Provide examples of how the production has ensured an accessible production in alignment with applicable state law and the ADA so far.

SUPPLIER DIVERSITY

1. Name the specific resources or lists you have used so far, or describe the process you have used, for outreach to diverse suppliers.

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2. Provide examples of non-numeric goals the production has addressed for contracting with diverse suppliers on this project including, where applicable, suppliers reflective of the people and communities specific to the project.

3. ~~List specific examples of how the production has created an accessible environment for diverse suppliers with disabilities in alignment with applicable state law and the ADA so far.~~

NOTE: Approved projects opting in to the diversity provisions of sections 17053.98.1(g)(3)(D) and 23698.1(g)(3)(D) of the Revenue and Taxation Code must complete a diversity, equity, inclusion, and accessibility Final Assessment, Form DEIA4, within sixty (60) days of creation of the final element.

Acknowledgment and Certification

I acknowledge, agree, and certify that I, the DEIA contact, have read and reviewed the DEIA Interim Assessment, including all the content provided, and that it is accurate to the best of my knowledge, or at least what would be expected of a reasonable person in the same capacity.

Date:	DEIA Contact Name:	Signature:



California Film & Television Tax Credit Program 4.0 AGREED UPON PROCEDURES

For Projects with Credit Allocation Letters issued on or after July 1, 2025

I. Introduction

The California Film and Television Tax Credit Program 4.0 (Program 4.0) provides tax credits for qualified expenditures incurred when producing qualified motion pictures. The tax credits may be used to offset either California personal or corporate income taxes, or sales and use taxes, or be refunded as applicable and in accordance with sections 17053.98.1(k) or 23698.1(k) of the Revenue and Taxation Code. 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 4.0 requirements.

II. Statutory and Regulatory References

California Revenue and Taxation Code Sections:

- 6902.5 (sales and use tax)
- 17053.98.1 (personal income tax)
- 23698.1 (corporate income tax)

California Code of Regulations, Title 10, Chapter 7.75, Article 5, Sections 5550 - 5556

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 shall have successfully completed a California Film & Television Tax Credit Program 4.0 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 three (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 and regulations governing the Program. Program Guidelines, Qualified Expenditure Charts, Budget Tagging and Tracking Tips, and other Program 4.0 materials are posted on the California Film Commission website as resources. The appendices and/or exhibit numbers noted **in red** are included with this document.

The following codes for expenses which are used to tag expenses by the production company are as follows: **QW** – Qualified Wages; QW, **ZW** – Out-of-Zone Qualified Wages; QW, **LW** – Local Hire Labor Qualified Wages; QW, **PW** – Qualified Picture Editing and Postproduction Sound Wages; QW, **SW** – Qualified Soundstage Wages; QW, **VU** – Qualified Wages Eligible for VFX Bonus Points; QW, **MW** – Expenditures Eligible for Music Wage Bonus Points; **QE** – Qualified Non-Wage Expenditures; QE, **ZE** – Out-of-Zone Non-Wage Expenditures (except consumables); QE, **ZC** – Out-of-Zone Consumables; QE, **PE** – Qualified Picture Editing and Postproduction Sound Non-Wage Expenditures; QE, **VU** – Qualified Non-Wage Expenditures Eligible for VFX Bonus Points; **NQ** – Non-Qualified California Expenditures; **XX** – Non-Qualified, Non-California Expenditures.

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 must 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 Report must clearly state the name of the production, the credit allocation number, as found on the Credit Allocation Letter (CAL), and the queue number, as well as the production category the project applied under, i.e.:
 - Independent film with a qualified expenditure budget of ten million dollars (\$10,000,000) or less
 - Independent film with a qualified expenditure budget over ten million dollars (\$10,000,000)
 - Feature film
 - Miniseries/Limited series
 - New television series
 - Relocating television series
 - Pilot
 - Recurring television series
 - A soundstage applicant, as defined in section 5550(s)(4) of the regulations, may apply with any of the above project types and would indicate the appropriate production category by adding “soundstage” (e.g., “New television series, Soundstage”)
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 during pre-production, production, and postproduction periods.
7. Please include in the Report the 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 is required to notify the CFC of those matters, utilizing the contact information under 10. below.
9. The CPA may reach out to the CFC for assistance, utilizing the contact information under 10. below, if, in connection with the application of the agreed upon procedures, the CPA has questions about the rules contained herein.
10. The CPA may utilize either of the following contact methods to communicate with the CFC:
 - Via email: IncentiveProgram4@film.ca.gov
 - Via phone: (323) 860-2960 and speak with a Motion Picture Production Analyst, Senior Program Manager, or Deputy Director of the Tax Credit Program.

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 online 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 postproduction 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 Production Period, which begins as of the date of the CAL and ends thirty (30) calendar days after creation of the final element. Verify that the Qualified Production Period does not exceed thirty (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 defined in Revenue and Taxation Code sections 17053.98.1(a)(4)(D)(i)(II)(ib) and 23698.1(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 seventy-five percent (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 A**.
 - 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 seventy-five percent (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 statutory category thresholds, as detailed in section 5551 of the regulations.
8. Career Readiness requirement: Obtain the appropriate verification form (CR4-1 through CR4-5) 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; include a copy of the applicable Career Readiness verification form with the Report, **Exhibit B**.
 - a. If the Company made a financial contribution, verify a contribution of no less than one quarter percent (0.25%) of the estimated tax credit, per the CAL (minimum contribution of five thousand dollars (\$5,000), maximum required contribution of twelve thousand dollars (\$12,000)) and include proof of payment with the applicable Career Readiness verification form (CR4-5).

9. Career Pathways contribution: Obtain verification (Form CPP4) and copy of the receipt from the Company issued by the Career Pathways program fiscal agent that the required contribution was paid as specified in a. below. 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**.
 - a. For Independent Films, the contribution shall be no less than one quarter percent (0.25%) of the estimated tax credit (per the CAL).
 - b. For all other production categories, the contribution shall be no less than one half percent (0.5%) of the estimated tax credit (per the CAL).

~~0.5% of the CAL amount for projects allocated tax credits in fiscal years 2025-2026, 2026-2027, and 2027-2028.~~
~~0.75% of the CAL amount for projects allocated tax credits in fiscal year 2028-2029.~~
~~1% of the CAL amount for projects allocated tax credits in fiscal year 2029-2030.~~
10. For a soundstage applicant, as defined in section 5550(s)(4) of the regulations, obtain and inspect documentation (e.g., call sheets and/or production reports, shooting schedules) for all principal photography stage shooting days for the production in order to determine the following:
 - a. Based upon the inspection of the documentation, state the total number of principal photography days on soundstages; only include principal photography days in which the company utilized the stage for a minimum of six (6) hours. State the number of principal photography days on a soundstage or soundstages certified as part of a certified studio construction project.
 - b. Calculate the percentage of principal photography stage shooting days on certified soundstages by dividing the number of principal photography stage shooting days on certified soundstages by the total number of principal photography stage shooting days.
 - c. Determine if fifty percent (50%) or more of principal photography stage shooting days took place on certified soundstages.
11. For a soundstage applicant, inspect the detailed cost ledger of Total Production Expenditures to determine that the applicant paid or incurred a minimum of five million dollars (\$5,000,000) in soundstage wages (QW, SW), as defined in section 5550(s)(5) of the regulations, during the production period.
12. For a soundstage applicant, inspect the detailed cost ledger of Total California Expenditures (including qualified and non-qualified expenditures) and the Total Production Expenditures and determine:
 - a. The total expenditures for picture editing and postproduction sound labor and services.
 - b. The expenditures for picture editing and postproduction sound labor and services incurred in California.
 - c. A soundstage applicant must pay or incur seventy-five percent (75%) of picture editing and postproduction sound labor and services expenditures in California.

13. If the 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 17053.98.1(b)(17) and 23698.1(b)(17) and do not include Non-Qualified Expenditures (NQ) as defined in 17053.98.1(b)(22)(B)(i)-(iv) or 23698.1(b)(22)(B)(i)-(iv). Adjust QE for any NQ 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 A**. 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 California. QE must be purchased or rented from a California In-State Vendor as defined in section 5550(c)(2) of 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 17053.98.1(b)(17) and (b)(19)(B)(i)-(v) and sections 23698.1(b)(17) and (b)(19)(B)(i)-(v) of the statute. In particular, inspect travel 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 the expenditure is determined to be an electronic asset with a purchase price of two hundred fifty dollars (\$250) or more or an asset with a purchase price of ten thousand dollars (\$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 thirty (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 A** (Non-Payroll), adjust QE for known errors noted during your testing.
 - b. For the samples identified in **Appendix A** (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 two percent (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 two percent (2%) of Qualified California non-payroll Production Expenditures, select a second additional sample according to the sampling methodology noted in **Appendix A** (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 two

percent (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 two percent (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 fourteen (14) calendar days after issuance of the CAL. After final element creation, inspect the detailed cost ledger fourteen (14) calendar 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 thirty (30) calendar 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: all electronic equipment with a purchase price equal to or greater than two hundred fifty dollars (\$250); and all other assets not considered electronic equipment with an original purchase price equal to or greater than ten thousand dollars (\$10,000). The listings must 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 two hundred fifty dollars (\$250), verify that the QE is the lesser of the net costs of the asset after sales proceeds (if asset is sold) or twenty percent (20%) of the original cost. If the asset was given to a non-qualifying cast or crew member or sold to a non-qualifying cast or crew member for less than twenty percent (20%) of original purchase price, verify that the cost of such asset is not

included in the QE. “Period” electronic equipment, meaning electronic equipment manufactured more than five (5) years prior to start of principal photography, shall not be considered an electronic asset for purposes of QE and shall be treated as a prop/set dressing expense.

- b. For all assets with an original purchase price equal to or greater than ten thousand dollars (\$10,000), not including electronic equipment, verify the following: If the asset is sold, verify that the QE is the lesser of the net cost of the asset after sales proceeds or fifty percent (50%) of the original cost of such asset; If the asset is retained, verify that the QE is fifty percent (50%) of the original cost of such asset; 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 one hundred percent (100%) of that asset; and: 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 fifty percent (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 with a purchase price equal to or over two hundred fifty dollars (\$250) not included on the 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 ten thousand dollars (\$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 seventy-five percent (75%) of the useful 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 ninety percent (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 fifty percent (50%) limitation for purposes of determining QE as per above expenditure procedure 7.b.

9. Verify with the Company the names of any and all visual effects, digital effects, postproduction 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 (i.e., 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. The applicant must include vendor verification letters and list of such vendors in **Exhibit G**.
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 entity (as listed on 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 thirty (30) calendar 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 17053.98.1(b)(18)(A) and (B)(i)-(ii) or 23698.1(b)(18)(A) and (B)(i)-(ii), and that all wages are qualified as defined in 17053.98.1(b)(22)(A)(i)-(iv) or 23698.1(b)(22)(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 A** (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 any “qualified entity,” as defined in Sections 17053.98.1(b)(16) and 23698.1(b)(16) of the Revenue and Taxation Code, also known as a loan-out company. 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 17053.98.1(b)(22)(A)(i)-(iv) or Section 23698.1(b)(22)(A)(i)-(iv) and do not include any of the expenses listed in Section 17053.98.1(b)(22)(B)(i)-(iv) or Section 23698.1(b)(22)(B)(i)-(iv).
 - e. Determine that only “qualified individuals” as defined in Revenue and Taxation Code Sections 17053.98.1(b)(18) and 23698.1(b)(18), 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 thirty (30) calendar days after creation of the final element.
 - 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 the payroll entity has a different federal ID for signatory purposes, notify the CFC ahead of report completion.
4. For exceptions noted in the QW test in procedure 3. above:
- a. For the sample identified in the Top Stratum of **Appendix A** (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 A** (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 two percent (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 two percent (2%) of QW, select a second additional sample according to the sampling methodology noted in **Appendix A** (Payroll) for Stratum 1. Recalculate the projected misstatement for the second sample. If the projected misstatement for the second sample does not exceed two percent (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 two percent (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 fourteen (14) calendar days after issuance of the CAL. After the final element creation, inspect the detailed cost ledger fourteen (14) calendar 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 one hundred thousand dollars (\$100,000) in wages (exclusive of guild or union or other qualified taxes, fees, or fringes, if applicable).
 - c. For any Dual Role Employees that were tagged as NQ, but received qualified credits, adjust the NQ to QW. Verify that QW for DGA Unit Production Managers and/or Assistant Directors with ATL credits have no more than one hundred thousand dollars (\$100,000) in wages (exclusive of guild or union or other

qualified taxes, fees, or fringes, if applicable). Box rentals and qualified fringes are not part of the one hundred thousand-dollar (\$100,000) cap.

- d. Please note that the cap sums referenced for dual role employees apply to any season of a television series as a whole, whether an order for additional episodes resulted in an additional Credit Allocation Letter (CAL) for a supplemental season application, as described in section 5553(h)(1) of the regulations, or the season was issued a single CAL.
 - e. 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**.
 - f. Inspect end credits and note in the Report if CFC acknowledgement and logo are included as required pursuant to, and in accordance with section 5556 of the regulations, 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 entity (as stated 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. Sampling of Out of Los Angeles Zone (OZ) Qualified Wages (ZW) Excluding Local Hire Labor (Excluding Independent Productions and Relocating TV Series).
- a. Select the top fifteen (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 fifty percent (50%), per Eligibility procedure 5.b. above, select the top thirty (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 location is an OZ location, as defined in Revenue and Taxation Code Section 17053.98.1(a)(4)(D)(i)(II)(ib) or Section 23698.1(a)(4)(D)(i)(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 5550(a)(1) 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 two percent (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 two percent (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 fifteen (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 fifty percent (50%) per Eligibility procedure 5.b. above, select the top thirty (30) LW employees.
- b. Inspect documentation provided in accordance with Section 5552(i)(3) 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 the address is not outside the Los Angeles zone, reclassify as QW or ZW, as applicable.
- c. Verify that box/car/cell phone allowances for 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.
- d. Inspect timecards and/or individual weekly payroll summary reports and note the dates on which OZ location is indicated. Timecards may designate “bus-to” for a nearby location outside the Los Angeles Zone and should include county.
- e. Confirm location is an OZ location, as defined in Revenue and Taxation Code Section 17053.98.1(a)(4)(D)(i)(II)(ib) or Section 23698.1(a)(4)(D)(i)(II)(ib).

- 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 5550(a)(1) of the Regulations).
 - 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 two percent (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 two percent (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 Qualified Expenditure Budgets of Ten Million Dollars (\$10,000,000) or less)

- 1. Identify MW wages in the detailed cost ledger paid to scoring musicians, as defined in section 5550(s)(3) of the regulations, meaning individuals with the following job classifications: instrumental musicians, vocalists, music arrangers, orchestrators, Musical Instrument Digital Interface (MIDI) transcribers, music copyists, music librarians, conductors (except a conductor that is also the composer), musician and choral contractors.
- 2. If wages were paid by the Company or its payroll service, select a sample of the top ten (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 five (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 twenty-five thousand dollars (\$25,000) or over and haphazardly select an additional fifteen (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 & Taxation code 17053.98.1(b)(22)(B)(i)-(iv) or 23698.1(b)(22)(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 five percent (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 must 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 entity (as stated on 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 twenty-five thousand dollars (\$25,000); if related party issues were addressed, it is not necessary to retest items tested in QE procedure V.2. and/or QW procedure VI.3. For the transactions less than twenty-five thousand dollars (\$25,000), haphazardly select fifteen (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 17053.98.1(b)(18)(B)(i)-(ii) and 23698.1(b)(18)(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.

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 the paying entity has a different federal ID for signatory purposes, notify the CFC ahead of report completion.)

I. Request documentation from related party to verify that employee of related party worked on the production (e.g., timecard, crew list, production report, screen credit).

II. 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 its 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 ten million dollars (\$10,000,000) or seventy-five percent (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 entity (as stated on the CAL) has properly disclosed all visual effects expenditures worldwide and 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 five (5) highest costs and five (5) additional haphazardly selected costs.
- d. Verify the sampled VFX costs were incurred in California and qualify for the additional five percent (5%) tax credit (VU Uplift) as per section 5550(v)(1) of the regulations. 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 for purpose of the jobs ratio calculation only, the costs are prorated seventy percent (70%) QW and thirty percent (30%) QE as per Revenue and Taxation Code Sections 17053.98.1(b)(8) and 23698.1(b)(8). Reclassify between QW and QE as necessary, based upon the errors noted. (**Exhibit O**)
- e. For productions that do not qualify for the uplift, prorate VFX Outside Contract Bids / VFX Vendor costs seventy percent (70%) QW and thirty percent (30%) QE, for purposes of recalculating the jobs ratio only.
- f. 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 fifteen (15) ZC expenditures and haphazardly select an additional ten (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 5552(h)(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 two percent (2%) of ZC, document the projected misstatement in attachment **Exhibit P**, summary of OZ non-wages. Do not make adjustments to ZC for the projected misstatement.
- 5) If the projected misstatement exceeds two percent (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 five percent (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 fifteen (15) ZE expenditures and haphazardly select an additional ten (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 two percent (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 two percent (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 the 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 five percent (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 five percent (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. to determine amount of LW eligible for additional ten percent (10%) tax credit during the Applicable Period. Include findings in **Exhibit Q**.

3. Diversity, Equity, Inclusion, and Accessibility (DEIA) Goals:

- a. An applicant that has opted in to the DEIA provisions detailed in sections 5553.3 and 5554.2 of the regulations and that has met or made a good-faith effort to meet its DEIA workplan goals is eligible to have one hundred percent (100%) of its allocated credits certified, subject to audit and verification.
- b. An applicant that has opted out of the DEIA provisions or does not meet or make a good-faith effort to meet its DEIA workplan goals is eligible to have ninety-six percent (96%) of its tax credits certified.
- c. Pursuant to section 5554.2(b) of the regulations, an applicant that has opted in to the DEIA provisions detailed in sections 5553.3 and 5554.2 of the regulations must submit its final documentation to the CFC within sixty (60) calendar days of creation of the final element, and the CFC will provide the applicant with its assessment and determination within thirty (30) calendar days of receipt. The applicant will supply the CPA performing the AUP with the CFC's determination.

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 over ten million dollars (\$10,000,000) and Relocating TV Series, utilize findings in QE procedure V.9. and if applicable, verify that top five (5) highest cost and five (5) haphazardly chosen expenditures tagged VU were incurred in California and qualify for bonus points as per section 5531.1(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, for purpose of the jobs ratio calculation only, seventy percent (70%) QW and thirty percent (30%) QE as per Revenue and Taxation Code Sections 17053.98.1(b)(8) and 23698.1(b)(8). Reclassify between QW and QE as necessary, based upon the errors noted. Include findings in attachment **Exhibit O**.
- b. For productions that do not qualify for the uplift, prorate VFX Outside Contract Bids / VFX Vendor costs seventy percent (70%) QW and thirty percent (30%) QE, for purposes of recalculating the jobs ratio only.

3. Diversity, Equity, Inclusion, and Accessibility (DEIA) Goals:

- a. An applicant that is an independent film with a qualified expenditure budget over ten million dollars (\$10,000,000) or a relocating television series, that has opted in to the DEIA provisions detailed in sections 5553.3 and 5554.2 of the regulations

and that has met or made a good-faith effort to meet its DEIA workplan goals is eligible to have one hundred percent (100%) of its allocated credits certified, subject to audit and verification.

- b. An applicant that is an independent film with a qualified expenditure budget over ten million dollars (\$10,000,000) or a relocating television series, that has opted out of the DEIA provisions or does not meet or make a good-faith effort to meet its DEIA workplan goals is eligible to have ninety-six percent (96%) of its tax credits certified.
- c. An applicant that is an independent film with a qualified expenditure budget of ten million dollars (\$10,000,000) or less is exempt from the DEIA workplan, interim assessment, and final assessment provisions and is eligible to have one hundred percent (100%) of its tax credits certified, subject to audit and verification, without meeting those requirements.
- d. Pursuant to section 5554.2(b) of the regulations, an applicant that has opted in to the DEIA provisions detailed in sections 5553.3 and 5554.2 of the regulations must submit its final documentation to the CFC within sixty (60) calendar days of creation of the final element, and the CFC will provide the applicant with its assessment and determination within thirty (30) calendar days of receipt. The applicant will supply the CPA performing the AUP with the CFC's determination.

XII. Re-computation of Jobs Ratio

1. Qualified Visual Effects

- a. Utilizing findings from procedure X.1. and procedure XI.2., 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 section IV.5.b., state the number of principal photography days outside the Los Angeles zone as defined in Revenue and Taxation Code Sections 17053.98.1(a)(4)(D)(i)(II)(ib) and 23698.1(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.

4. Musician Scoring/Track Recording Wages (excludes Independent Films with qualified expenditures of ten million dollars (\$10,000,000) or less)

- a. Utilizing findings from section VII., state the amount of wages eligible for bonus points. (**Exhibit Q**)

5. 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.

6. 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 ten percent (10%), the credit will be reduced by the total percentage, (e.g., if nine percent (9%), no reduction; if twelve percent (12%) reduction, then the penalty percentage is twelve percent (12%)). If the penalty percentage is over twenty percent (20%), reduce by total percentage and state in the Report.
 - a. For an applicant, except an independent film with a qualified expenditure budget of ten million dollars (\$10,000,000) or less, that has opted out of the DEIA provisions of, or that did not meet or make a good-faith effort to meet its goals set pursuant to, sections 17053.98.1(g)(3)(D) and 23698.1(g)(3)(D) of the Revenue and Taxation Code, the ninety-six percent (96%) sum that the applicant is eligible to have certified, subject to verification and audit, shall be applied after the penalty.
7. If the Company states there is reasonable cause, as defined in section 5550(r)(2) of the regulations, to justify the reduction in the Jobs Ratio, please inform a representative of the Company to contact the CFC to provide supporting documentation. Once the CFC has reviewed the supporting documentation, obtain verification from the CFC and recalculate the Jobs Ratio if necessary.

XIII. Wrap-up Procedures

1. As applicable, verify and note that the Independent Film did not exceed a maximum of two million five hundred thousand dollars (\$2,500,000) in tax credits (the ten million-dollar (\$10,000,000) qualified expenditure threshold exclusive of uplifts) or the Non-Independent project did not exceed twenty million dollars (\$20,000,000) in tax credits (the one hundred million-dollar (\$100,000,000) qualified expenditure threshold exclusive of uplifts). Verify that uplift amounts do not exceed the maximum allowable as per Section 5552(h) and (i) of the Regulations.
2. If applicable (i.e., if the production does not meet the seventy-five percent (75%) principal photography threshold in Section IV. Eligibility procedure 5.), recalculate the seventy-five percent (75%) spend test (Eligibility procedure 6.) after accounting records are revised for findings in QE and QW procedures. Confirm that seventy-five percent (75%) of Total Production Expenditures were for California Expenditures.
3. Verify that the applicant has submitted its mandatory final safety evaluation report to the CFC, as required pursuant to section 5554(c)(6) of the regulations.
4. For soundstage applicants, recalculate the five million-dollar (\$5,000,000) minimum threshold required for qualified soundstage wages inclusive of qualified fringes incurred on certified stage(s) or in certified ancillary buildings during the production

period, and recalculate the seventy-five percent (75%) of picture editing and postproduction sound labor and services expenditures in California, after accounting records are revised for findings in QW procedures. Verify that the thresholds have been met. If the thresholds have not been met, the project is not eligible. Inform the management of the production to inform the CFC that the project does not qualify.

5. 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 two percent (2%). If cost exceeds two percent (2%), reduce completion bond fee to no more than two percent (2%) of qualified spend.
6. Complete and attach **Exhibit 1A** or **1B** as applicable, based on findings in **Exhibit 2**.

AUP APPENDIX A
California Film and Television Tax Credit Program 4.0

Sampling Chart – All Production Categories

					Stratum 2
	Employees with top 10 total qualified wages	Employees with wages under top 10	Items \$25,000 and over	Items over \$500 and under \$25,000	Items \$500 and less
0 – \$500,000	All items	10	All items	50	25
\$500,001 – \$1,000,000	All items	20	All items	50	25
\$1,000,001 – \$5,000,000	All items	25	All items	50	25
\$5,000,001 – \$10,000,000	All items	25	All items	60	25
\$10,000,001 – \$25,000,000	All items	25	All items	75	25
\$25,000,001 – \$50,000,000	All items	25	All items	100	25
\$50,000,001 +	All items	25	All items	100	25

* For a television series, non-payroll sampling must be based upon aggregating all episode and amortization costs together for purposes of determining the total qualified expenditures above. Once a sample size is determined, the CPA must sample from each episode, including amortization costs.

AUP APPENDIX B
California Film and Television Tax Credit Program 4.0

2% CALCULATION

TEST #1

Total Non-Payroll Population	1,500,000	A
Less Top Stratum Tested	(100,000)	B
Population for Stratum 1 and 2	1,400,000	C = A+B
Test 1 Findings	15,000	E
Rate of Misstatement in Sample	3%	F = E/D
Projected Misstatement of Sampled Population	42,000	G = F x C
Projected Misstatement % in Total Population (If below 2% no additional test needed)	2.80%	H = G/A

TEST #2

Total Non-Payroll Population	1,500,000	A
Less Top Stratum Tested	(100,000)	B
Population for Stratum 1 and 2	1,600,00	C = A+B
Less Stratum 1 and 2 from Test #1	(500,000)	D
Population for Stratum 1 and 2 Test #2	1,100,000	I = C+D
Sample for Stratum 1 and 2 Test #2	250,000	J
Test #2 Findings	6,000	K
Rate of Misstatement in Sample	2.40%	L = J/K
Projected Misstatement of Sampled Population	38,400	M = C x L
Projected Misstatement % in Total Population	2.56%	N = M/A
Average of Two Projected Misstatements (if both over 2%)	2.68%	P = Average (H, N)

Total Non-Payroll Population	1,500,000	A
Less Top Stratum Tested	(100,000)	B
Less Tested in Sample for Test #1	(500,000)	D
Less Tested in Sample for Test #2	(250,000)	j
Total Population Not Tested	650,000	Q = A+B+D+j
Projected Misstatement in Population Not Tested	17,420	R = P x Q

Total Non-Payroll Population Unadjusted	1,500,000	A
Less Actual Findings Top Stratum	-	
Less Actual Findings Test #1	(15,000)	E
Less Actual Findings Test #2	(6,000)	K
Less Projected Findings Avg of Tests	(17,420)	R
Total Adjusted Non-Payroll Qualified Costs	1,461,580	S = A+B+F+L+R



California Film and Television Tax Credit Program 4.0

DIVERSITY, EQUITY, INCLUSION, AND ACCESSIBILITY

FINAL ASSESSMENT

Production Title:		DEIA Contact Person:	
Queue Number:		Contact E-mail:	
Project Category:		Contact Phone:	
Final Element Creation Date:		DEIA Final Assessment Deadline:	

In accordance with sections 17053.98.1(g)(3)(D) and 23698.1(g)(3)(D) of the Revenue and Taxation Code, approved applicants in the Program 4.0 that elect to OPT IN to the diversity requirements shall submit a Final Assessment (Form DEIA4) within sixty (60) calendar days of final element creation. Failure to submit Form DEIA4 in accordance with section 5554.2(b) of the regulations shall result in opting out of the diversity requirements. The CFC will reject any submitted Form DEIA4 that includes quotas or other numeric goals or outcomes regarding protected classes, including but not limited to race, ethnicity, gender, and disability status. Resources to support applicants in the completion of this Form are available on the CFC website. If you have questions about how to complete this Form, please [water-contact DEIAProgram@film.ca.gov](mailto:DEIAProgram@film.ca.gov).

Describe how you have met or made a good-faith effort to meet the goals that you set for your production in Form DEIA2 Workplan, consistent with Form DEIA1 Checklist. Include information about successes, shortfalls, and barriers experienced responsive to the goals set for each of the below categories, including information specific to individuals whose wages are included within qualified wages and information specific to individuals whose wages are excluded from qualified wages as set forth in sections 17053.98.1(b)(22)(B)(iv) and 23698.1(b)(22)(B)(iv) of the Revenue and Taxation Code. The prompts on this form are not intended to require applicants to make any statements or take any actions that are incompatible with or contrary to federal, state, or local law, or applicable collective bargaining agreements.

INCLUSIVE HIRING:

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EQUITY EDUCATION:

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CALIFORNIA

Film Commission

California Film and Television Tax Credit Program 4.0

DIVERSITY, EQUITY, INCLUSION, AND ACCESSIBILITY FINAL ASSESSMENT

INDUSTRY CAPACITY BUILDING:

SUPPLIER DIVERSITY:

Acknowledgment and Certification

I acknowledge, agree, and certify that I, the DEIA contact, have read and reviewed the DEIA Final Assessment, including all the content provided, and that it is accurate to the best of my knowledge, or at least what would be expected of a reasonable person in the same capacity.

Date:	DEIA Contact Name:	Signature: