



# Program Guidelines

## **Soundstage Filming Tax Credit Program**

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## I. INTRODUCTION

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

The CFC prepared these Program Guidelines to assist production companies and taxpayers in utilizing the California Soundstage Filming Tax Credit Program. The material below contains information from the Statute and Program Regulations in a more readable, organized format. It is intended to add clarity to certain provisions of the statutes and contains details of the regulatory requirements related to the Soundstage Filming Tax Credit Program.

Applicants should read and understand the Program Regulations and the requirements of the statute and any subsequent amendments to the relevant Sections of the Revenue and Taxation Code; applicants are strongly advised to consult with their legal and financial advisors. All the information and cited documents contained in this document pertain to productions with Credit Allocation Letters dated on or after June 1, 2022.

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

Reading and referring to these guidelines does not take the place of reviewing regulatory and statutory requirements to ensure compliance.

## II. PROGRAM FUNDING

- The California Soundstage Filming Tax Credit Program provides a reservation of tax credits to qualified films and television projects filming on a **certified soundstage** that is newly constructed, renovated or converted.
- The Program is funded over a ten-year period, from 2022 through 2032, for a total of \$150 million.
- Applications are considered on a first come, first served basis.
- Tax Credit allocation is capped at the greater of \$21,000,000 per project, or \$1,300,000 per episode of a season of a television series, inclusive of all **Uplifts**.

## III. APPLICATION PHASES

- Phase A Application – **Certified Studio Construction Project**
  - Step I: The Phase A **applicant** applies for certification of its eligible studio construction projects.

- Step II: **Soundstage Certification Letters** are issued to the Phase A applicant for approved projects.
- Step III: Certified Studio Construction Projects meet ongoing annual reporting and workforce requirements.
- Phase B Application – Qualified Motion Picture project
  - Step I: The Phase B applicant planning to film eligible productions on a certified soundstage(s) submits an application for tax credits.
  - Step II: **Credit Allocation Letters** (CALs) are issued to Phase B applicants for approved projects.
  - Step III: Approved projects meet ongoing reporting and activity requirements during principal photography, wrap, and **post-production**.
- Phase C – **Tax Credit Certificate** Issuance
  - Step I: The Phase B applicant submits required final documentation to the CFC, including audit procedures.
  - Step II: Upon review, the CFC determines if all requirements are met.
  - Step III: The Tax Credit Certificate is issued to the Phase B applicant entity that produced the qualified motion picture project.

## IV. PHASE A: SOUNDSTAGE ELIGIBILITY REQUIREMENTS

- Any foundation permit or structural building permit for the construction or renovation of a Certified Studio Construction Project must be issued after July 21, 2021.
- Recipients of a California Competes Grant for wages or investment related to construction of the studio construction project are ineligible to apply for Phase A certification.
- The studio construction project must meet labor and spend requirements as outlined below. A studio construction project may be certified before overall completion if all Soundstage Filming Program requirements have been met and can be verified.
- The Phase A applicant is required to provide with their application a third-party Certified Studio Construction Project Verification Report performed by a Certified Public Accountant (CPA) firm, verifying the Program requirements outlined below.
  - The public accounting firm must provide documentation that shows that the firm passed a peer review administered by the American Institute of Certified Public Accountants ("AICPA") National Peer Review Committee ("NPRC") within the last three years.

- The required documentation consists of the firm's most recent peer review report and the acceptance of that report by the NRPC.
  - A list of CPAs is available on the [CFC website](#).
  - The same CPA firm is not allowed to provide Phase B **Agreed Upon Procedures** (AUP) services for a project that is produced by the owner of or is filmed on certified soundstages that are part of a Certified Studio Construction Project for which the CPA firm provided Phase A services.
- [Certified Studio Construction Project Verification Report](#)

A studio construction project may include the construction or renovation of more than one soundstage located in the state. Phase A applicants may either provide separate reports for each soundstage construction or renovation project, or a comprehensive report for all soundstage construction or renovation projects that make up the studio construction project. Regardless of whether the applicant submits one or multiple reports for the soundstage construction or renovation projects, the comprehensive studio construction project must, in aggregate, meet the criteria to be eligible as a Certified Studio Construction Project.

- A soundstage is a building that is purpose-built, renovated, or converted for film, television and/or media production in California and has a minimum of 10,000 square feet of floor space, incorporates a permanent grid, and is column-free with a clear height of at least 20 feet under the permanent grid. Definitions of "permanent grid" and "column-free" can be found in the regulations and include flexibility for the construction of an LED volume.
- Ancillary buildings are purpose-built, renovated, or converted for uses including, but not limited to, accompanying production office space, mill space, workshops, and property or wardrobe storage, the space is production-related, and the ancillary buildings are on contiguous property to the soundstage or soundstages that are part of the studio construction project.
- Actual construction or renovation expenditures are not less than twenty-five million dollars (\$25,000,000) made over not more than five continuous calendar years and:
  - Actual construction or renovation expenditures for soundstages, not including ancillary buildings, are at least 70% of the total spend for the construction project.
  - If the construction is for renovation and conversion of soundstages, it must be for capital improvements, not repairs or maintenance, and the applicant must meet the minimum expenditure requirement for capital improvements of no less than \$750,000 for a soundstage or, if more than one soundstage, an average of no less than \$500,000 per soundstage.

- The construction or renovation of each Certified Studio Construction Project fulfills both the below workforce requirements related to wages and training:
  - Either:
    - The entirety of the project is a public work (see section 1720 et. seq. of the CA Labor Code); or,
    - All construction workers on the project will be paid at least the general prevailing rate of per diem wages for the type of work and geographic area; or,
    - All contractors and subcontractors performing construction work on the project are subject to a **project labor agreement** that requires the payment of prevailing wages to all construction workers employed in the execution of the project and provides for enforcement of that obligation through an arbitration procedure.
  - And, either:
    - All contractors and subcontractors performing construction work on the soundstage(s) used a **skilled and trained workforce** in accordance with Section 17053.99 of the Revenue and Taxation Code; or,
    - All contractors and subcontractors performing work on the project are subject to a project labor agreement that requires compliance with the skilled and trained workforce requirement and provides for enforcement of that obligation through an arbitration procedure.

## V. PHASE A: SOUNDSTAGE APPLICATION PROCEDURES

### A. STEP I: HOW TO SUBMIT AN APPLICATION

- Phase A applicants may submit applications using the Phase A [application portal](#) linked on [the CFC website](#). The application requires the following information:
  - Applicant Information: Entity and Taxpayer ID #; Business Structure
  - Contacts: Name, Company, Phone, Email – It is important that the applicant includes more than one contact in its project application so that a back-up person is reachable in the event the primary contact is not reachable.
  - Applicant Eligibility Attestation
- Applicants must submit the following documents, along with the Phase A Application:
  - Certified Studio Construction Project Verification Report

- Project Labor Agreement, if applicable.
- A description of the soundstage project, including a map with each soundstage designated by name or number, as well as identification of any ancillary structures.
- Copies of any and all foundation permits or structural building permits for the project, including the dates they were issued.
- A Phase A application may be submitted prior to overall completion of the applicant's construction project, provided all Program requirements have been met and verified by the CPA in the Certified Studio Construction Project Verification Report. All soundstages and ancillary buildings in an eligible studio construction project will be certified at the same time, independent of individual state of completion of the components at the time of application.

## **B. STEP II: ISSUANCE OF A SOUNDSTAGE CERTIFICATION LETTER**

- Within thirty (30) business days of receipt of a completed Phase A application and all supporting documents, the CFC will notify the applicant whether their Phase A submission is approved or rejected.
- If the application is approved, the CFC will issue a **Soundstage Certification Letter** (SCL). The SCL will include a unique identifier for each soundstage certified as part of the Phase A applicant's Certified Studio Construction Project.
- Once the SCL is issued, the Phase B application process may commence. The applicant entity for Phase B may or may not be the same entity as Phase A; details on Phase B eligibility and application requirements are in sections VI. and VII., below.
- If a Phase A application is rejected for deficiencies that can be remedied, the applicant will be allowed to remedy those deficiencies and reapply. The date when additional information to remedy the noted deficiencies is submitted becomes the new application date.
- If a Phase A application is rejected because of noncompliance with Program requirements, the applicant is not allowed to reapply for the same studio construction project.

## **VI. PHASE B: QUALIFIED MOTION PICTURE ELIGIBILITY REQUIREMENTS**

A qualified motion picture (television series, pilot, miniseries/limited series, large-scale competition show, independent, or non-independent feature film) must meet the conditions below to be an eligible Phase B applicant.

- The project must either:

- Utilize a minimum of 75% of the production budget for goods, services, and/or wages within California; or,
- Shoot a minimum of 75% of the principal photography days wholly in California.
- At least 50% of the principal photography stage shooting days must be filmed on a Certified Studio Construction Project soundstage or soundstages.
  - The certified soundstage or soundstages must be utilized for six hours or more for the day to be considered a principal photography stage shooting day.
- At least \$5,000,000 in qualified wages for filming on a Certified Studio Construction Project soundstage or soundstages must be incurred during the production period.
  - Qualified soundstage wages include wages for production services performed within the production period on soundstages and ancillary buildings certified as part of a Certified Studio Construction Project.
  - Qualified soundstage wages do not include wages for maintenance of the soundstages and ancillary buildings or for services at locations or facilities that are not part of the Certified Studio Construction Project.

The following productions are ineligible to apply to the tax credit program.

- Award shows
- Clip-based programming if more than 50% of the content is comprised of licensed footage.
- Commercial advertising
- Current events or public events programs
- Daytime dramas
- Documentaries
- Educational programming
- Game shows
- Music videos
- Motion picture produced for private non-commercial use
- News programs
- Reality programs
- Student films
- Sporting events or activities
- Strip shows

- Talk shows
- Telethons or any productions soliciting funds
- Variety programs
- Any production that falls within the recordkeeping requirements of Section 2257 of Title 18 of the United States Code.

## **VII. PHASE B: TAX CREDITS, UPLIFTS, QUALIFIED EXPENDITURES**

### **A. TAX CREDITS FOR QUALIFIED MOTION PICTURES**

- 35% Transferable Tax Credit

Independent Film applicants are eligible to receive 35% tax credits on qualified expenditures and this percentage shall be applied to a maximum of \$20 million of the qualified expenditure budget. Independent film applicants are eligible to sell or transfer tax credits. There is no cap on non-qualified expenditures.

- 40% Non-Transferable Tax Credit

Relocating television series applicants are eligible for 40% tax credits on qualified expenditures. Subsequent seasons, considered recurring TV series, receive 35% tax credits. Relocating TV series apply as a non-independent category and may not transfer or sell tax credits.

- 35% Non-Transferable Tax Credit

- Non-independent productions that are feature films, new TV series, recurring TV series, pilots, miniseries, limited series, reboot TV series, second season TV series, or large-scale competition shows are eligible to receive 35% tax credits.
- Tax credits are non-transferable and must be used to offset tax liability with the State of California.
- Independent producers may apply under the non-independent category, but the tax credits will remain non-transferable.

- All projects are eligible for the state refund. See section XV below for more information on Refundability.

### **B. UPLIFTS / ADDITIONAL TAX CREDITS**

All applicants, as specified below, are eligible to receive uplifts, an additional 5% or 10% tax credit, if spending occurs in any or all of the four categories listed. The Soundstage Filming Program Budget Tagging and Tracking Tips include additional details about uplifts.

- 5% Visual Effects

- Television projects (except relocating TV series) and non-independent feature films are eligible to receive an additional 5% tax credit for visual effects.
- Visual effects (VFX) expenditures in-state must equal at least \$10 million or 75% of total worldwide VFX costs.
- Please refer to the qualified expenditure chart (QEC) to determine which VFX expenditures qualify for the uplift, and suggested tagging methodology.
- 5% Out of Zone (OZ) Expenditures
  - Television projects (except relocating TV series) and non-independent feature films are eligible to receive an additional 5% for filming outside the **Los Angeles Zone** (LA zone).
  - Qualified wage and non-wage expenditures outside the LA zone are eligible for a 5% uplift – for both principal photography and **second units** – solely during the **applicable period**.
  - Non-wage expenditures for items purchased and/or rented outside the Los Angeles zone and used or consumed entirely outside the LA zone will be allowed 100% of the items' cost, as substantiated by proper documentation.
  - Non-wage expenditures that are purchased and/or rented outside the LA zone and are used both outside and inside the LA zone are subject to a pro-ration based on the percentage of the OZ principal photography days in relation to the total principal photography days in California.
  - The QEC, Budget Tagging and Tracking Tips, and the [Tagging Out of Zone Expenditures video tutorial](#) offer specific tagging methodology and explain how to track expenditures outside the LA zone.
- Local Hire Labor
  - 10% Uplift: All projects with the exception of relocating TV series are eligible to receive an additional 10% tax credit for qualified local hire labor.
  - 5% Uplift: Relocating TV series are eligible to receive an additional 5% tax credit for qualified local hire labor.
  - Proof of identity and proof of the location where the qualified individual resides is required and must be collected by the applicant (e.g., production accountant) at the time of hire and provided to the CPA performing the audit. Acceptable documentation includes a CA Driver's License, State ID Card, or Passport, and rental agreement, mortgage statement, or utility/service bill.
- 4% Diversity Goals Uplift
  - All projects are eligible to receive a Diversity Goals Uplift of up to 4% if they meet or make a good-faith effort to meet the Diversity Goals that were set in

the **Diversity Workplan** required at the time of application. Diversity goals shall be set for, but are not limited to:

- Goals regarding individuals whose wages are included in qualified wages.
- Goals regarding individuals whose wages are not included in qualified wages.
- Goals regarding the creative aspects of the project.

- See section X. for details on the Diversity Workplan requirements.

### **C. PHASE B: QUALIFIED AND NON-QUALIFIED EXPENDITURES**

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

- The Qualified Expenditure Charts and Budget Tagging and Tracking Tips, available on [the CFC website](#), are helpful guides for determining which expenditures qualify in the calculation for credits. They also provide important information for budgeting, tracking, and reporting qualified expenditures.
- Non-Qualified Expenditures do not qualify for tax credits and include, but are not limited to, the following:
  - Wages paid to producers, writers, directors, actors, stunt performers, music directors, music composers and music supervisors. Note that wages for background performers (extras), stand-ins and off-camera stunt personnel do qualify.
  - Expenses, including wages, paid or incurred with respect to project acquisition, development, turnaround, or any rights thereto.
  - Expenses, including wages, related to financing, overhead, marketing, publicity, promotion, or distribution of a qualified motion picture. These include, but are not limited to, digital cinema distribution copies and release prints.
  - Expenses, including wages, related to **new use, reuse, clip use, licensing, secondary markets, residual compensation** or the creation of any **ancillary product** including, but not limited to, soundtrack albums, toys, games, video games, trailers, or teasers.
  - Expenses for services performed outside the state of California, e.g., visual effects work which is physically performed out-of-state.

- Certified Public Accountant Expenses for an independent Agreed Upon Procedures Report, Certified Studio Construction Verification Report, Annual Soundstage Workforce Certification Report, or Diversity Report Audit.
- Financial contributions to the career readiness and pilot training programs.
- Federal payroll taxes.
- CA solvency taxes.
- Expenditures paid or incurred prior to issuance of the Credit Allocation Letter (CAL) or more than 30 days after the process of post-production is completed.

## **VIII. PHASE B: QUALIFIED MOTION PICTURE APPLICATION PROCEDURES**

The Phase B applicant must apply for and be issued a Credit Allocation Letter (CAL) within five years (60 months) of the studio construction project certification and Soundstage Certification Letter (SCL) issuance to be eligible for tax credits allocated directly from the Soundstage Filming Tax Credit program. Applicants meeting Soundstage Filming Tax Credit program requirements and filming on once certified stages after the active period of certification has expired are eligible to apply for tax credits under the California Film and Television Tax Credit Program 4.0 and its successor programs, with a 133% Jobs Ratio advantage (this excludes recurring television series which receive a lifetime allocation).

A complete Phase B application must be submitted no less than 30 days ahead of the 60-month deadline in order to be eligible to receive an allocation of tax credits under the Soundstage Filming Tax Credit program.

### **A. HOW TO SUBMIT AN APPLICATION**

- Phase B applicants may submit applications using the Phase B [application portal](#) linked on [the CFC website](#).
- The application requires the following information:
  - Applicant Information: Entity and Taxpayer ID #
  - Contacts: Name, Company, Phone, Email
    - It is important that the applicant includes more than one contact in its project application so that a back-up person is reachable in the event the primary contact is not reachable.
  - Business Structure
  - Applicant Eligibility Attestation
  - Phase A Soundstage Identifier Number(s) for Certified Soundstage(s)
  - Financing Sources and Entity Ownership

- Proposed Project Information
- Production Shoot Days and Location; Soundstage Filming Days
- Production Statistics: Cast, Crew, Extras
- Budget Information: Qualified Wages, Qualified Non-Wages, Bond, Contingency
  - Applicants must have the project's shooting schedule and qualified expenditure budget information in order to complete the budget information section.
- VFX Expenditures (as applicable)
- Uplifts: VFX, OZ, Local Hire, Diversity Goals

## **B. IMPORTANT NOTES**

- The Soundstage Filming Program functions on a first come, first served basis and will accept applications as long as there are funds to allocate and within the timeframe set in the Regulations.
  - Applications for Recurring Television series will be processed through the Soundstage Filming Tax Credit program for the life of a television series that has received an initial allocation under the Program, independent of funds; subsequent tax credits for recurring television series will be allocated from Program 4.0 and its successor Programs, but the application will be processed through the Soundstage Program.
  - The CFC will issue a production alert when 75% of funds are allocated; once the production alert is issued there will be a final 30-day window for Phase A applications.
- Any projects that begin principal photography in California prior to acceptance in the Program are ineligible to apply.
- Expenditures incurred on services, wages, or goods (whether paid or unpaid) prior to receiving an approval letter do not qualify for tax credits.
- A new application must be submitted for each season of a recurring television series.
- Along with the PDF of the Phase B application, required documentation as listed under section IX. must be submitted.
- Applicants shall not submit more than one application per project.
- Applicants shall not submit a duplicate application for a project. Submission of duplicate applications will disqualify an applicant from the tax credit program.
  - Submitting an application for the same project to both the Soundstage Filming Tax Credit Program and Program 4.0 or its successor Programs simultaneously is considered a duplicate application.

- Submitting an application to the Soundstage Filming Program after receiving confirmation that the project will not receive an allocation under Program 4.0 or its successor Programs is not considered a duplicate application.

## C. RESOURCES

Several tools are available on the [CFC website](#) to assist applicants with qualified expenditure charts, and budget tagging and tracking.

## IX. PHASE B: REQUIRED SUPPORTING DOCUMENTATION

The following supporting documentation must be submitted with the Phase B application. The CFC will notify the Phase B applicant of any missing or inadequate documentation and provide the applicant with an opportunity to remedy the situation. Projects with missing or inadequate application materials will not be eligible for tax credit allocation.

### A. QUALIFIED EXPENDITURE BUDGET (QEB)

- An electronic copy of the qualified expenditure budget in an industry standard budgeting program file format; PDF files will not be accepted for the submission of the budget.
  - The QEB expenditures shall be based on the budget which, after revisions, will become the locked production budget utilized by the completion bond company, production company, and/or studio for the purposes of tracking costs.
  - If the QEB contains non-qualified spend, the applicant may be asked to revise it. Revised budgets shall address only those line items which require adjustment.
- Soundstage Wages in the QEB shall be double tagged as "QW, SW." Non-qualified expenditures shall be tagged and grouped as "NQ" and excluded from the QEB. Expenditures incurred or paid outside of California (all non-qualified) shall be tagged "XX" and shall be excluded as well.
- Television series applications may submit both a pattern budget and an amortization budget of qualified expenditures. No additional budgets beyond the pattern and amortization budgets will be accepted. The same tagging methodology applies.
- Insurance costs shall be included as a budgeted line item and properly tagged, not in the contractual section. Errors and Omissions (E&O) Insurance shall be specified and tagged NQ.
- A contingency of no more than 10% of the qualified expenditure budget total may be included only in the contractual portion of the budget.

- A bond fee of no more than 2% of the qualified expenditure budget may be included if the production is purchasing a bond. This figure should appear only in the contractual section of the budget.

## B. OTHER SUPPORTING DOCUMENTATION

- Fringe Matrix

Budgets must be set up with the correct fringe breakdown. Non-qualifying federal fringes (e.g., FICA, MEDICARE, FUI, FUTA) and out-of-state fringes must be excluded or zeroed out when creating the QEB. Applicants must utilize the Fringe Matrix template provided by the CFC. The fringes entered into the Fringe Matrix must correspond to the fringes in the QEB.

- Production Schedule

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

- Financing Sources

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

- Pick-Up Order

- A television pilot, new television series, recurring television series, and relocating television series must submit evidence that the project has received a pick-up order to qualify for CAL issuance.
  - A television series from a pilot that was previously accepted into the Program must apply as a new television series and therefore must have a pick-up order.

- The number of episodes indicated in the pick-up order for a series must match the number of episodes on the application.
- Screenplay

A screenplay with scene numbers that match the schedule must be submitted. A television series may provide a script from one episode, or if not available, from the television pilot episode. If the application is for a television pilot without a script, a detailed synopsis will suffice. This requirement is waived for recurring TV series.
- Detailed Narrative Statement

Phase B applicants must provide a written statement on letterhead establishing that the tax credit is a significant factor in the applicant's choice of location for the project. Include information about whether the project is at risk of not being filmed and specify the jurisdiction where the project may be located in the absence of the credit. The statement must be signed by an officer or executive of the applicant. This requirement is part of the statute, as requested by the **Legislative Analyst's Office (LAO)**. This requirement is waived for recurring TV series.
- Relocation Statement (Relocating TV series applicants only)

All relocating television series applicants must certify that the tax credit provided is the primary reason for relocating. In addition, the applicant must state that at least 75% of PP days were filmed outside California for the most recent season. A detailed narrative statement is not required for relocating TV series applicants.
- Unlawful Harassment Policy

Phase B applicants must provide the company's written policy against unlawful harassment which includes procedures for reporting and investigating harassment claims. The statement must include how the policy will be distributed to employees and include education and training resources and remedies available.
- Diversity Workplan

All Phase B applicants are required to submit a Diversity Workplan, clarifying project-specific Diversity Goals with regard to individuals whose wages are included in qualified wages, individuals whose wages are not included in qualified wages, and the creative aspects of the project. The Diversity Workplan requirements are outlined in more detail in section X., below.
- Diversity Initiative

Applicants that administer voluntary programs to increase the representation of women and minorities, or have access to such programs, shall submit a summary of those programs to the CFC. The Diversity Initiative statement must include a description of what the program is designed to accomplish and information about how the programs are publicized to interested parties.

NOTE: Information to satisfy the Diversity Initiative requirement may be included in the Diversity Workplan. However, Diversity Initiative statement/s will not satisfy the project specific Diversity Goals requirement for Phase B applications, as outlined in section X., below.

## X. DIVERSITY WORKPLAN AND REPORT REQUIREMENTS

### A. DIVERSITY WORKPLAN REQUIREMENTS

- Applicants are required to submit a Diversity Workplan as part of the Phase B application. The Diversity Workplan will be evaluated by the CFC and approved on a case-by-case basis.
- The Diversity Workplan must include a description of the goals the applicant will seek to achieve in their qualified motion picture project:
  - For individuals whose wages are included within qualified wages,
  - For individuals whose wages are excluded from qualified wages, and,
  - With respect to diversity in the creative aspects of the motion picture.
- The Diversity Workplan must include:
  - A description of the plan and strategies the Phase B applicant will use to achieve and measure the stated goals in the workplan.
    - The applicant may include descriptions of its broader Diversity Initiatives, addressed in B. below, but plans and strategies must also be specific to the qualified motion picture project.
  - A description of how goals stated in the workplan may help achieve outcomes that are broadly reflective of California's population, in terms of factors such as race, ethnicity, gender, and disability status.
- The Diversity Workplan must include goals specific to the qualified motion picture project. The Diversity Goals Uplift will be approved for applicants that show in their Diversity Report (described in XIV. C. below) that they have met or made a good-faith effort to meet the goals they set for the project in their Workplan.
- Goals for individuals may include, but are not limited to:
  - Goals to ensure wage parity among employees regardless of race, ethnicity, gender, and disability status, considering factors such as level of experience and competency.
  - Goals to achieve broader awareness of available positions.
  - Goals to interview a broader pool of job candidates or more candidates who have not previously worked on a motion picture for the applicant.

- Goals to enhance industry access and career development for a broader pool of Californians and employees.
- Goals with respect to diversity in the creative aspects of the motion picture may include, but are not limited to:
  - Goals relating to the themes, narratives, and storytelling of the motion picture.
  - Goals relating to on-screen representation.

The CFC will reject any submitted diversity workplan that includes quotas or other numeric goals regarding protected classifications, including race, ethnicity, gender, and disability status.

## **B. DIVERSITY INITIATIVE INFORMATION**

Phase B applicants that administer voluntary programs to increase the representation of women and minorities, or have access to such programs, must submit a summary of those programs to the CFC with their application in the form of a summary, including a description of what each program is designed to accomplish and information about how the programs are publicized to interested parties. This information may be included in the Phase B applicant's required Diversity Workplan, described in A. above, as long as information about Diversity Goals specific to the qualified motion picture is also included, and the document fulfills all Diversity Workplan and all Diversity Initiative requirements.

## **C. EVALUATION**

- When a Phase B applicant submits their required Diversity Workplan, the CFC will do a case-by-case review and evaluation of the workplan to determine whether it can be approved. In the evaluation process the CFC will specifically consider aspects including, but not limited to:
  - Are the goals stated clearly?
  - Are the goals explicitly intended to achieve diversity and to the extent allowed by federal and state law?
  - Are the goals specific to the Phase B qualified motion picture project?
  - Do the goals stated include goals for individuals whose wages are qualified, individuals whose wages are not qualified, and the creative aspects of the motion picture?
  - Does the Workplan include plans and strategies for how the Phase B applicant will achieve the stated goals?
  - Does the Workplan include plans and strategies for how the Phase B applicant will measure outcomes with regard to the stated goals?

## XI. PHASE A: ONGOING CERTIFIED SOUNDSTAGE REQUIREMENTS

The below ongoing requirements apply to the Phase A Certified Studio Construction Project applicant.

- If not all contractors and subcontractors performing work on the studio construction project are subject to a project labor agreement that requires compliance with the skilled and trained workforce requirement, monthly compliance reports are required while the project or contract is being performed.
  - Monthly compliance reports, if applicable, must be submitted to the CPA firm engaged by the applicant to verify compliance with the Soundstage Filming Tax Credit Program.
- After the soundstage(s) that comprise the Certified Studio Construction Project have been completed, they must be continuously operated, maintained, and repaired by either:
  - A workforce that is employed, directly or through a motion picture payroll services company, by the owner of the soundstage or its affiliates or by the Phase B applicant leasing the soundstage. If so, the workforce must be paid "at least the general prevailing rate of per diem wages for the type of work and geographic area," as referenced in sections Revenue and Taxation Code.
  - A workforce that is employed by, and whose services are provided through a third-party vendor. If so, the workforce must be a "skilled and trained workforce" as defined in Chapter 2.9 (beginning with section 2600) of the Public Contract Code.
- One or several third-party **Soundstage Workforce Reports**, as detailed in the regulations, must be submitted annually to verify that soundstages that are part of Certified Studio Construction Projects meet ongoing statutory requirements related to labor qualifications and wages, as well as ongoing operation, maintenance, and repairs requirements. Comparative percentages of third-party vendor payments or wages paid to the workforce described above, as verified in the Soundstage Workforce Report, may impact the amount of allocated tax credits that will be certified for the Phase B applicant filming on the certified soundstage or soundstages.
  - The annual Soundstage Workforce Report or Reports must be issued by an approved CPA firm, which has passed an AICPA-NPRC peer review within the last three years.
  - Applicants may use the same firm that performed the Certified Studio Construction Project Verification Report for the Phase A application.
  - The annual soundstage workforce report shall be emailed to [SoundstageIncentive@film.ca.gov](mailto:SoundstageIncentive@film.ca.gov).

- If the Phase A applicant and the Phase B applicant are separate entities, the Phase A applicant is required to provide the Phase B applicant with any Certified Studio Construction Project information that may impact the application process, ongoing responsibilities, or the tax credit certification process for the Phase B applicant.

## XII. PHASE B: CAL AND APPROVED APPLICANT REQUIREMENTS

### A. CREDIT ALLOCATION LETTER (CAL)

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

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

- It is the date from which expenditures incurred or paid are considered qualified. Some exceptions to this rule apply and are indicated in the regulations and Budget Tagging and Tracking Tips.
- Productions must begin principal photography within 180 days. Approved projects with a qualified expenditure budget of \$100 million or more have 240 days to begin filming.
- Projects must deliver the final element within 30 months.

## **B. PILOT SKILLS TRAINING PROGRAM**

Applicants receiving a Credit Allocation Letter are required to make a financial contribution to fund a Pilot Career Pathways Training Program for individuals from underserved communities, to receive training for careers in the industry. An approved applicant's contribution shall be 0.5% of the estimated tax credit allocation, as verified on the CAL. The contribution must be made within 30 business days of the CAL issuance date; failure to comply with this requirement will result in revocation of tax credits. A Pilot Skills Training Program Advisory Board and the CFC oversee a non-profit agent which manages the transaction of funds. Additional information on this requirement is available on the [CFC website](#).

## **C. ORIENTATION MEETING**

No later than four (4) weeks prior to the start of principal photography, the production manager and/or supervisor and production accountant are required to attend an orientation meeting with the CFC, along with any or all of the following production personnel: a primary producer, accounting staff, production executives and/or other appropriate personnel. Post-production accountants and supervisors are encouraged to attend as well.

Applicants are advised to schedule their orientation meeting as soon as the production team is in place to be better informed of the requirements of the program, budget tagging and tracking methodologies, and the process necessary to obtain the tax credit certificate.

Production personnel who have previously attended a Soundstage Filming Program Orientation Meeting are not required to attend again but may opt to do so if they wish. Please note: Attending a Program 4.0 orientation meeting does not serve to fulfill this requirement.

## **D. PRODUCTION UPDATES**

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

## **E. HIATUS PROVISION**

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

- Applicants requesting a hiatus are required to film at least one principal photography day before the 180/240-day deadline.
- The call sheet, production report, scene numbers/script pages, and dailies must be submitted to the CFC for principal photography verification within a week of filming.
- The project may choose to take more than one hiatus after the initial hiatus, but under no circumstances can the total of elapsed calendar days exceed 120 for the production.
- If the production does not resume within the 120-day period from the date of the initial principal photography shoot date, the project will no longer be eligible for the Program and is ineligible to resubmit an application for that project in the future as principal photography has already commenced.
- Hiatus provisions do not apply between seasons of television series or minor breaks between episodes.

## **F. FORCE MAJEURE**

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

## **XIII. PHASE B: APPLICANT REQUIREMENTS DURING PRODUCTION**

Once an approved project commences principal photography, the Phase B applicant has ongoing responsibilities relating to required documentation. The final checklist, available on [the CFC website](#), contains a list of these requirements; unless otherwise noted, PDF files or equivalent non-proprietary document format files of the documents must be submitted as part of the process to obtain a tax credit certificate.

### **A. FILMING DAYS VERIFICATION**

- Call Sheet

Once approved and signed by the Unit Production Manager (UPM), applicants must submit the call sheet for the first day of principal photography. Productions returning

from a hiatus must also submit a call sheet for the first day principal photography resumes. A PDF file of the call sheet must be emailed to [SoundstageIncentive@film.ca.gov](mailto:SoundstageIncentive@film.ca.gov).

- **Production Reports**

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

## **B. LOCAL COMMUNITY EXPENDITURE REPORT**

Applicants filming outside the [Los Angeles zone](#) must fill out a **Local Community Expenditure Report** for each county outside the LA zone where filming has taken place and in which expenditures have been incurred; there is no minimum spend amount. The applicant is encouraged to complete this section once the project has finalized expenditures in the LA zone, rather than waiting until completion of the final element. The CFC has prepared a suggested [OZ tagging methodology](#) to use for productions filming in numerous counties within the state of California.

## **C. CAREER READINESS REQUIREMENT**

All Phase B applicants must participate in a career-based learning and training program approved by the CFC. This is an opportunity to inspire, train, and give back to the next generation of filmmakers. Participation may involve internships, workshops by production professionals, professional skills tours and/or set visits, continuing education for educators, or a financial contribution. This requirement may be fulfilled during any phase of the qualified motion picture project. If a production selects on-set externships, internships, workshops/panels, or professional skills tours and set visits, all participants must adhere to all applicable health and safety protocols. Please refer to the [CFC website](#) for detailed instructions on this requirement and contact the CFC to discuss your options. The Career Readiness verification form must be filled out under Phase IV in the tax credit application portal as soon as the requirement is fulfilled.

## **D. FINAL SAFETY EVALUATION REPORT**

Approved projects under the Soundstage Filming Tax Credit Program are not subject to the Safety in Motion Picture Productions provision; this requirement is waived for Phase B projects.

## XIV. PHASE C: TAX CREDIT CERTIFICATE ISSUANCE

### A. PROCESS FOR OBTAINING FINAL CERTIFICATE

Within 48 months of the date of the 30-month completion deadline for the qualified motion picture, every applicant allocated tax credits under the California Soundstage Filming Tax Credit Program must either:

- Submit the required documentation for tax credit certification; or,
- Submit a written notice to the CFC forfeiting the credits; or,
- Request an extension in writing.
  - An applicant can request one or more extensions of up to twelve (12) months due to insufficient tax liability to initiate use of the allocated tax credits.
  - An extension must be requested no less than thirty (30) business days prior to the expiration of the 48-month timeline or prior to the expiration of a previously approved extension.

Note that failing to comply with these requirements constitutes forfeiture of an applicant's allocated tax credits.

Upon completion of the motion picture project, Phase B applicants must complete an Expenditure Summary Report. This report includes, but is not limited to: qualified wages, qualified soundstage wages, qualified non-wages, the actual number of principal photography days both in and outside the state, the actual number of overall stage shooting days and number of stage shooting days on certified stages, actual amounts for visual effects as verified by the AUP report. Once the Expenditure Summary Report has been completed, applicants must click "submit" on the portal, or sign the interim document, to certify the accuracy and completeness of the report.

Phase B applicants are encouraged to submit final documentation to the CFC once all documentation is ready for review and the AUPs are complete. AUP details are below. A final Tax Credit Certificate cannot be issued until all required documentation has been submitted.

### B. FINAL CHECKLIST OF REQUIRED MATERIALS

- Expenditure Summary Report
- CFC reviewed Diversity Report (see C. below)
- Certificate of Copyright Registration: Applicants are encouraged to apply for a copyright registration as soon as possible after receiving the Credit Allocation Letter. Form PA evidencing the registration of the screenplay or teleplay or completed television episodes, miniseries/limited series or television pilot must be submitted. The copyright holder may be the qualified taxpayer, its affiliate, or an unaffiliated company for which the qualified applicant is producing the motion picture.

- Pilot Skills Training Program Receipt and Verification
- Self-Reported Voluntary Statistics
- Cast and Crew Lists: All projects must submit final cast and crew lists. Social security numbers shall be redacted on the lists.
- Script Supervisor's Lined Script: All applicants are required to submit the script supervisor's lined script. Television series must submit scripts for both episodes 2 and 5 of the current season. Alternatively, a continuity/spotting list is acceptable.
- Distribution Verification: Miniseries applicants must submit documentation verifying that the initial distribution on TV consisted of two or more episodes with a minimum running time of at least 40 minutes per episode, excluding commercials.
- Production Stills: Applicants must submit five (5) production stills in digital file format (JPG or PNG). The stills must be cleared by the production company, with cast approvals if cast members are in the photographs. These photos will be used solely for promotional purposes by the CFC. Stills showcasing the diversity of California locations and/or job creation are required.
- Screen Credits and CFC Logo
  - Screen Credits

All productions applying for a final credit certificate must provide an on-screen acknowledgment, which includes: "THE STATE OF CALIFORNIA," "THE CALIFORNIA FILM COMMISSION," and "CALIFORNIA SOUNDSTAGE FILMING TAX CREDIT PROGRAM," with the static logo described below, except where that acknowledgment may be prohibited by the Children's Television Act or any other local, state, or federal government policy. Television series applicants must include this acknowledgment on every single episode.
  - CFC Logo

All productions must also include the CFC logo in the end-crawl, alongside the on-screen acknowledgement described above. For TV series, the logo must appear on every single episode's end crawl. Contact the CFC for access to the digital file containing the logo in the format needed for your production.
- Main and End Titles: The main and end title final checker or actual credit roll must be submitted to the CFC (PDF or QuickTime files). The checker must be the actual layout of the titles produced by the title house or other post-production facility.

## **C. DIVERSITY REPORT REQUIREMENTS**

- After the Phase B applicant's qualified motion picture has been produced and the final element has been created, the Phase B applicant may submit the Diversity Report. The final Diversity Report must be submitted to the CFC and approved before the

applicant can proceed to submit the documentation described in B. above and seek tax credit certification.

- The final Diversity Report must include:
  - A description of whether the Phase B applicant achieved the goals included in the approved Diversity Workplan, along with supporting documentation evidencing the achievements.
  - If a goal was not achieved, a description of the good-faith efforts the Phase B applicant undertook to achieve the goal, along with supporting documentation evidencing the good-faith efforts.
  - If the Phase B applicant is unable to report on whether a goal was achieved, a description of the methods the applicant used to measure the goal and why achievements could not be determined, along with supporting documentation evidencing the reasons and methods used.
- The Phase B applicant is NOT required, nor encouraged, to include numeric reporting regarding protected classifications, including race, ethnicity, gender, and disability status, in the final Diversity Report.
- Within approximately forty-five (45) business days of receipt of the final Diversity Report, the CFC will notify the applicant of whether the report is approved or rejected, or if the CFC decides whether an audit of the final Diversity Report is necessary.
- If rejected, the CFC will provide feedback, and the Phase B applicant may revise and re-submit the final Diversity Report.
- If the CFC decides that an audit of the Phase B applicant's final Diversity Report is necessary to determine if the Diversity Goals established in the applicant's Diversity Workplan were achieved, the Phase B applicant is required to provide the CFC with requested documentation.
  - In the case of a Diversity Report audit, the CFC may direct the Phase B applicant to work with the CPA performing the AUP report to verify the content of the final Diversity Report. Documentation or other information requested may include redactions, be aggregated, or otherwise protected to ensure confidentiality of sensitive personal or other information. The applicant is responsible for all costs associated with this additional requirement.
  - In the case of a Diversity Report audit, the CFC will notify the applicant of whether the Diversity Report is approved or rejected within thirty (30) business days of receipt of the requested documentation from the Phase B applicant or the CPA's report.
- If the CFC determines that the Phase B applicant has met or has made a good-faith effort to meet the goals in the Diversity Workplan, as described and evidenced through the approved final Diversity Report, the Diversity Goals Uplift will be applied.

## D. AGREED UPON PROCEDURES

- Certified Public Accountants

As part of the tax credit certification process, an Agreed Upon Procedures (AUP) report shall be prepared by a Certified Public Accountant (CPA) who maintains an active license or has proof of a valid out-of-state accounting firm registration for the firm practicing attest services in California. CPAs must attend a CFC CPA Seminar in order to engage with approved applicants in completing AUP reports. A list of approved firms is available on the CFC website; Phase B applicants shall not engage the same CPA that provided the Phase A Certified Studio Construction Project Verification Report or annual Soundstage Workforce Verification Report to prepare the Phase B AUP report.

- AUP Documentation and CPA Verification

In addition to the required application documents, the CPA must review and certify the documents, as listed on the final checklist. The requirements below are detailed in the Soundstage AUP, which is a form incorporated by reference into the Soundstage Filming Tax Credit Program regulations. Additional details regarding the below referenced requirements are found in the Budget Tagging and Tracking Tips.

- Vendor Final Element Creation Letter: The process of post-production is considered finished when a final composite answer print, air master, or digital cinema files of the qualified motion picture is/are produced; this does not include 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 (template is available on the CFC website) must originate from the post-production facility or post-production department, printed on letterhead with original signature.
- Verification of In-state Work / Vendor Verification Form Letter: A verification form must be completed by each company engaged to complete work for visual effects, title, post, sound, and/or digital effects as contracted by the production company. The verification form letter must indicate the total dollar amount of work performed within the state of California with signature. The verification letters (template is available on the CFC website) must originate from each company, printed on letterhead with original signature.
- Related Party Disclosure List: All approved applicants must provide a listing of all related party transactions. Details of this requirement are found on the Budget Tagging and Tracking Tips.
- Representative Verification Letter: A signed letter printed on the company's letterhead must include applicant's verification that all worldwide visual effects expenditures have been disclosed. In addition, applicants verify that all related parties have been disclosed and all insurance claims related to qualified

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

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

#### **E. APPROVAL OF FINAL TAX CREDIT CERTIFICATE**

The CFC will review all the required materials submitted by the applicant and CPA to determine if the project has met all the criteria for the Program and will approve or disapprove the request for the tax credit certificate. During the review, the CFC may request additional documentation to determine if the production is a qualified motion picture and to verify the qualified expenditures.

The final amount of tax credits shall be based on the percentage of the qualified expenditures confirmed in the Agreed Upon Procedures report. This amount may be less than the amount indicated on the Credit Allocation Letter, but it can never be more. If the request for a credit certificate is denied, the CFC will provide the applicant with a notice of disapproval stating the reasons for such. Disapproval is final and not subject to administrative appeal or review.

#### **XV. UTILIZING TAX CREDITS**

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

As of July 1, 2025, all productions may elect to have certified tax credits refunded.

The one-time, irrevocable election to have certified tax credits refunded must be made to the Franchise Tax Board (FTB) on an original, timely filed tax return for the taxable year in which the tax credit certificate is issued by the CFC.

The total refundable amount is 90% of the amount of certified tax credits that exceed the applicant's tax liability in the first taxable year. The total refundable amount will be paid out over five consecutive taxable years, making the annual refundable amount 20% of the total refundable amount.

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. 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.

A taxpayer that has purchased a tax credit from an independent producer cannot elect to be paid a refund.

For detailed information on utilizing the tax credits, please refer to the [CFC website](#).

## GLOSSARY

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

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

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

**Ancillary Building** means a building that is part of a Certified Studio Construction Project and is purpose-built, renovated, or converted including, but not limited to, production office space, mill space, workshops, and property or wardrobe storage. An ancillary building will be deemed part of the soundstage as long as at least one soundstage, as defined below, is also built, renovated, or converted, the space is production-related, and the ancillary buildings are on contiguous property to the soundstage.

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

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

**Applicant** is any corporation, partnership, limited partnership, limited liability company (LLC), or other entity or individual that is:

- A. for Phase A, principally engaged in the construction or renovation of one or more soundstages located in the state.
- B. for Phase B, principally engaged in the production of the qualified motion picture, and controls the film or television program during pre-production, production, and post-production.

The Phase B applicant is the **qualified taxpayer** that upon final approval will receive the credit certificate. The Phase A and Phase B applicant may, but are not required to be the same entity.

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

**Certified Soundstage** means a soundstage, as defined below, that has been certified by the CFC as part of a Certified Studio Construction Project and meets specified conditions during production.

**Certified Studio Construction Project** means a construction or renovation project certified by the CFC as providing for the construction or renovation of one or more soundstages located in the state, spending not less than \$25 million on actual construction or renovation over no more than five consecutive years, pursuant to a foundation or structural building permit issued after July 21, 2021, and meeting certain wage and labor requirements.

**Clip Use** means the use of any footage not originally photographed by the qualified motion picture.

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

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

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

**Diversity Workplan** means the workplan that a Phase B applicant is required to submit with their application, in which they set diversity goals for the qualified motion picture project regarding individuals paid qualified or non-qualified wages and to the creative aspects of the motion picture, and in which they outline plans and strategies to achieve those goals.

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

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

**Hiatus** means a break or interruption in the continuity of principal photography.

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

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

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

**Local Community Expenditure Report** is part of the Expenditure Summary Report and requires statistics on expenditures and local labor by county.

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

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

**Made for Television Movie**, also known as a Motion Picture for Television or MOW, is no longer an eligible category of qualified motion picture.

**Miniseries** or limited series, means a motion picture based on a single theme or storyline which is resolved within the piece. It consists of two or more episodes, each a minimum of 40 minutes exclusive of commercials, with an episode budget minimum of \$1 million.

**Music Scoring** and **Music Track Recording** is a post-production process wherein music is added to the soundtrack of a film or TV project. All projects, excluding independent

applicants with budgets of \$10 million dollars and less, may receive bonus points for music labor expenditures.

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

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

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

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

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

**Pre-Production** means the process of preparation for physical production which begins after a qualified motion picture has received a firm agreement of financial commitment. Customarily includes, but is not limited to, activities such as hiring key crew members, scouting for locations, building sets, casting, and establishment of a dedicated production office.

**Principal Photography** means the phase of production during which shooting takes place, as distinguished from pre-production and post-production. Principal photography refers to days in which the principal unit director and lead actors are usually present. It does not include the filming of primarily backgrounds, visual effects, action, and/or crowd scenes by second, stunt, or visual effects units.

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

**Production Budget** means the budget used by the qualified taxpayer and production company and shall include, but is not limited to, above-the-line and below-the-line costs including pre-production, production, post-production, insurance, rights, and music and clip licensing fees. It includes wages, rentals, purchases, and services performed and incurred within and outside of California. It does not include costs which are not directly associated with the pre-production, production or post-production of the project, such as: release prints

and advertising, marketing, film festival participation, foreign distribution elements, financing or distribution costs such as theater rentals and DVD manufacturing.

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

**Project Labor Agreement** means a pre-hire collective bargaining agreement that establishes terms and conditions of employment for a specific construction project or projects.

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

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

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

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

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

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

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

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

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

**Skilled and Trained Workforce** means a workforce of skilled journeypersons that are graduates of apprenticeship programs or apprentices in such programs, as applicable, and as specified and defined in subdivision (d) of Section 2601 of the Public Contract Code.

**Soundstage** means a building that is purpose-built, renovated, or converted for film, television and/or media production in California and has a minimum of 10,000 square feet of floor space, incorporates a permanent grid, and is column-free with a clear height of at least 20 feet under the permanent grid.

**Soundstage Certification Letter (SCL)** is the document issued by the CFC for each soundstage and ancillary building/s approved as part of a Certified Studio Construction Project. The SCL contains the unique soundstage identifier/s that the Phase B applicant submits as part of their application.

**Soundstage Wages** are qualified wages incurred for work on certified soundstages or in certified ancillary buildings during the production period of a qualified motion.

**Soundstage Workforce Report** means a report performed by an approved CPA firm documenting the Phase A applicant's compliance with the ongoing operational, workforce, and wage requirements for a Certified Studio Construction Project, submitted to the CFC annually throughout the certification period.

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

**Television Pilot** means the initial episode produced for a proposed television series with a minimum production budget of \$1 million and a running time of a minimum of 20 minutes, exclusive of commercials.

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

**Uplifts** are additional tax credits that may be earned on specified expenditures depending upon the project's category or based on meeting certain requirements. Approved projects receive an additional 5% or 10% tax credits if spending occurs in any or all of the following categories: out of zone filming, visual effects, local hire labor. Approved projects receive up to

an additional 4% tax credits for meeting or making a good-faith effort to meet the goals in their Diversity Workplan.

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

## APPENDIX A: How to Create a Qualified Expenditures Budget

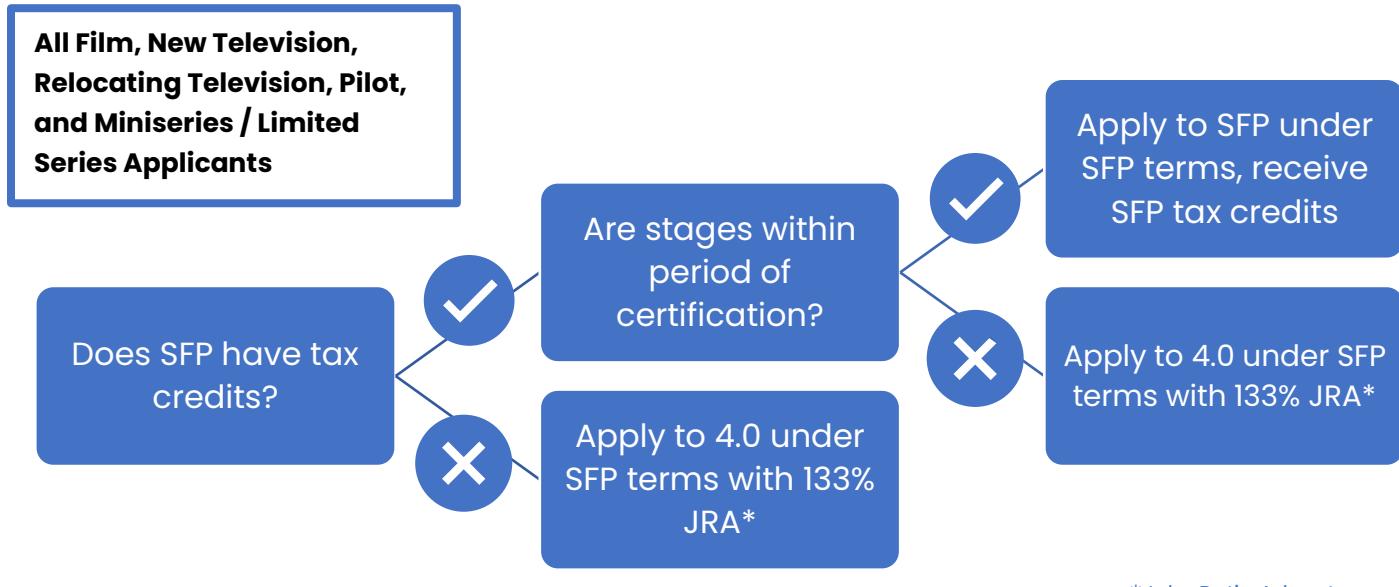
### Tips on How to Create a Qualified Expenditures Budget

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

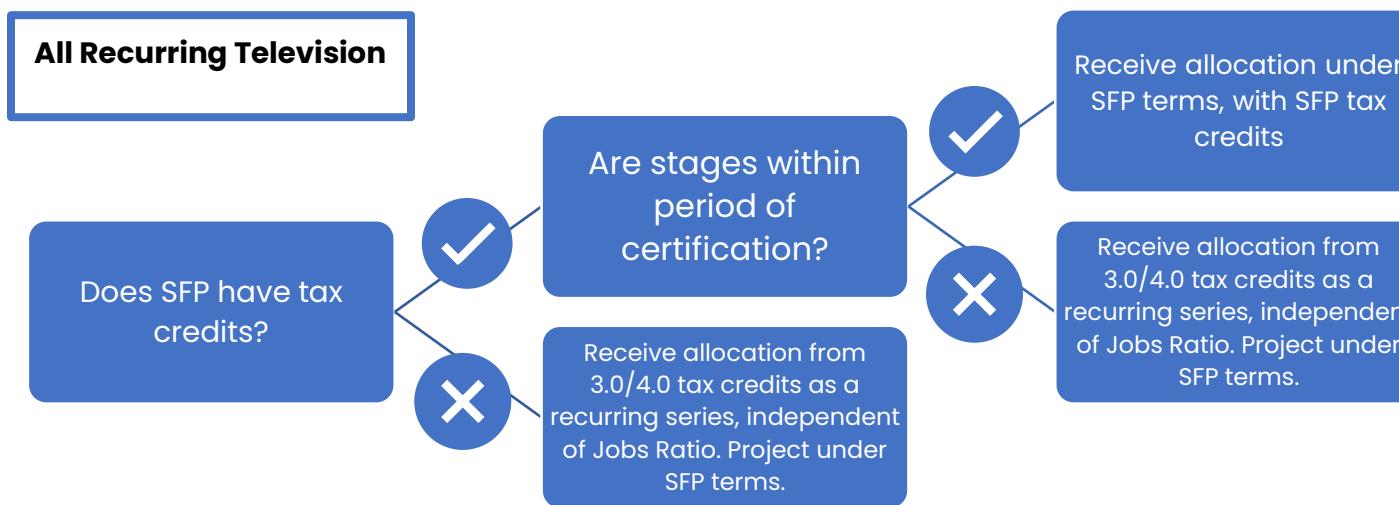
Modified in January 2026

**California Film Commission** | Soundstage Filming Tax Credit Program  
7080 Hollywood Boulevard, Suite 900 Hollywood, California 90028  
[www.film.ca.gov](http://www.film.ca.gov) | 323-860-2960 | [SoundstageIncentive@film.ca.gov](mailto:SoundstageIncentive@film.ca.gov)

## APPENDIX B: Flowchart for Projects Filming on Certified Soundstages



\*Jobs Ratio Advantage



The period of certification of a certified stage only affects a project's ability to apply specifically for SFP tax credits; the stage remains a "certified stage" indefinitely for purposes of a project applying for 4.0 tax credits under SFP terms and requirements (and with the 133% JRA, if applicable).

If the SFP still has tax credits, but a project is filming on a stage that is no longer within the five-year period of certification, the project applies to, or (for Recurring TV) receives an allocation from 3.0/4.0.

If the SFP is out of tax credits, projects filming on once certified stages receive the 133% JRA (except Recurring TV) when applying to 4.0, under SFP terms.