

Date of Hearing: June 26, 2018

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

Kansen Chu, Chair

SB 951 (Mitchell) – As Amended May 25, 2018

SENATE VOTE: 37-0

SUBJECT: Income taxes: credits: motion pictures.

SUMMARY: This bill would enact Film and TV tax credit 3.0, which authorizes the California Film Commission to allocate \$330 million in tax credits each fiscal year from 2020-21 to 2024-25. Specifically, **this bill:**

- 1) Enacts Film and TV tax credit 3.0, which authorizes CFC to allocate \$330 million annually for 2020-21 until 2024-25, for a total of \$1.65 billion in credits, and extends indefinitely tax credits under the Personal Income and Corporation Tax, as well as the ability for taxpayers to make an election to apply the credit against the sales and use tax.
- 2) Makes several changes from Film and TV Credit 2.0 for Film and TV Credit 3.0, such as to:
 - a) Provide an additional credit of 10% of wages paid for services performed by individuals who live in California but outside the Los Angeles Zone relating to original photography outside the Los Angeles Zone. The additional credit is only available for features and relocating television series, but is not subject to the overall 25% cap on the credit percentage, and isn't considered for purposes of calculating the jobs ratio.
 - b) Deem that 70% of visual effects payments are considered wages for purposes of the jobs ratio.
 - c) Alter the list of qualified productions to exclude movies-of-the-week, and requires miniseries to have two or more episodes longer than 40 minutes exclusive of commercials produced in California with a minimum budget of \$1 million.
 - d) Extend to 240 days the deadline for productions with budgets of at least \$100 million to commence principal photography.
 - e) Modify definition of "television series that relocated to California" to clarify that a series that filmed at least 75% of principal photography outside California is eligible for the credit, and not that it filmed its most recent season out of California.
 - f) Delete the distinction between independent films and other productions for purposes of credit reduction or one-year suspension from application when the certified jobs ratio falls below the jobs ratio calculated at the time of the application.
 - g) Require an applicant for the credit to include in the application the applicant's written policy against unlawful sexual harassment.
 - h) Extend the carryforward for the credit from five to eight years.

- i) Direct CFC to create a Career Pathways Program, and directs applicants receiving a credit to pay a fee to fund technical skills training to individuals from underserved communities for entry into film and television industry jobs. CFC must identify a not-for-profit fiscal agent with direct relationships to industry skills training programs to manage the funds, and engage labor-management jointly administered training programs focused on the entertainment industry to implement the program with CFC approval and oversight.
- j) Delete qualified expenditures relating to music scoring and music track recording by musicians attributable to the production of a film in California from the credit uplift provisions.
- k) Add utilization of scoring musicians in California for purposes of bonus points used to calculate the jobs ratio, but subtract the use of production facilities in California for purposes of bonus points used to calculate the jobs ratio.
- l) Allow CFC to allocate any unused credits each year, and after July 1, 2025, if not added to credit amounts under a successor section.
- m) Change independent film allocation from 5% overall to: (1) 4.8% to independent films with expenditures of less than \$10 million, and (2) 3.2% to independent films with expenditures above \$10 million. The measure reduces the amount allocated to relocated television series from 20% to 17% to account for the additional 3% allocated to independent films.
- n) Instead of reallocating any unused credits under any category to the new television series category, and then to a category of higher demand as determined by CFC, require CFC to only reallocate unused relocating television series to the new television series category. If credits remain unallocated, CFC must then reallocate them to relocating television series the next fiscal year.
- o) For all other reallocated credits, require CFC to relocate them to other high demand categories pursuant to regulations. These provisions replace CFC's general reallocation authority under Film and TV Tax Credit 2.0.

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 on 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: According to the Senate Appropriations Committee, "The Franchise Tax Board (FTB) estimates that the bill would result in General Fund revenue losses of \$27 million in

2021-22, \$90 million in 2022-23, and \$140 million in 2023-24. FTB's costs to implement the bill have yet to be determined. The California Film Commission would incur increased costs to administer the new tax credit program, adopt regulations and report to the LAO and FTB, as specified. The Commission estimates the cost to be \$1.1 million annually over the five-year period (General Fund)."

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, SB 951 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 SB 951, 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 SB 951 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) *This measure is in conflict with Budget language and AB 1734 (Calderon, legislation recently approved by this committee:* Recent actions by the Assembly and Senate Budget committees have incorporated the CFTTCP into two separate budget trailer bills, AB 1837 (Assembly Committee on the Budget) and SB 871 (Senate Committee on the Budget and Fiscal Review). According to the Author's office, SB 951 is intended to be a vehicle for any clean-up needed after passage of the Budget. However, if this measure is adopted and signed after the Budget is signed, it will chapter out the Budget in those areas of conflict. The author may wish to address the known conflicts sooner rather than later to avoid this issue.
- 6) *Prior and related legislation:*
 - a) AB 1837 (Assembly Committee on the Budget), enacts policy substantially similar to SB 951 (Mitchell) currently under consideration, making an appropriation therefor, to take effect immediately, within the budget.
 - b) SB 871 (Senate Committee on the Budget and Fiscal Review), enacts policy substantially similar to SB 951 (Mitchell) currently under consideration, making an appropriation therefor, to take effect immediately, within the budget.

- c) AB 1734 (Calderon), is substantially similar to SB 951 (Mitchell) currently under consideration. Status: currently pending before the Senate Government and Finance Committee.
- d) AB 2936 (Nazarian), would extend the sunset for the existing film tax credit program through and including the 2024-25 fiscal year. Status: Held in Assembly Revenue and Taxation Committee.
- e) 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.
- f) 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.
- g) AB 286 (Nazarian), of 2013-14, 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.
- h) AB 1189 (Nazarian), of 2013-14, 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.
- i) AB 1435 (Gatto), of 2013-14, 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.
- j) 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.

- k) 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).
- l) 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.
- m) SB 1197 (Calderon), of 2009-10, deleted the fiscal year limitation on the existing film production tax credit. SB 1197 was held in Senate Revenue & Taxation Committee without a hearing.
- n) SBX8 55 (Calderon), of 2009-10, deleted the fiscal year limitation in the existing production tax credit. SB X8 55 was held in Senate Rules Committee without a hearing.
- o) 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.
- p) AB 855 (Krekorian), of 2009-10, established a film production tax credit. AB 855 was held at the Assembly Desk.
- q) AB 1696 (Bass), of 2007-08, 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.
- r) SB 359 (Runner), of 2007-08, 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.
- s) AB 832 (Bass), of 2007-08, 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.
- t) SB 740 (Calderon), of 2007-08, 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.
- u) AB 777 (Nunez), of 2005-06, 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.

- v) SB 58 (Murray), of 2005-06, 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.
- w) AB 261 (Koretz), of 2005-06, 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.
- x) AB 1830 (Cohn), of 2003-04, 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.
- y) 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.
- z) 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.
- aa) AB 2747 (Wesson), of 2001-02, 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.
- bb) 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.
- cc) AB 358 (Wildman & Kuehl), of 1999-2000, 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.

dd) 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.

7) *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 State Association of Electrical Workers
California Teamsters Public Affairs Council
California Travel Association
City and County of San Francisco
City of Los Angeles
CODE Entertainment
County of Placer
Directors Guild of America, Inc.
El Dorado Lake Tahoe's Film & Media Office
Entertainment Union Coalition
Film L.A.
Film Liaisons in California Statewide
Film Sacramento
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 Editors Guild
Producers Guild of America
San Francisco Office of Economic and Workforce Development
San Mateo County/Silicon Valley
Screen Actors Guild-American Federation of Television and Radio Artist
ShivHans Pictures
Solid Waste Solutions, Inc. /City Permit Services
Tulare County Film Commission
Warner Brothers Entertainment Inc.
WWE Studios

International Alliance of Theatrical Stage Employees (IATSE) Support
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 839 – The Animation Guild
IATSE Local 857 – Treasurers & Ticket Sellers
IATSE Local 871 – Script Supervisors/Continuity, Coordinators, Accountants & Allied
Production Specialist Guild

Several letters from individuals

Opposition

California Teachers Association

Analysis Prepared by: Dana Mitchell / A.,E.,S.,T., & I.M. / (916) 319-3450