

Date of Hearing: April 17, 2018

ASSEMBLY COMMITTEE ON ARTS, ENTERTAINMENT, SPORTS, TOURISM, AND
INTERNET MEDIA

Kansen Chu, Chair

AB 1734 (Calderon) – As Amended April 12, 2018

SUBJECT: Income taxes: credits: motion pictures.

SUMMARY: This bill would establish motion picture tax credits similar to those in existing law, to be allocated by the California Film Commission (CFC) on or after July 1, 2020, and before July 1, 2025, subject to an annual cap of \$330,000,000, plus the amount of any unused credit amounts for preceding fiscal years, as specified, for 20% or 25% of qualified expenditures up to \$100,000,000, for the production of a qualified motion picture in this state, as defined.

Specifically, **this bill:**

- 1) Establishes a film and television tax credit program (CFTTCP), extending for five years the requirement in law that the CFC annually issue tax credits to qualifying motion picture productions, as specified, beginning on or after January 1, 2020, to be allocated before July 1, 2025, as specified.
- 2) Caps the aggregate amount of new credits allocated by the CFC in each fiscal year to \$330,000, plus the amount of any unused credits for preceding years attributable to existing motion pictures, as specified.
- 3) Declares that the credit shall be 20% of the qualified expenditures attributable to the production of a qualified motion picture in California, including, but not limited to:
 - a) A feature with a minimum production budget of one million dollars (\$1,000,000).
 - b) A television series that relocated to California, as defined, that is in its second or subsequent years of receiving a tax credit allocation
- 4) Declares that the credit shall be 25% of the qualified expenditures attributable to the production of a qualified motion picture in California where the qualified motion picture is a television series that relocated to California in its first year of receiving a tax credit allocation pursuant to this section.
- 5) Declares that the credit shall be 25% of the qualified expenditures, up to ten million dollars (\$10,000,000), attributable to the production of a qualified motion picture that is an independent film.
- 6) Requires the CFC to increase the applicable percentage by 5%, not to exceed a maximum of 25%, under the following circumstances:
 - a) If the qualified motion picture incurred or paid the qualified expenditures relating to original photography outside the Los Angeles zone. Provides the following definitions with regard to original photography:

- i) "Applicable period" means the period that commences with preproduction and ends when original photography concludes. The applicable period includes the time necessary to strike a remote location and return to the Los Angeles zone.
 - ii) "Los Angeles zone" means the area within a circle 30 miles in radius from Beverly Boulevard and La Cienega Boulevard, Los Angeles, California, 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.
 - iii) "Original photography" includes principal photography and reshooting original footage.
 - iv) "Qualified expenditures relating to original photography outside the Los Angeles zone" means amounts paid or incurred during the applicable period for tangible personal property used or consumed outside the Los Angeles zone and relating to original photography outside the Los Angeles zone and qualified wages paid for services performed outside the Los Angeles zone and relating to original photography outside the Los Angeles zone.
- b) Five percent of the qualified expenditures relating to music scoring and music track recording by musicians attributable to the production of a qualified motion picture in California.
 - c) Five percent of the qualified expenditures relating to qualified visual effects attributable to the production of a qualified motion picture in California.
- 7) Notwithstanding the 25% cap (#6 above), an amount equal to 10% of qualified wages paid for services performed relating to original photography outside of the Los Angeles zone to qualified individuals who reside in California but outside the Los Angeles zone shall be allowed as an additional credit for the production of a qualified motion picture.
- 8) Contains the following definitions:
- a) "Qualified motion picture" means a motion picture that is produced for distribution to the general public, regardless of medium, that is one of the following:
 - i) A feature with a minimum production budget of one million dollars (\$1,000,000).
 - ii) A miniseries consisting of two or more episodes, each longer than 40 minutes of running time, exclusive of commercials, that is produced in California, with a minimum production budget of one million dollars (\$1,000,000) per episode.
 - iii) A new television series of episodes longer than 40 minutes each of running time, exclusive of commercials, that is produced in California, with a minimum production budget of one million dollars (\$1,000,000) per episode.
 - iv) An independent film.

- v) A television series that relocated to California.
 - vi) A pilot for a new television series that is longer than 40 minutes of running time, exclusive of commercials, that is produced in California, and with a minimum production budget of one million dollars (\$1,000,000).
 - b) “Postproduction” means the final activities in a qualified motion picture’s production, including editing, foley recording, automatic dialogue replacement, sound editing, scoring, music track recording by musicians and music editing, beginning and end credits, negative cutting, negative processing and duplication, the addition of sound and visual effects, sound mixing, film-to-tape transfers, encoding, and color correction.
 - c) “Independent film” means a motion picture with a minimum budget of one million dollars (\$1,000,000) that is produced by a company that is not publicly traded and publicly traded companies do not own, directly or indirectly, more than 25% of the producing company.
 - d) “Jobs ratio” means the amount of qualified wages paid to qualified individuals divided by the amount of tax credit, as specified and computed by the California Film Commission. For the purposes of the calculation of the jobs ratio only, 70% of qualified expenditures for visual effects paid to third party vendors for work performed in California shall be deemed to be qualified wages paid to a qualified individual.
- 9) Allows the California Film Commission to increase the jobs ratio by up to 25% if a qualified motion picture increases economic activity in California according to criteria developed by the California Film Commission that would include, but not be limited to, such factors as, the amount of the production and postproduction spending in California, the utilization of scoring musicians in California, and other criteria measuring economic impact in California as determined by the Film Commission.
- 10) Requires the CFC to audit final submissions for tax credits and compare the jobs ratio figures contained in original tax credit applications to those actual qualified expenditures, and provides for discrepancies as under existing law, except Independent films would be treated equally.
- 11) Requires that the California Film Commission shall adopt rules and regulations to implement a pilot Career Pathways Training program including a fee to be paid by the qualified taxpayer to fund technical skills training to individuals from underserved communities for entry into film and television industry jobs, as specified.
- 12) Make various technical changes.

EXISTING LAW:

- 1) Establishes a film and television tax credit program (CFTTCP), extending through Fiscal Years (FYs) 2019-20, as follows.
- 2) Provides the aggregate amount of new credits issued under the film tax credit program to be allocated in each FY is \$230 million for the 2015-16 FY and \$330 million per FY thereafter,

(note that when the \$230 million is added to the \$100 million provided in prior law for the 2015-16 FY, the available funds for all future years is \$330 million.

- 3) Provides that credits shall be issued in two or more allocation cycles in amounts and in the order generated through a computation and ranking of applicants based on a ratio formula of the number of jobs created to the tax credit amount, as defined.
- 4) Requires the CFC to allocate the credit amounts subject to the following categories in order to insure like productions compete against each other under the jobs ratio formula:
 - a) Independent films shall be allocated 5%.
 - b) Features shall be allocated 35%.
 - c) A relocating television series shall be allocated 20%.
 - d) A new television series, pilots for a new television series, movies of the week, miniseries, and recurring television series shall be allocated 40%.
- 5) Requires applicants to include a statement which declares that the tax credit is a significant factor in the applicant's choice of location for the qualified motion picture.
- 6) Provides that a relocating series which has a minimum production budget of at least \$1 million per episode is eligible for film tax credits.
- 7) Declares ongoing series to be eligible for the film tax credits.
- 8) Ensures any television series, relocating television series, or any new television series based on a pilot that was issued a credit a place at the top of the queue for allocations for the life of that television series, as provided.
- 9) Requires the CFC to audit final submissions for tax credits and compare the jobs ratio figures contained in original tax credit applications to those actual qualified expenditures, and provides for discrepancies as follows:
 - a) If the CFC finds a reduction in actual qualified expenditures of no more than 10% they shall reduce the amount of credit allowed by an equal percentage, with limited exception for reasonable cause, as provided.
 - b) In addition, if the CFC finds a reduction in actual qualified expenditures by more than 20%, the CFC shall not accept an application from that qualified taxpayer for one year, with exceptions for reasonable cause, as provided.
 - c) Independent films would be treated differently, with any reduction of 30% or more in actual qualified expenditures reducing the amount of credit allowed by an equal percentage, plus subjecting them to a penalty of 10% of the difference in requested tax credit allowance and actual expenditures, with exceptions for reasonable cause, as provided.

- 10) Requires that or before July 1, 2019, the Legislative Analyst's Office (LAO) shall provide to the Assembly Revenue and Taxation Committee, the Senate Governance and Finance Committee, and the public a report evaluating the economic effects and administration of the tax credits allowed, as provided.

FISCAL EFFECT: Unknown. This measure is keyed fiscal by the Legislative Counsel

COMMENTS:

- 1) *Author and supporters statement of need for legislation:* According to the author, "Hollywood has long been synonymous with movie and TV production, but since the late 1990s, other states and countries have lured production out of California with generous tax breaks. In an effort to restore California's competitive advantage for film and TV production and to bring jobs home, AB 1839 (2014) implemented a five-year production tax incentive for feature films and TV series, capped at \$330 million annually. California's film tax credit has a proven track record of creating and retaining jobs in the film industry. ... The current program sunsets in two years, on June 30, 2020. Due to the complexity of motion picture and television production, decisions regarding shoot locations are made often a year or more in advance. Motion picture and television productions need the certainty of the California Film and Television tax credit program in order to consider California as a location in their production planning. The middle-class jobs, which pay above average wages and benefits, as well as the positive economic impact generated by robust film and TV production, depend upon those decisions."

The California Teamsters Public Affairs Council is typical of labor supporters' rationale when they say, "Prior to the passage of the first production tax credit in 2014, the industry had witnessed continual erosion of filming in California and the transfer of production to other states and countries, to the point where we wondered whether California would retain its preeminence in the industry. Our members were forced to work out of state at great cost to their families or were outright unable to find work. Our rosters were closed to new, younger people entering the industry, as there were insufficient jobs for existing members let alone young people just starting their careers. ... In just four short years, the situation has completely turned around, due in large measure to the impact of the film and television production tax credit. By the end of 2017, \$700 million in credits had been awarded to more than 130 film and television productions, returning an estimated \$5.1 billion to the California economy. This included nearly \$2 billion in wages to 'below the line' workers. This has allowed our rosters to be opened for the first time in years, allowing a younger, more diverse workforce to enter the industry."

California Labor Federation adds, "These are not high paid actors and directors the credit has helped. The film tax credit is based on the creation of below-the-line jobs – working on sets, doing lighting, technical work, hauling props, doing makeup, selecting costumes, and setting up locations. The impact of the film tax credit is clear – workers have returned home to California from other states and have enough work to support themselves and their families and put money back in their local economies."

The California Film and Television Alliance stresses in their support, "Your legislation is a job creator for the members of the California Film & Television Production Alliance whose economic vitality depends on a strong motion picture industry in California." They point to

the 41,000 cast and crew jobs created by the CFTTCP, and \$5.1 billion in direct spending attributed to the program as the basis for their support. "By extending the current program, AB 1734 ensures that production decisions to shoot in California will continue unabated. Our members and their families, our businesses large and small, our local communities, and the California economy are the direct beneficiaries."

Independent studios and producers are also in support, based upon the financial certainty the tax credit program offers, "The costs of filmmaking is an expensive business, and very risky in the current environment where less people are going to movie theaters. Tax credits help us mitigate the risks and take our net costs to an affordable place. Without a tax credit in California, we are forced to take our films and all the jobs associated with filmmaking (hundreds even on independent films) to another state that does offer credits." In addition, President of Production of ShivHans Pictures adds, "As the daughter of a small business owner, I also know the importance of keeping film in California and the impact that has on all industries. Film crews purchase from local businesses (from real estate to office supplies to restaurants, hotels, home goods stores to gas stations) and cause a ripple effect by the influx of cash into a community."

Building on the local economy concept for support of AB 1734, local film commissioners also support the measure, for similar reasons as those stated by the Humboldt- Del Norte Film Commissioner, who writes to say, "film and TV production takes place all over our state. It is not just a Los Angeles-based business. Wherever a film crew uses locations, it purchases what it needs from a diverse array of local businesses as well as paying for permits, location site fees, hiring police and fire safety officers and more. Spending takes place at hotels, gas stations, restaurants, hardware stores, gyms, beauty salons, department stores, and party rentals. And productions frequently hire local residents as crew and background extras." Placer-Lake Tahoe Film Office, and on behalf of Placer County adds, "The benefits of the current program are truly statewide - regardless of where these productions are filmed in the state - because the substantial taxes they generate help fund critical state programs championed by legislators from all over California."

- 2) *Opposition:* The California Teachers Association (CTA) opposes AB 1734 stating, "CTA opposes any reduction in revenue to the State's General Fund which would reduce Proposition 98 funding. During the most recent recession, K-12 education received over \$20 billion in cuts, a figure that does not include the cuts that the California Community Colleges, CSU and the UC systems faced. Why would the Legislature consider measures that take away revenues from the General Fund as we are warned continually that the next recession is just around the corner?"

"CTA has been on record opposing tax credits for its own members (Teacher Tax Credits). Tax credits for special interest groups, corporations, and others have, over the last decade, depleted our General Fund of billions of dollars. California cannot afford to continue giving away tax credits that deplete the General Fund, because this hurts funding for our schools."

- 3) *Background:*

- a) *Original film production tax credit program:* In 2009, the Legislature approved, and Governor Schwarzenegger signed, the California Film & Television Tax Credit Program (Film Tax Credit Program) as a part of the 2009 Budget plan to promote film production

and to create and retain jobs in California [SBX3 15 (Calderon), Chapter 17, Statutes of 2009-10 Third Extraordinary Session, and ABX3 15, (Krekorian), Chapter 10, Statutes of 2009-10 Third Extraordinary Session].

Under that program the CFC allocated \$100 million in credits for qualified production expenditures annually - \$10 million of which was set aside for qualified production expenditures incurred by independent films. Qualified taxpayers are allowed a credit against income and/or sales and use taxes, based upon qualified expenditures. Credits are not refundable, and only tax credits that are issues to an "independent film" are transferrable to an unrelated party.

Qualified expenditures are costs that must be incurred in the State of California. They include crew and staff salaries, wages and benefits (not including wages and benefits paid to writers, directors, music directors/composers/producers, and actors), cost of rental facilities and equipment, and costs such as lodging, food, wardrobe and construction.

- b) *California Film & Television Tax Credit Program 2.0*: In 2014 the Film Tax Credit Program was renewed and recast under AB 1839 (Gatto-Bocanegra), referred to as CFTTP 2.0, with an increased allocation amount and revamped structure.

That bill created a tax credit for qualified expenditures on and after January 1, 2016, subject to a \$230 million cap in the first year (2015-16) and \$330 million aggregate annual cap for each FY from the 2016-17 FY through and including the 2019-20 FY. In addition, it replaced the once a year lottery allocation process for distribution of credits to instead provide that credits would be issued in two or more allocation cycles in amounts and in the order generated through a computation and ranking of applicants based on a ratio formula of the number of jobs created to the tax credit amount, as defined. In order to prevent gaming of the lottery system, CFTTCP 2.0 requires the CFC to audit final submissions for tax credits and compare the jobs ratio figures contained in original tax credit applications to those actual qualified expenditures, and provides grant reductions and penalties for discrepancies. Finally, CFTTCP 2.0 required that or before July 1, 2019, the Legislative Analyst's Office (LAO) shall provide a report evaluating the economic effects and administration of the tax credits granted under the program.

- 4) *Legislative and Oversight Hearings of Arts, Entertainment, Sports, Tourism & Internet Media (AEST&IM) and Revenue & Taxation Committees*:
- a) *The issue of film production tax credits has come before this committee many times, in many years, in many versions. (Please see, Comment 4 below). The Committee has also studied this issue extensively, both alone and with the Committee on Revenue and Taxation.* For instance, on March 21, 2011, a Joint Oversight Hearing of the Assembly AEST&IM and the Assembly Revenue and Taxation Committees was held on, "California's Film Credit Under the Spotlight: A Review of the Film and Television Tax Credit Program." This was followed by the Revenue and Taxation Committee Oversight Hearing on "Assessing Tax Expenditure Programs in Light of California's Fiscal Challenges" on February 22, 2012, where the Film Tax Credit was again analyzed. On October 9, 2013, yet another Joint Oversight Hearing of the Assembly AEST&IM and the Assembly Revenue and Taxation Committees was held, entitled "A Review of the California Film Tax Program."

The topics of discussion in the many hearings followed the same general themes; the destructive and widespread impacts of run-away production on the entertainment industry and California economy; the overall effectiveness of the CFTTCP on retaining film and television production jobs in California, and later; whether the program was structured in the best way to capture and retain big budget as well as small Independent productions, along with incentives for returning television productions and musical scoring work to California, with suggestions for improvement. (For a more in depth summary of earlier Oversight Hearings on this topic, please see the Arts, Entertainment, Sports, Tourism & Internet Media Committee Analysis of AB 1839 [Gatto-Bocanegra], March 25, 2013).

- b) *CFTTCP 2.0. More recently, this Committee, along with the Committee on Revenue and Taxation, held an Informational Hearing on February 24, 2017, entitled, "The Secondary Impact of California's Film and Television Tax Credit Program: Diversity?"* The key question raised within this hearing is how the state can best use its leverage as the provider of tax incentives to ensure that all communities benefit from the jobs and economic opportunity generated by tax credit programs such as the CFTTCP.

(Note on salaries, only "below the line salaries" are considered as qualified expenditures under the CTTCP, not "above the line." The following from Wikipedia explains the differences between the two:

"Above-the-line" refers to the list of individuals who guide and influence the creative direction, process, and voice of a given narrative in a film and related expenditures. These roles can include but are not limited to the screenwriter, producer, director, and actors.

"Often, the term is used for matters related to the film's production budget. Above-the-line expenditures reflect the expected line item compensation for an official above-the-line member's role in a given film project. These expenditures are usually set, negotiated, spent and/or promised before principal photography begins. They include rights to secure the material on which the screenplay is based, production rights to the screenplay, compensation for the screenwriter, producer, director, principal actors and other cost-related line items such as assistants for the producers, director or actors.

"The distinction originates from the early studio days when the budget top-sheet would literally have a line separating the above-the-line and below-the-line costs.

"Below-the-line" crew typically work for hourly wages, as opposed to a set wage, or negotiated contractual wage on the front, or back end of any given project. These set workers are responsible for a number of many other unsung, and demanding tasks that must be completed to achieve the common goal of creating a film, or television program.

"Below-the-line crew refers to everybody else including: Art director, Best boy electric and grip, Boom operator, Camera operator, Costume designer, Composer and musicians, Dolly grip, Film editor, Gaffer, Graphic artist, Hair stylist, Key grip, Make-up artist, Production assistant, Script supervisor (continuity), Set construction, Sound engineer, Stage manager (television), Truck driver, Unit production manager, Video control broadcast engineering (television), Visual effects editor, and others.")

As the jobs targeted by the CFTTCP in the program's jobs ratio and qualified production targets are "below the line jobs" it is often difficult just by watching programming and movies to determine just who is benefitting from the credits. The CFTTCP has a hiring diversity survey, which requires the CFC to collect information on, "The diversity of the workforce employed by the applicant, including, but not limited to, the ethnic and racial makeup of the individuals employed by the applicant during the production of the qualified motion picture, to the extent possible."

Testimony of Amy Lemisch, executive director of the California Film Commission, showed that, "African-Americans got only 4% of the below-the-line jobs created during the first phase of California's film tax incentives program, Asian-Americans got only 2% of the below-the-line jobs, and Native Americans got 1%, and women only got 29% of those jobs. She noted that Hispanics fared considerably better, landing 11% of the below-the-line jobs.

"White workers got 65% of the jobs, and "other" got 17%. She noted that of the women employed in below-the-line positions on the films and TV shows that received tax credits in the first phase of the incentives program, 56% were white. Asian-American women, at 11%, got more than Hispanic (5%) and African American women (5%) combined. Native Americans got 1% and "other" got 20%. Data was not yet available, Lemisch said, for the second phase of the incentives program, which kicked in a year and a half before the hearing." (*California Explores Expansion of State Tax Credits to Include Incentives for Women and Minorities*, Robb, February 24, 2017, <http://deadline.com/2017/02/california-film-commission-hearing-state-tax-credits-1201974333/>)

To try and answer the challenge of how best to expand the benefits under the CFTTCP to all communities, a large component of the hearing was focused on the expanded employment opportunities provided by the retention and expansion of the film and television industries brought about through the CFTTCP 2.0, and who benefitted by these new opportunities. Within that discussion, the committees reviewed the CFTTCP Career Readiness program.

The CFC's October 2016 Progress Report included a review of the Career Readiness program; "A substantial addition to Program 2.0 is the 'Career Readiness' requirement. All accepted applicants must participate in career-based learning and training programs that have been approved by the CFC. The structure for participation was developed based on extensive collaboration with the California Department of Education and the California Community Colleges Chancellor's Office. The CFC is also engaged in outreach to non-profits and other organizations involved in linked-learning opportunities for high school and post-high school students, such as The Los Angeles Fund for Public Education (LAFund) and Veterans in Film & Television (VFT)."

As explained in the White Paper presented as part of the background materials for the Joint Informational Hearing, "The Secondary Impact of California's Film and Television Tax Credit Program: Diversity?" there are many ways applicants can meet this requirement:

- Paid Internship – provide high school or community college students either: i) three paid internship positions with a minimum of 75 hours each, or ii) a combination of

internships with a minimum of 75 hours per student and a total of 225 hours overall. Internship experience should include hands-on work assignments with industry professionals.

- Classroom Workshop – provide high school or community college students at least eight hours of classroom workshops or demonstrations on aspects of the film industry, including set operations, post-production, and technical crafts.
- Studio Employment and Professional Skills Tour – provide high school or community college students at least eight hours of studio employment and professional skills tours, which may include set visits or tours of wardrobe, art, and editorial departments.
- Faculty Externship – provide at least eight hours of continuing education for faculty to observe set operations, post-production, and other specialized departments.
- Financial Contribution – provide a financial contribution, based on 0.25 % of the applicant's estimated tax credit allocation with a minimum of \$5,000 and maximum of \$12,000, to a local education agency or higher education institution specializing in arts, media, and entertainment career-oriented programs.

"According to the CFC's October 2016 Progress Report, many applicants have satisfied the Career Readiness requirement by providing paid internships or making a financial contribution to high school or community college funds. High school funds have provided scholarships to the 2016 California State Summer School for the Arts, a rigorous month-long training program for high school students in visual and performing arts, creative writing, animation, and film in preparation for a career in the arts and entertainment industries. Community college funds have been used to provide paid internships for students studying arts, media, or entertainment."

5) *Prior and related legislation:*

- a) AB 2936 (Nazarian), would extend the sunset for the existing film tax credit program through and including the 2024-25 fiscal year. Status: currently pending before the committee.
- b) AB 1664 (Bocanegra and Calderon), would require the California Film Commission (CFC) to develop a workforce development program, as described, consistent with the Career Readiness requirement in the (CFTTCP). Status: currently pending before the Senate Business, Professions & Economic Development Committee.
- c) SB 951 (Mitchell), is substantially similar to AB 1734 (Calderon) currently under consideration. Status: currently pending before the Senate Government and Finance Committee.
- d) AB 1839 (Gatto & Bocanegra), Chapter 413, Statutes of 2014, Income taxes: qualified motion pictures, created a tax credit for qualified expenditures for the production of qualified motion pictures in California for taxable years beginning on or after January 1, 2016, and authorized the California Film Commission (CFC) to administer the program

and allocate the tax credits, subject to a \$230 million cap in the first year (2015-16) and \$330 million dollar aggregate annual cap for each fiscal year from the 2016-17 fiscal year through and including the 2019-20 fiscal year.

- e) AB 286 (Nazarian), of the 2013-14 Legislative Session, would have expanded the definition of qualified motion pictures under the film tax program by removing the cap on the production budget for feature films and would limit the amount of qualified expenditures to \$75 million. This bill additionally would have revised the amount of credits allocated by the CFC per fiscal year for a qualifying television series, as specified, to provide that the minimum production budget threshold is met by allowing aggregation of two fiscal years expenditures. AB 286 was returned to the Chief Clerk pursuant to Joint Rule 56.
- f) AB 1189 (Nazarian), of the 2013-14 Legislative Session, would have extended for five years the requirement that the CFC annually allocate tax credits to qualifying motion pictures, as specified, through the 2021-22 fiscal year and would also extend and increase the limit on the aggregate amount of credits that may be allocated through the 2021-22 fiscal year. AB 1189 was returned to the Chief Clerk pursuant to Joint Rule 56.
- g) AB 1435 (Gatto), of the 2013-14 Legislative Session, would have removed the sunset provisions, thus extending the credit indefinitely, revise the limit on the aggregate amount of credits that may be allocated in a fiscal year, revise how the credit amount is determined for specified qualified motion pictures, provide that credit amount for television series shall be 20% of qualified expenditures, provide that the credit amounts may be increased based on specified criteria, for a television series and for specified productions that perform postproduction in the state, and make various additional changes to the CFTTC program. AB 1435 was held by this committee.
- h) AB 2026 (Fuentes), Chapter 841, Statutes of 2012, extended the film production tax credit program for two years, until 2017, under terms which are substantially similar to the measure under current consideration.
- i) SB 1197 (Ron Calderon), Chapter 840, Statutes of 2012, extended the film production tax credit program for one year, until 2015, under terms which are substantially similar to the measure under current consideration. Chaptered out by AB 2026 (above).
- j) AB 1069 (Fuentes), Chapter 731, Statutes of 2011, extended the film production tax credit program for one year, until 2015, under terms which are substantially similar to the measure under current consideration.
- k) SB 1197 (Calderon), of the 2009-10 Legislative Session, deleted the fiscal year limitation on the existing film production tax credit. SB 1197 was held in Senate Revenue & Taxation Committee without a hearing.
- l) SBX8 55 (Calderon), of the 2009-10 Legislative Session, deleted the fiscal year limitation in the existing production tax credit. SB X8 55 was held in Senate Rules Committee without a hearing.

- m) ABX3 15 (Krekorian), Chapter 10, Statutes of the 2009-10 Third Extraordinary Session, established a five year \$500M tax credit for qualified expenditures on qualified productions. Limited allocations to \$100M/year.
- n) AB 855 (Krekorian), of the 2009-10 Legislative Session, established a film production tax credit. AB 855 was held at the Assembly Desk.
- o) AB 1696 (Bass), of the 2007-08 Legislative Session, established a financial assistance program within the CFC to encourage filming motion pictures and commercials in California and requires the Business, Transportation & Housing Agency to report the economic impact of this program by December, 2011. AB 1696 failed passage on the Senate Floor.
- p) SB 359 (Runner), of the 2007-08 Legislative Session, mega tax credit bill which included motion picture production credit. Part of State Budget negotiations. Created a credit for a percentage of the wages paid of amounts paid to purchase or lease tangible personal property in conjunction with the production of a qualified motion picture. The credit is certified and allocated by the CFC. The bill also allows the credit to be claimed against the sales and use tax liability of the company in lieu of the franchise or income tax liability. Finally, the bill allows the credit to be carried over until exhausted. SB 359 was held in the Senate Revenue and Taxation Committee.
- q) AB 832 (Bass), of the 2007-08 Legislative Session, created unfunded grant program administered by the CFC to encourage filming motion pictures and commercials in California. AB 832 was held on the Assembly Appropriations Committee Suspense File.
- r) SB 740 (Calderon), of the 2007-08 Legislative Session, created a film production credit equal to 100% of the direct revenues attributable to the production or 125% of the revenues of the productions in a TV series that relocated to California or an independent film as defined. SB 740 was held in Senate Revenue & Taxation Committee without a hearing.
- s) AB 777 (Nunez), of the 2005-06 Legislative Session, authorized qualified motion picture tax credit in an amount equal to 12% of the qualified production for qualified wages paid with an additional 3% for qualified motion pictures. Created refundable credit. AB 777 was held in Senate Revenue & Taxation Committee without a hearing.
- t) SB 58 (Murray), of the 2005-06 Legislative Session, granted a refundable income or corporation tax credit equal to 15% of the amount of qualified wages paid and qualified property purchased in the production of a qualified motion picture. SB 58 was held in Senate Revenue & Taxation Committee.
- u) AB 261 (Koretz), of the 2005-06 Legislative Session, re-established funding for the Film California First Program. AB 261 was a gut and amend out in the Assembly Rules Committee and became a transportation bill.
- v) AB 1830 (Cohn), of the 2003-04 Legislative Session, authorized tax credits between 2006 and 2012 in an amount equal to 15% of qualified wages paid or incurred for

services performed, with respect to the production of each qualified motion picture. AB 1830 was held in this Committee without a hearing.

- w) AB 1277 (Cohn), Chapter 662, Statutes of 2003, transferred administrative authority over the CFC to the Business, Transportation & Housing Agency. This bill also created the Film California First Fund, administered by the CFC, which provided for reimbursements to local governments for their costs in issuing permits for local filming of motion pictures. In the last two state budget cycles, no General Fund monies have been appropriated to operate this program.
 - x) AB 2410 (Frommer), Chapter 1042, Statutes of 2002, required the CFC to report annually the number of motion picture starts that occurred within the State of California. The bill also required EDD to research and maintain data on film industry employment, to determine the economic impact of the film industry, to monitor film industry employment and activity and competing states and countries, to examine the ethnic diversity and representation of minorities in the entertainment industry, to review the effect of federal, state and local laws on the filmed entertainment industry and to report that information to the legislature biannually, provided that funds are appropriated by the legislature in the annual Budget Act for these purposes.
 - y) AB 2747 (Wesson), of the 2001-02 Legislative Session, provided a tax incentive to produce motion pictures within California. Would offer tax credits to productions with a total cost of qualified wages between \$200,000 and \$10 million for 15-25% of wages paid to qualified individuals during the taxable year with respect to qualified motion picture production depending on the area. For each motion picture, the maximum amount of wages per qualified individual that could be taken into account when computing the credit was \$25,000. AB 2747 failed passage in the Senate Appropriations Committee.
 - z) SB 2061 (Schiff), Chapter 700, Statutes of 2000, created the State Theatrical Arts Resources (STAR) partnership which offers surplus State property to filmmakers, where unused State properties, such as health facilities and vacant office structures, are available at no charge or "almost free" to filmmakers.
 - aa) AB 358 (Wildman & Kuehl), of the 1999-2000 Legislative Session, provided a refundable income and corporation tax credit for 10% of eligible wages paid for motion pictures and TV programs produced in California. AB 358 was held on the Senate Appropriations Committee Suspense File.
 - bb) AB 484 (Kuehl), Chapter 699, Statutes of 1999, created the Film California First program, housed at the California Film Commission to reimburse certain film costs incurred by a qualified production company when filming on public property, but which is currently unfunded.
- 6) *Double referral*: Should this bill pass out of this committee, it will be re-referred to the Assembly Committee on Revenue and Taxation.

REGISTERED SUPPORT / OPPOSITION:**Support**

21st Century Fox
 Association of Talent Agents
 Blum House Productions
 California Chamber of Commerce
 California Film & Television Production Alliance
 California Labor Federation
 California Teamsters Public Affairs Council
 California Travel Association
 City of Los Angeles
 City of Santa Monica
 CODE Entertainment
 Directors Guild of America, Inc.
 Entertainment Union Coalition
 Film L.A.
 Film Liaisons In California Statewide
 Film Shasta
 Humboldt-Del Norte Film Commission
 Independent Network Driving Innovative Entertainment
 Laborers' International Union of North America
 Local 399 – Studio Transportation Drivers
 Local 724 – Studio Utility Employees
 Motion Picture Association of America, Inc.
 NBCUniversal
 Placer-Lake Tahoe Film Office
 Producers Guild of America
 Sacramento Film Commission
 San Francisco Office of Economic and Workforce Development
 Screen Actors Guild-American Federation of Television and Radio Artist
 ShivHans Pictures
 The Walt Disney Company
 UCSThornton, School of Music
 Valley Industry and Commerce Association
 Warner Brothers Entertainment Inc.
 WWE Studios

International Alliance of Theatrical Stage Employees (IATSE)

California IATSE Council
 IATSE Local 16 –San Francisco Bay Area
 IATSE Local 44 – Affiliated Property Craftpersons
 IATSE Local 80 – Film and Television Technicians
 IATSE Local 504 – Stagehands
 IATSE Local 600 – International Cinematographers Guild
 IATSE Local 695 – Production Sound Technicians, Television Engineers, Video Assist
 Technicians & Studio Projectionists
 IATSE Local 705 – Motion Picture Costumers
 IATSE Local 706 – Make-up Artists and Hair Stylists Guild

IATSE Local 728 – Studio Electrical Lighting Technicians

IATSE Local 729 – Motion Picture Set Painters and Sign-Writers

IATSE Local 800 – Art Directors Guild

IATSE Local 857 – Treasurers & Ticket Sellers

IATSE Local 871 – Script Supervisors/Continuity, Coordinators, Accountants & Allied
Production Specialist Guild

IATSE Local 884 – Studio Teacher/Welfare Workers

IATSE Local 892 – Costume Designer, Assistant Costume Designers and Illustrators

Opposition

California Teachers Association

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