

AMENDED IN SENATE MAY 29, 2025

AMENDED IN SENATE MAY 23, 2025

AMENDED IN SENATE APRIL 21, 2025

AMENDED IN SENATE MARCH 25, 2025

SENATE BILL

No. 630

Introduced by Senators Allen, Menjivar, Pérez, and Stern

(Principal coauthors: Assembly Members Bryan, Quirk-Silva, and Zbur)

(Coauthors: Senators Becker, Rubio, and Valladares)

(Coauthors: Assembly Members Caloza, Mark González, *McKinnor*,
Muratsuchi, and Schultz)

February 20, 2025

An act to amend Sections 17053.98, 17053.98.1, 23698, and 23698.1 of the Revenue and Taxation Code, relating to taxation, and making an appropriation therefor.

legislative counsel's digest

SB 630, as amended, Allen. Income and corporate taxes: tax credits: motion pictures.

~~The~~

~~(1) The Personal Income Tax Law and the Corporation Tax Law allow various credits against the taxes imposed by those laws, including a motion picture credit (motion picture credit 3.0) for taxable years beginning on or after January 1, 2020, to be allocated by the California Film Commission on or after July 1, 2020, and before July 1, 2025, in an amount equal to 20% or 25% of qualified expenditures for the production of a qualified motion picture in this state, with additional credit amounts allowed, as specified.~~

~~This bill, with respect to motion picture credit 3.0, for taxable years beginning on or after January 1, 2025, would revise the definition of a qualified motion picture to exclude 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 \$1,000,000.~~

~~Existing law additionally allows a motion picture credit (motion picture credit 4.0) to be allocated by the California Film Commission on or after July 1, 2025, in an amount equal to 20% or 25% of qualified expenditures for the production of a qualified motion picture in this state, and limits the aggregate amount of the credit that may be allocated for a fiscal year to \$330,000,000, as specified. Existing law defines a “qualified motion picture” for purposes of these tax credits to include a motion picture that is produced for distribution to the general public that includes, among other productions, a feature with a specified minimum production budget, an independent film, a new television series produced in California, as specified, or a television series that relocated to California. Existing law allows a qualified taxpayer to elect to be paid a refund equal to 90% of the total refundable amount, as specified, if the amount allowable as a credit under the motion picture credit 4.0 exceeds the qualified taxpayer’s tax liability for the taxable year, and allows the excess to be carried over, as specified.~~

~~This bill, with respect to motion picture credit 4.0, for taxable years beginning on or after January 1, 2025, would revise the definition of qualified motion picture to include live action and animated series with episodes averaging 20 minutes or more, animated films, and large-scale competition shows, as specified. The bill would specify that a television series that completed principal photography on the previous season more than 48 months prior to applying for an allocation of this credit is considered a new television series for purposes of the definition of qualified motion picture, unless certain conditions are met. The bill would increase the credit amount allowed for a qualified motion picture, *picture* to 35% or ~~40%~~ 40%, as specified. The bill would additionally increase the amount of qualified expenditures the California Film Commission is allowed to consider when determining the credit amount allocated to a qualified motion picture. The bill would revise the ~~allocations for independent films~~ *allocation limitations for specified qualified motion pictures* within the aggregate amount of credits that may be allocated in a fiscal year. The bill would increase the amount a qualified taxpayer may elect to be paid as a refund to 100% of the total~~

refundable amount of the allowable credit that exceeds the qualified taxpayer's tax liability for the taxable year, as specified. The bill would additionally correct erroneous cross-references in those provisions. By requiring additional moneys to be paid from the Tax Relief and Refund Account, a continuously appropriated fund, the bill would make an appropriation.

~~Existing~~

(2) *Existing* law also allows a credit for taxable years beginning on or after January 1, 2022, and before January 1, 2032, in an amount equal to 20% or 25%, or as modified, of qualified expenditures paid or incurred during the taxable year by a qualified motion picture produced in this state at a certified studio construction project.

This bill, with respect to the certified studio construction project credit, for taxable years beginning on or after January 1, 2025, would revise specified provisions of the definition of qualified motion picture, the credit amount allowed for a qualified motion picture, and the total credit amount allowed to be allocated to a television series, as specified, in conformity with the motion picture credit 4.0, as described above. The bill would also end the requirement that a certified studio construction project is produced by a qualified taxpayer that either owns more than 50% of the soundstage or soundstages on which the production is filmed or entered into a contract or lease of 10 years or more.

~~Existing~~

(3) *Existing* law requires the California Film Commission to develop an application process for the allocation of the above-described credits. Existing law requires the issuance of a credit for any subsequent season for the life of a television series that has been approved and issued a credit allocation under any of the existing motion picture credits. Existing law requires the California Film Commission to limit the amount of credits any recurring television series receives in subsequent seasons to no more than the amount reserved in the prior fiscal year it received the credit.

This bill would instead limit the amount of credits received by a recurring television series to the sum of the base year allocation and the product of the base year allocation, the number of subsequent years, and 3%, as those terms are defined. The bill would additionally, for purposes of the motion picture credit 4.0, require a recurring television series to reapply for the credit if it does not request a credit allocation

within 18 months from the date of completion of principal photography of the previous season, as specified.

(4) Existing law establishes a Career Pathways Program, under the California Film Commission, to fund technical skills training for individuals from underserved communities for entry into film and television jobs. Existing law requires the program to work with nonprofit organizations that have an established record of training and job placement in the entertainment industry, focus on training individuals from traditionally underserved communities, and offer training courses focused on skilled, technical positions, as specified. Existing law requires a qualified motion picture to pay a fee equal to 0.5 percent of their approved credit amount to the program, and authorizes the California Film Commission to increase the fee amount, as specified.

This bill would require the California Film Commission to expand the number of nonprofit organizations that partner with the Career Pathways program, and would require the California Film Commission to establish an application process for nonprofit organizations to obtain approval as a Career Pathways Program. The bill would require the application meet specified requirements to be approved and would provide criteria for the California Film Commission to consider when approving applications. The bill would require the California Film Commission, before July 1, 2026, to develop criteria to incentivize the placement of trainees from the Career Pathways Program in qualified productions, and for the motion picture credit 4.0, would authorize the California Film Commission to increase the credit amount up to 2% of qualified expenditures for qualified productions that employ trainees from a Career Pathways Program.

~~This~~

(5) This bill would include a change in state statute that would result in a taxpayer paying a higher tax within the meaning of Section 3 of Article XIII A of the California Constitution, and thus would require for passage the approval of $\frac{2}{3}$ of the membership of each house of the Legislature.

Vote: $\frac{2}{3}$. Appropriation: yes. Fiscal committee: yes.
State-mandated local program: no.

The people of the State of California do enact as follows:

- 1 SECTION 1. Section 17053.98 of the Revenue and Taxation
- 2 Code is amended to read:

17053.98. (a) (1) For taxable years beginning on or after January 1, 2020, there shall be allowed to a qualified taxpayer a credit against the “net tax,” as defined in Section 17039, subject to a computation and ranking by the California Film Commission in subdivision (g) and the allocation amount categories described in subdivision (i), in an amount equal to 20 percent or 25 percent, whichever is the applicable credit percentage described in paragraph (4), of the qualified expenditures for the production of a qualified motion picture in California. A credit shall not be allowed under this section for any qualified expenditures for the production of a motion picture in California if a credit has been claimed for those same expenditures under Section 17053.85 or 17053.95.

(2) Except as otherwise provided in this section, the credit shall be allowed for the taxable year in which the California Film Commission issues the credit certificate pursuant to subdivision (g) for the qualified motion picture, but in no instance prior to July 1, 2020, and shall be for the applicable percentage of all qualified expenditures paid or incurred by the qualified taxpayer in all taxable years for that qualified motion picture.

(3) (A) The amount of the credit allowed to a qualified taxpayer shall be limited to the amount specified in the credit certificate issued to the qualified taxpayer by the California Film Commission pursuant to subdivision (g).

(B) In determining the amount specified in the credit certificate in subparagraph (A), the California Film Commission shall be limited to the following amounts of qualified expenditures for each qualified motion picture:

(i) (I) In the case of a feature, up to one hundred million dollars (\$100,000,000).

(II) *Notwithstanding subclause (I), for taxable years beginning on or after January 1, 2025, and only for purposes of the credit allowed in subdivision (k), in the case of a feature, up to one hundred twenty million dollars (\$120,000,000).*

(ii) (I) In the case of a miniseries described in clause (ii) of subparagraph (A) of paragraph (18) of subdivision (b), up to one hundred million dollars (\$100,000,000).

(II) *Notwithstanding subclause (I), for taxable years beginning on or after January 1, 2025, and only for purposes of the credit allowed in subdivision (k), in the case of a miniseries described*

1 *in clause (ii) of subparagraph (A) of paragraph (18) of subdivision*
2 *(b), up to one hundred twenty million dollars (\$120,000,000).*

3 (iii) (I) In the case of a television series described in clause (iii)
4 or clause (v) of subparagraph (A) of paragraph (18) of subdivision
5 (b), up to one hundred million dollars (\$100,000,000) per season.

6 (II) *Notwithstanding subclause (I), for taxable years beginning*
7 *on or after January 1, 2025, and only for purposes of the credit*
8 *allowed in subdivision (k), in the case of a television series*
9 *described in clause (iii) or clause (v) of subparagraph (A) of*
10 *paragraph (18) of subdivision (b), up to one hundred twenty million*
11 *dollars (\$120,000,000).*

12 (iv) In the case of an independent film, up to ten million dollars
13 (\$10,000,000).

14 (4) For purposes of paragraphs (1) and (2), the applicable credit
15 percentage shall be:

16 (A) Twenty percent of the qualified expenditures attributable
17 to the production of a qualified motion picture in California,
18 including, but not limited to, a feature or a television series that
19 relocated to California that is in its second or subsequent years of
20 receiving a tax credit allocation pursuant to this section, Section
21 17053.85, or Section 17053.95.

22 (B) Twenty-five percent of the qualified expenditures
23 attributable to the production of a qualified motion picture in
24 California where the qualified motion picture is a television series
25 that relocated to California in its first year of receiving a tax credit
26 allocation pursuant to this section.

27 (C) Twenty-five percent of the qualified expenditures
28 attributable to the production of a qualified motion picture that is
29 an independent film.

30 (D) Additional credits shall be allowed for the production of a
31 qualified motion picture whose applicable credit percentage is
32 determined pursuant to subparagraph (A), in an aggregate amount
33 not to exceed 5 percent of the qualified expenditures under that
34 subparagraph, as follows:

35 (i) (I) Five percent of qualified expenditures, excluding qualified
36 wages described in subparagraph (E), relating to original
37 photography outside the Los Angeles zone.

38 (II) For purposes of this clause and subparagraph (E):

39 (ia) “Applicable period” means the period that commences with
40 preproduction and ends when original photography concludes. The

1 applicable period includes the time necessary to strike a remote
2 location and return to the Los Angeles zone.

3 (ib) “Los Angeles zone” means the area within a circle 30 miles
4 in radius from Beverly Boulevard and La Cienega Boulevard, Los
5 Angeles, California, and includes Agua Dulce, Castaic, including
6 Castaic Lake, Leo Carrillo State Beach, Ontario International
7 Airport, Piru, and Pomona, including the Los Angeles County
8 Fairgrounds. The Metro-Goldwyn-Mayer, Inc. Conejo Ranch
9 property is within the Los Angeles zone.

10 (ic) “Original photography” includes principal photography and
11 reshooting original footage.

12 (id) “Qualified expenditures relating to original photography
13 outside the Los Angeles zone” means amounts paid or incurred
14 during the applicable period for tangible personal property
15 purchased or leased and used or consumed outside the Los Angeles
16 zone and relating to original photography outside the Los Angeles
17 zone and qualified wages paid for services performed outside the
18 Los Angeles zone and relating to original photography outside the
19 Los Angeles zone.

20 (ii) Five percent of the qualified expenditures relating to
21 qualified visual effects attributable to the production of a qualified
22 motion picture in California.

23 (E) (i) Notwithstanding subparagraph (D), an amount equal to
24 10 percent of qualified wages paid for services performed relating
25 to original photography outside of the Los Angeles zone to
26 qualified individuals who reside in California but outside the Los
27 Angeles zone shall be allowed as an additional credit for the
28 production of a qualified motion picture whose applicable credit
29 percentage is determined pursuant to subparagraph (A).

30 (ii) Notwithstanding subparagraph (D), an amount equal to 5
31 percent of qualified wages paid for services performed relating to
32 original photography outside of the Los Angeles zone to qualified
33 individuals who reside in California but outside the Los Angeles
34 zone shall be allowed as an additional credit for the production of
35 a qualified motion picture whose applicable credit percentage is
36 determined pursuant to subparagraph (B) or (C).

37 (b) For purposes of this section:

38 (1) “Ancillary product” means any article for sale to the public
39 that contains a portion of, or any element of, the qualified motion
40 picture.

1 (2) “Budget” means an estimate of all expenses paid or incurred
2 during the production period of a qualified motion picture. It shall
3 be the same budget used by the qualified taxpayer and production
4 company for all qualified motion picture purposes.

5 (3) “Clip use” means a use of any portion of a motion picture,
6 other than the qualified motion picture, used in the qualified motion
7 picture.

8 (4) “Credit certificate” means the certificate issued by the
9 California Film Commission pursuant to subparagraph (D) of
10 paragraph (3) of subdivision (g).

11 (5) (A) “Employee fringe benefits” means the amount allowable
12 as a deduction under this part to the qualified taxpayer involved
13 in the production of the qualified motion picture, exclusive of any
14 amounts contributed by employees, for any year during the
15 production period with respect to any of the following:

16 (i) Employer contributions under any pension, profit-sharing,
17 annuity, or similar plan.

18 (ii) Employer-provided coverage under any accident or health
19 plan for employees.

20 (iii) The employer’s cost of life or disability insurance provided
21 to employees.

22 (B) Any amount treated as wages under clause (i) of
23 subparagraph (A) of paragraph (21) shall not be taken into account
24 under this paragraph.

25 (6) (A) “Independent film” means a motion picture with a
26 minimum budget of one million dollars (\$1,000,000) that is
27 produced by a company that is not publicly traded and publicly
28 traded companies do not own, directly or indirectly, more than 25
29 percent of the producing company.

30 *(B) Notwithstanding subparagraph (A), for taxable years*
31 *beginning on or after January 1, 2025, and only for purposes of*
32 *the credit allowed in subdivision (k), a motion picture with a*
33 *minimum budget of one million dollars (\$1,000,000) that is*
34 *produced by a company that is not publicly traded and publicly*
35 *traded companies do not own, directly or indirectly, more than 30*
36 *percent of the producing company.*

37 (7) “Jobs ratio” means the amount of qualified wages paid to
38 qualified individuals divided by the amount of tax credit, not
39 including any additional credit allowed pursuant to subparagraphs
40 (D) and (E) of paragraph (4) of subdivision (a), as computed by

1 the California Film Commission. For the purposes of the
2 calculation of the jobs ratio only, 70 percent of qualified
3 expenditures for visual effects paid to third-party vendors for work
4 performed in California shall be deemed to be qualified wages
5 paid to a qualified individual.

6 (8) “Licensing” means any grant of rights to distribute the
7 qualified motion picture, in whole or in part.

8 (9) “New use” means any use of a motion picture in a medium
9 other than the medium for which it was initially created.

10 (10) “Pilot for a new television series” means the initial episode
11 produced for a proposed television series.

12 (11) (A) “Postproduction” means the final activities in a
13 qualified motion picture’s production, including editing, foley
14 recording, automatic dialogue replacement, sound editing, scoring,
15 music track recording by musicians and music editing, beginning
16 and end credits, negative cutting, negative processing and
17 duplication, the addition of sound and visual effects, sound mixing,
18 film-to-tape transfers, encoding, and color correction.

19 (B) “Postproduction” does not include the manufacture or
20 shipping of release prints or their equivalent.

21 (12) “Preproduction” means the process of preparation for actual
22 physical production which begins after a qualified motion picture
23 has received a firm agreement of financial commitment, or is
24 greenlit, with, for example, the establishment of a dedicated
25 production office, the hiring of key crew members, and includes,
26 but is not limited to, activities that include location scouting and
27 execution of contracts with vendors of equipment and stage space.

28 (13) “Principal photography” means the phase of production
29 during which the motion picture is actually shot, as distinguished
30 from preproduction and postproduction.

31 (14) “Production period” means the period beginning with
32 preproduction and ending upon completion of postproduction.

33 (15) “Qualified entity” means a personal service corporation as
34 defined in Section 269A(b)(1) of the Internal Revenue Code, a
35 payroll services corporation, or any entity receiving qualified wages
36 with respect to services performed by a qualified individual.

37 (16) “Qualified expenditures” means amounts paid or incurred
38 for tangible personal property purchased or leased, and used, within
39 this state in the production of a qualified motion picture and

1 payments, including qualified wages, for services performed within
2 this state in the production of a qualified motion picture.

3 (17) (A) “Qualified individual” means any individual who
4 performs services during the production period in an activity related
5 to the production of a qualified motion picture.

6 (B) “Qualified individual” shall not include either of the
7 following:

8 (i) Any individual related to the qualified taxpayer as described
9 in subparagraph (A), (B), or (C) of Section 51(i)(1) of the Internal
10 Revenue Code.

11 (ii) Any 5-percent owner, as defined in Section 416(i)(1)(B) of
12 the Internal Revenue Code, of the qualified taxpayer.

13 (18) (A) “Qualified motion picture” means a motion picture
14 that is produced for distribution to the general public, regardless
15 of medium, that is one of the following:

16 (i) A feature with a minimum production budget of one million
17 dollars (\$1,000,000).

18 (ii) A miniseries consisting of two or more episodes, each longer
19 than 40 minutes of running time, exclusive of commercials, that
20 is produced in California, with a minimum production budget of
21 one million dollars (\$1,000,000) per episode.

22 (iii) A new television series of episodes longer than 40 minutes
23 each of running time, exclusive of commercials, that is produced
24 in California, with a minimum production budget of one million
25 dollars (\$1,000,000) per episode.

26 (iv) An independent film.

27 (v) A television series that relocated to California.

28 (vi) ~~For taxable years beginning before January 1, 2025, a (I) A~~
29 pilot for a new television series that is longer than 40 minutes of
30 running time, exclusive of commercials, that is produced in
31 California, and with a minimum production budget of one million
32 dollars (\$1,000,000). *For purposes of the credit allowed in*
33 *subdivision (k), this subclause shall only apply for taxable years*
34 *beginning before January 1, 2025.*

35 ~~(vii)~~

36 *(II) For taxable years beginning on or after January 1, 2025,*
37 *and only for purposes of the credit allowed in subdivision (k), a*
38 *pilot for a new live action or animated series that is at least 20*
39 *minutes of running time, exclusive of commercials, and is produced*

1 in California with a minimum production budget of one million
2 dollars (\$1,000,000) per episode.

3 ~~(viii)~~

4 (vii) For taxable years beginning on or after January 1, 2025,
5 and only for purposes of the credit allowed in subdivision (k), a
6 live action or animated series, averaging across a season at least
7 20 minutes of running time per episode, exclusive of commercials,
8 that is produced in California, with a minimum production budget
9 of one million dollars (\$1,000,000) per episode.

10 ~~(ix)~~

11 (viii) For taxable years beginning on or after January 1, 2025,
12 and only for purposes of the credit allowed in subdivision (k), an
13 animated film that is produced in California, with a minimum
14 production budget of one million dollars (\$1,000,000).

15 ~~(x)~~

16 (ix) For taxable years beginning on or after January 1, 2025,
17 and only for purposes of the credit allowed in subdivision (k), a
18 large-scale competition show, not including traditional reality,
19 game shows, talk shows, or docufollow television programming,
20 that is produced in California, with a minimum production budget
21 of one million dollars (\$1,000,000) per episode.

22 (B) To qualify as a “qualified motion picture,” all of the
23 following conditions shall be satisfied:

24 (i) At least 75 percent of the principal photography days occur
25 wholly in California or 75 percent of the production budget is
26 incurred for payment for services performed within the state and
27 the purchase or rental of property used within the state.

28 (ii) Production of the qualified motion picture is completed
29 within 30 months from the date on which the qualified taxpayer’s
30 application is approved by the California Film Commission. For
31 purposes of this section, a qualified motion picture is “completed”
32 when the process of postproduction has been finished.

33 (iii) The copyright for the motion picture is registered with the
34 United States Copyright Office pursuant to Title 17 of the United
35 States Code.

36 (iv) Principal photography of the qualified motion picture
37 commences after the date on which the application is approved by
38 the California Film Commission, but no later than 180 days after
39 the date of that approval if the qualified motion picture has a budget
40 with qualified expenditures of less than one hundred million dollars

1 (\$100,000,000), and no later than 240 days after the date of that
2 approval in the case of a qualified motion picture with a budget
3 of qualified expenditures with at least one hundred million dollars
4 (\$100,000,000), unless death, disability, or disfigurement of the
5 director or of a principal cast member; an act of God, including,
6 but not limited to, fire, flood, earthquake, storm, hurricane, or other
7 natural disaster; terrorist activities; or government sanction has
8 directly prevented a production's ability to begin principal
9 photography within the prescribed 180- or 240-day commencement
10 period.

11 (C) For the purposes of subparagraph (A), in computing the
12 total wages paid or incurred for the production of a qualified
13 motion picture, all amounts paid or incurred by all persons or
14 entities that share in the costs of the qualified motion picture shall
15 be aggregated.

16 (D) "Qualified motion picture" shall not include commercial
17 advertising, music videos, a motion picture produced for private
18 noncommercial use, such as weddings, graduations, or as part of
19 an educational course and made by students, a news program,
20 current events or public events program, talk show, game show,
21 sporting event or activity, awards show, telethon or other
22 production that solicits funds, reality television program, except
23 as specified in clause (ix) of subparagraph (A), clip-based
24 programming if more than 50 percent of the content is comprised
25 of licensed footage, documentaries, variety programs, daytime
26 dramas, strip shows, one-half hour (air time) episodic television
27 shows, except as specified in clause (vii) of subparagraph (A), or
28 any production that falls within the recordkeeping requirements
29 of Section 2257 of Title 18 of the United States Code.

30 (19) (A) "Qualified taxpayer" means a taxpayer who has paid
31 or incurred qualified expenditures, participated in the Career
32 Readiness requirement in Section 17053.95, and has been issued
33 a credit certificate by the California Film Commission pursuant
34 to subdivision (g).

35 (B) In the case of any pass-thru entity, the determination of
36 whether a taxpayer is a qualified taxpayer under this section shall
37 be made at the entity level and any credit under this section is not
38 allowed to the pass-thru entity but shall be passed through to the
39 partners or shareholders in accordance with applicable provisions
40 of Part 10 (commencing with Section 17001) or Part 11

(commencing with Section 23001). For purposes of this paragraph, “pass-thru entity” means any entity taxed as a partnership or “S” corporation.

(20) “Qualified visual effects” means visual effects where at least 75 percent or a minimum of ten million dollars (\$10,000,000) of the qualified expenditures for the visual effects are paid or incurred in California.

(21) (A) “Qualified wages” means all of the following:

(i) Any wages subject to withholding under Division 6 (commencing with Section 13000) of the Unemployment Insurance Code that were paid or incurred by any taxpayer involved in the production of a qualified motion picture with respect to a qualified individual for services performed on the qualified motion picture production within this state.

(ii) The portion of any employee fringe benefits paid or incurred by any taxpayer involved in the production of the qualified motion picture that are properly allocable to qualified wage amounts described in clauses (i), (iii), and (iv).

(iii) Any payments made to a qualified entity for services performed in this state by qualified individuals within the meaning of paragraph (17).

(iv) Remuneration paid to an independent contractor who is a qualified individual for services performed within this state by that qualified individual.

(B) “Qualified wages” shall not include any of the following:

(i) Expenses, including wages, related to new use, reuse, clip use, licensing, secondary markets, or residual compensation, or the creation of any ancillary product, including, but not limited to, a soundtrack album, toy, game, trailer, or teaser.

(ii) Expenses, including wages, paid or incurred with respect to acquisition, development, turnaround, or any rights thereto.

(iii) Expenses, including wages, related to financing, overhead, marketing, promotion, or distribution of a qualified motion picture.

(iv) Expenses, including wages, paid per person per qualified motion picture for writers, directors, music directors, music composers, music supervisors, producers, and performers, other than background actors with no scripted lines.

(22) “Recurring television series” means any television series that was previously approved and issued a credit allocation letter under this section.

1 (23) “Residual compensation” means supplemental
2 compensation paid at the time that a motion picture is exhibited
3 through new use, reuse, clip use, or in secondary markets, as
4 distinguished from payments made during production.

5 (24) “Reuse” means any use of a qualified motion picture in the
6 same medium for which it was created, following the initial use
7 in that medium.

8 (25) “Secondary markets” means media in which a qualified
9 motion picture is exhibited following the initial media in which it
10 is exhibited.

11 (26) “Television series that relocated to California” means a
12 television series, without regard to episode length or initial media
13 exhibition, with a minimum production budget of one million
14 dollars (\$1,000,000) per episode, that filmed at least 75 percent of
15 principal photography days in its most recent season outside of
16 California or has filmed all seasons outside of California and for
17 which the taxpayer certifies that the credit provided pursuant to
18 this section is the primary reason for relocating to California.

19 (27) “Visual effects” means the creation, alteration, or
20 enhancement of images that cannot be captured on a set or location
21 during live action photography and therefore is accomplished in
22 postproduction. It includes, but is not limited to, matte paintings,
23 animation, set extensions, computer-generated objects, characters
24 and environments, compositing (combining two or more elements
25 in a final image), and wire removals. “Visual effects” does not
26 include fully animated projects, whether created by traditional or
27 digital means.

28 (c) (1) Notwithstanding any other law, a qualified taxpayer
29 may sell any credit allowed under this section that is attributable
30 to an independent film, as defined in paragraph (6) of subdivision
31 (b), to an unrelated party.

32 (2) The qualified taxpayer shall report to the Franchise Tax
33 Board prior to the sale of the credit, in the form and manner
34 specified by the Franchise Tax Board, all required information
35 regarding the purchase and sale of the credit, including the social
36 security or other taxpayer identification number of the unrelated
37 party to whom the credit has been sold, the face amount of the
38 credit sold, and the amount of consideration received by the
39 qualified taxpayer for the sale of the credit.

(3) In the case where the credit allowed under this section exceeds the “net tax,” the excess credit may be carried over to reduce the “net tax” in the following taxable year, and succeeding eight taxable years, if necessary, until the credit has been exhausted.

(4) A credit shall not be sold pursuant to this subdivision to more than one taxpayer, nor may the credit be resold by the unrelated party to another taxpayer or other party.

(5) A party that has acquired tax credits under this subdivision shall be subject to the requirements of this section.

(6) In no event may a qualified taxpayer assign or sell any tax credit to the extent the tax credit allowed by this section is claimed on any tax return of the qualified taxpayer.

(7) In the event that both the taxpayer originally allocated a credit under this section by the California Film Commission and a taxpayer to whom the credit has been sold both claim the same amount of credit on their tax returns, the Franchise Tax Board may disallow the credit of either taxpayer, so long as the statute of limitations upon assessment remains open.

(8) Chapter 3.5 (commencing with Section 11340) of Part 1 of Division 3 of Title 2 of the Government Code does not apply to any standard, criterion, procedure, determination, rule, notice, or guideline established or issued by the Franchise Tax Board pursuant to this subdivision.

(9) Subdivision (g) of Section 17039 shall not apply to any credit sold pursuant to this subdivision.

(10) For purposes of this subdivision, the unrelated party or parties that purchase a credit pursuant to this subdivision shall be treated as a qualified taxpayer pursuant to paragraph (1) of subdivision (a).

(d) (1) No credit shall be allowed pursuant to this section unless the qualified taxpayer provides the following to the California Film Commission:

(A) Identification of each qualified individual.

(B) The specific start and end dates of production.

(C) The total wages paid.

(D) The total amount of qualified wages paid to qualified individuals.

(E) Aggregate data for individuals whose wages are excluded from qualified wages by clause (iv) of subparagraph (B) of

1 paragraph (21) of subdivision (b), including their gender, ethnic,
2 and racial makeup.

3 (F) The copyright registration number, as reflected on the
4 certificate of registration issued under the authority of Section 410
5 of Title 17 of the United States Code, relating to registration of
6 claim and issuance of certificate. The registration number shall be
7 provided on the return claiming the credit.

8 (G) The total amounts paid or incurred to purchase or lease
9 tangible personal property used in the production of a qualified
10 motion picture.

11 (H) Information to substantiate its qualified expenditures.

12 (I) Information required by the California Film Commission
13 under regulations promulgated pursuant to subdivision (g)
14 necessary to verify the amount of credit claimed.

15 (J) Data regarding the diversity of the workforce employed by
16 the applicant on the qualified motion picture, as described in
17 subdivision (g).

18 (K) Documentation verifying completion of the Career
19 Readiness requirement.

20 (L) Documentation verifying that the qualified taxpayer paid a
21 fee as described in subdivision (e).

22 (2) (A) Based on the information provided in paragraph (1),
23 the California Film Commission shall recompute the jobs ratio
24 previously computed in subdivision (g) and compare this
25 recomputed jobs ratio to the jobs ratio that the qualified taxpayer
26 previously listed on the application submitted pursuant to
27 subdivision (g).

28 (B) (i) If the California Film Commission determines that the
29 jobs ratio has been reduced by more than 10 percent for a qualified
30 motion picture, the California Film Commission shall reduce the
31 amount of credit allowed by an equal percentage, unless the
32 qualified taxpayer demonstrates, and the California Film
33 Commission determines, that reasonable cause exists for the jobs
34 ratio reduction.

35 (ii) If the California Film Commission determines that the jobs
36 ratio has been reduced by more than 20 percent for a qualified
37 motion picture, the California Film Commission shall not accept
38 an application described in subdivision (g) from that qualified
39 taxpayer or any member of the qualified taxpayer's controlled
40 group for a period of not less than one year from the date of that

determination, unless the qualified taxpayer demonstrates, and the California Film Commission determines, that reasonable cause exists for the jobs ratio reduction.

(C) For the purposes of this paragraph, “reasonable cause” means unforeseen circumstances beyond the control of the qualified taxpayer, such as, but not limited to, the cancellation of a television series prior to the completion of the scheduled number of episodes or other similar circumstances as determined by the California Film Commission in regulations to be adopted pursuant to subdivision (e).

(e) (1) (A) Subject to the Administrative Procedure Act (Chapter 3.5 (commencing with Section 11340) of Part 1 of Division 3 of Title 2 of the Government Code), 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, if the qualified taxpayer receives a credit under this section, to fund technical skills training to individuals from underserved communities for entry into film and television industry jobs. The California Film Commission shall (i) identify a not-for-profit fiscal agent with direct relationships to industry skills training programs to manage the funds; and (ii) engage labor-management jointly administered training programs with skills training focused on the entertainment industry to implement the program with California Film Commission approval and oversight. With regard to the Career Readiness requirement in Section 17053.95, the California Film Commission shall identify training and public service opportunities that may include, but not be limited to, hiring interns, public service announcements, and community outreach shall continue. The California Film Commission may prescribe rules and regulations to carry out the purposes of this section, including, subparagraph (D) of paragraph (4) of subdivision (a) and clause (iv) of subparagraph (D) of paragraph (2) of subdivision (g), and including any rules and regulations necessary to establish procedures, processes, requirements, application fee structure, and rules identified in or required to implement this section, including credit and logo requirements and credit allocation procedures over multiple fiscal years where the qualified taxpayer is producing a series of features that will be filmed concurrently.

(B) Notwithstanding any other law, prior to preparing a notice of proposed action pursuant to Section 11346.4 of the Government Code and prior to making any revision to the proposed regulation other than a change that is nonsubstantial or solely grammatical in nature, the Governor's Office of Business and Economic Development shall first approve the proposed regulation or proposed change to a proposed regulation regarding allocating the credit pursuant to subdivision (i), computing the jobs ratio as described in subdivisions (d) and (g), and defining "reasonable cause" pursuant to subparagraph (C) of paragraph (2) of subdivision (d).

(2) (A) Implementation of this section for the 2020–21 fiscal year is deemed an emergency and necessary for the immediate preservation of the public peace, health, and safety, or general welfare and, therefore, the California Film Commission is hereby authorized to adopt emergency regulations to implement this section during the 2020–21 fiscal year in accordance with the rulemaking provisions of the Administrative Procedure Act (Chapter 3.5 (commencing with Section 11340) of Part 1 of Division 3 of Title 2 of the Government Code).

(B) Nothing in this paragraph shall be construed to require the Governor's Office of Business and Economic Development to approve emergency regulations adopted pursuant to this paragraph.

(3) The California Film Commission shall not be required to prepare an economic impact analysis pursuant to the Administrative Procedure Act (Chapter 3.5 (commencing with Section 11340) of Part 1 of Division 3 of Title 2 of the Government Code) with regard to any rules and regulations adopted pursuant to this subdivision.

(f) If the qualified taxpayer fails to provide the copyright registration number as required in subparagraph (E) of paragraph (1) of subdivision (d), the credit shall be disallowed and assessed and collected under Section 19051 until the procedures are satisfied.

(g) For purposes of this section, the California Film Commission shall do the following:

(1) Subject to the requirements of subparagraphs (A) to (E), inclusive, of paragraph (2), on or after July 1, 2020, and before July 1, 2025, in two or more allocation periods per fiscal year, allocate tax credits to applicants.

1 (2) (A) Establish a procedure for applicants to file with the
2 California Film Commission a written application, on a form jointly
3 prescribed by the California Film Commission and the Franchise
4 Tax Board for the allocation of the tax credit. The application shall
5 include, but not be limited to, the following information:

6 (i) The budget for the motion picture production.

7 (ii) The number of production days.

8 (iii) A financing plan for the production.

9 (iv) The diversity of the workforce employed by the applicant,
10 including, but not limited to, the ethnic and racial makeup of the
11 individuals employed by the applicant during the production of
12 the qualified motion picture, to the extent possible.

13 (v) All members of a combined reporting group, if known at
14 the time of the application.

15 (vi) The amount of qualified wages the applicant expects to pay
16 to qualified individuals.

17 (vii) The amount of tax credit the applicant computes the
18 qualified motion picture will receive, applying the applicable credit
19 percentages described in paragraph (4) of subdivision (a).

20 (viii) A statement establishing that the tax credit described in
21 this section is a significant factor in the applicant's choice of
22 location for the qualified motion picture. The statement shall
23 include information about whether the qualified motion picture is
24 at risk of not being filmed or specify the jurisdiction or jurisdictions
25 in which the qualified motion picture will be located in the absence
26 of the tax credit. The statement shall be signed by an officer or
27 executive of the applicant.

28 (ix) The applicant's written policy against unlawful harassment,
29 including, but not limited to, sexual harassment, which includes
30 procedures for reporting and investigating harassment claims, a
31 phone number for an individual who will be responsible for
32 receiving harassment claims, and a statement that the company
33 will not retaliate against an individual who reports harassment.
34 The applicant shall also indicate how the policy will be distributed
35 to employees and include a summary of education training
36 resources, including the prohibition against, and prevention and
37 correction of, sexual harassment and remedies available.

38 (x) The ethnic and racial makeup and gender of individuals
39 whose wages are excluded from qualified wages as set forth in

1 clause (iv) of subparagraph (B) of paragraph (21) of subdivision
2 (b).

3 (xi) A summary of the applicant's voluntary programs to
4 increase the representation of minorities and women in the job
5 classifications that are not included in qualified wages as set forth
6 in clause (iv) of subparagraph (B) of paragraph (21) of subdivision
7 (b) and information about how these programs are publicized to
8 interested parties. The officer or executive referenced in clause
9 (x) who is signing the statement shall provide additional
10 information about these programs, if needed and upon request, to
11 the California Film Commission.

12 (xii) Any other information deemed relevant by the California
13 Film Commission or the Franchise Tax Board.

14 (B) Establish criteria, consistent with the requirements of this
15 section, for allocating tax credits.

16 (C) Determine and designate applicants who meet the
17 requirements of this section.

18 (D) (i) For purposes of allocating the credit amounts subject to
19 the categories described in subdivision (i) in any fiscal year, the
20 California Film Commission shall do all of the following:

21 (ii) For each allocation date and for each category, list each
22 applicant from highest to lowest according to the jobs ratio as
23 computed by the California Film Commission.

24 (iii) Subject to the applicable credit percentage, allocate the
25 credit to each applicant according to the highest jobs ratio, working
26 down the list, until the credit amount is exhausted.

27 (iv) (I) Pursuant to regulations adopted pursuant to subdivision
28 (e), the California Film Commission may increase the jobs ratio
29 by up to 25 percent if a qualified motion picture increases economic
30 activity in California according to criteria developed by the
31 California Film Commission that would include, but not be limited
32 to, such factors as, the amount of the production and postproduction
33 spending in California, the utilization of scoring musicians in
34 California, and other criteria measuring economic impact in
35 California as determined by the California Film Commission.

36 (II) For qualified motion pictures that are described in
37 subparagraph (D) of paragraph (8) of subdivision (k), the jobs ratio
38 shall be equal to the product of the jobs ratio calculated in
39 paragraph (7) of subdivision (b) and 133 percent.

(v) Notwithstanding any other law, any television series, relocating television series, or any new television series based on a pilot for a new television series that has been approved and issued a credit allocation by the California Film Commission under this section, including subdivision (k), Section 23698, including subdivision (k), or Section 17053.95, 23695, 17053.85, or 23685 shall be issued a credit for each subsequent season, for the life of that television series whenever credits are allocated within a fiscal year. For taxable years beginning before January 1, 2025, the California Film Commission shall limit the amount of credits any recurring television series receives in a subsequent season to no more than the amount reserved in its prior fiscal year Credit Allocation Letter or Letters, or if no amounts were reserved in the prior fiscal year, the most immediate prior fiscal year in which a Credit Allocation Letter or Letters were received. For taxable years beginning on or after January 1, 2025, the California Film Commission shall limit the amount of credits any recurring television series receives in a subsequent season to no more than the recurring television allocation amount, as defined in paragraph (23) of subdivision (b) of Section 17053.98.1. In the event that insufficient tax credits are available to fund all recurring television series pursuant to this clause for any fiscal year or in the event the California Film Commission projects, in collaboration with the Department of Finance, that there will be insufficient tax credits available to fund all recurring television series in either of the subsequent two fiscal years, the California Film Commission shall make the following adjustments in the order given until the shortfall, or any projected shortfall for the two subsequent fiscal years, for recurring television series is eliminated:

(I) Notwithstanding clause (iii) of subparagraph (A) of paragraph (2) of subdivision (i), the California Film Commission may redirect up to 100 percent of the credit amounts allocated to the relocating television series category to recurring television series for that fiscal year until the shortfall or projected shortfall is eliminated.

(II) Notwithstanding clause (iv) of subparagraph (A) of paragraph (2) of subdivision (i), the California Film Commission may redirect up to 100 percent of the credit amounts allocated to a new television series to recurring television series for that fiscal year until the shortfall or projected shortfall is eliminated.

(III) Notwithstanding clause (ii) of subparagraph (A) of paragraph (2) of subdivision (i), the California Film Commission may redirect up to 100 percent of the credit allocations from the features category to the recurring television series category for that fiscal year until the shortfall is eliminated.

(IV) Allocate up to 25 percent of total credit allocations that would otherwise be allocated in the 2024–25 fiscal year to recurring television series in the current fiscal year until the shortfall is eliminated. Any amounts transferred for allocation in the current fiscal year shall be subtracted from the amount allowed to be allocated in the 2024–25 fiscal year as specified in subdivision (i). Notwithstanding paragraph (3), the credit allocations that are subtracted from 2024–25 shall not be certified until July 1, 2025, or later.

(V) The California Film Commission shall consult with the qualified taxpayers who are producing the recurring television series for purposes of negotiating a minimally impactful reduction in the amount of credits awarded to each recurring television series for that fiscal year until the shortfall is eliminated.

(E) Subject to the annual cap and the allocation credit amounts based on categories described in subdivision (i), allocate an aggregate amount of credits under this section and Section 23698, and allocate any carryover of unallocated or unused credits from prior years and Sections 17053.85, 17053.95, 23685, and 23695, and the amount of any credits reduced pursuant to paragraph (2) of subdivision (d).

(3) Certify tax credits allocated to qualified taxpayers.

(A) Establish a verification procedure to update the information in subparagraph (A) of paragraph (2) of subdivision (g), including, but not limited to, all of the following:

(i) The amounts of qualified expenditures paid or incurred by the applicant.

(ii) The diversity of the workforce employed by the applicant.

(iii) The ethnic and racial makeup and gender of individuals whose wages are excluded from qualified wages by clause (iv) of subparagraph (B) of paragraph (21) of subdivision (b).

(B) Establish audit requirements that shall be satisfied before a credit certificate may be issued by the California Film Commission.

1 (C) (i) Establish a procedure for a qualified taxpayer to report
2 to the California Film Commission, prior to the issuance of a credit
3 certificate, the following information:

4 (I) If readily available, a list of the states, provinces, or other
5 jurisdictions in which any member of the applicant's combined
6 reporting group in the same business unit as the qualified taxpayer
7 that, in the preceding calendar year, has produced a qualified
8 motion picture intended for release in the United States market.
9 For purposes of this clause, "qualified motion picture" shall not
10 include any episodes of a television series that were complete or
11 in production prior to July 1, 2020.

12 (II) Whether a qualified motion picture described in subclause
13 (I) was awarded any financial incentive by the state, province, or
14 other jurisdiction that was predicated on the performance of
15 primary principal photography or postproduction in that location.

16 (ii) The California Film Commission may provide that the report
17 required by this subparagraph be filed in a single report provided
18 on a calendar year basis for those qualified taxpayers that receive
19 multiple credit certificates in a calendar year.

20 (D) Issue a credit certificate to a qualified taxpayer upon
21 completion of the qualified motion picture reflecting the credit
22 amount allocated after qualified expenditures have been verified
23 and the jobs ratio computed under this section. The amount of
24 credit shown on the credit certificate shall not exceed the amount
25 of credit allocated to that qualified taxpayer pursuant to this section.

26 (4) Obtain, when possible, the following information from
27 applicants that do not receive an allocation of credit:

28 (A) Whether the qualified motion picture that was the subject
29 of the application was completed.

30 (B) If completed, in which state or foreign jurisdiction was the
31 primary principal photography completed.

32 (C) Whether the applicant received any financial incentives
33 from the state or foreign jurisdiction to make the qualified motion
34 picture in that location.

35 (5) Provide the Legislative Analyst's Office, upon request, any
36 or all application materials or any other materials received from,
37 or submitted by, applicants for which a credit allocation decision
38 has been made, including, but not limited to, applicants that did
39 not receive a credit allocation. Materials provided to the Legislative
40 Analyst's Office shall be in electronic format when available and

1 include, but not be limited to, information provided pursuant to
2 clauses (i) to (xii), inclusive, of subparagraph (A) of paragraph (2)
3 and the diversity workplans provided pursuant to clause (iv) of
4 subparagraph (B) of paragraph (2) of subdivision (k).

5 (6) The information provided to the California Film Commission
6 pursuant to this section shall constitute confidential tax information
7 for purposes of Article 2 (commencing with Section 19542) of
8 Chapter 7 of Part 10.2.

9 (7) (A) Notwithstanding any other law, on or after July 1, 2025,
10 the California Film Commission may allocate, pursuant to this
11 section, any previously allocated credits not certified that have not
12 previously been added to credit amounts available for allocation
13 under this section or a successor section or sections.

14 (B) For purposes of this section, “previously allocated credits
15 not certified” means either:

16 (i) Credits allocated under paragraph (1) for which the qualified
17 taxpayer to which the credit amounts were originally allocated has
18 notified the California Film Commission in writing that the
19 qualified taxpayer will not request certification for the allocated
20 credits.

21 (ii) The difference between the amount of credits allocated under
22 paragraph (1) to a qualified taxpayer and the amount of credits the
23 California Film Commission certified, for that qualified taxpayer.
24 For purposes of calculating the difference, the California Film
25 Commission shall not consider any credit amounts for which the
26 qualified taxpayer notifies the California Film Commission under
27 clause (i).

28 (8) Notwithstanding any other law, on or after July 1, 2025, the
29 California Film Commission may allocate, pursuant to this section,
30 any credit amounts described in subparagraphs (B) and (E) of
31 paragraph (1) of subdivision (i) that have not previously been
32 added to credit amounts available for allocation under this section
33 or a successor section or sections.

34 (9) The California Film Commission shall submit a report to
35 the Legislature, on an annual basis beginning January 1, 2022, on
36 aggregate diversity information for the productions allocated tax
37 credits allowed in this section and the diversity of the motion
38 picture production industry in California more generally.

39 (h) (1) The California Film Commission shall annually provide
40 the Legislative Analyst’s Office, the Franchise Tax Board, and the

1 California Department of Tax and Fee Administration with a list
2 of qualified taxpayers and the tax credit amounts allocated to each
3 qualified taxpayer by the California Film Commission. The list
4 shall include the names and taxpayer identification numbers,
5 including taxpayer identification numbers of each partner or
6 shareholder, as applicable, of the qualified taxpayer.

7 (2) (A) Notwithstanding paragraph (6) of subdivision (g), the
8 California Film Commission shall annually post on its internet
9 website and make available for public release the following:

10 (i) A table which includes all of the following information: a
11 list of qualified taxpayers and the tax credit amounts allocated to
12 each qualified taxpayer by the California Film Commission, the
13 number of production days in California the qualified taxpayer
14 represented in its application would occur, the number of California
15 jobs that the qualified taxpayer represented in its application would
16 be directly created by the production, and the total amount of
17 qualified expenditures expected to be spent by the production.

18 (ii) A narrative staff summary describing the production of the
19 qualified taxpayer as well as background information regarding
20 the qualified taxpayer contained in the qualified taxpayer's
21 application for the credit.

22 (iii) For qualified taxpayers allocated a credit, the aggregate
23 diversity information collected pursuant to clauses (iv) and (xii)
24 of subparagraph (A) of paragraph (2) of subdivision (g) organized
25 per production and an aggregate compilation describing the
26 voluntary programs collected pursuant to clause (xiii) of
27 subparagraph (A) of paragraph (2) of subdivision (g).

28 (B) Nothing in this subdivision shall be construed to make the
29 information submitted by an applicant for a tax credit under this
30 section a public record, including for the purposes of the California
31 Public Records Act (Division 10 (commencing with Section
32 7920.000) of Title 1 of the Government Code).

33 (3) The California Film Commission shall provide each city
34 and county in California with an instructional guide that includes,
35 but is not limited to, a review of best practices for facilitating
36 motion picture production in local jurisdictions, resources on
37 hosting and encouraging motion picture production, and the
38 California Film Commission's Model Filming Ordinance. The
39 California Film Commission shall maintain on its internet website
40 a list of initiatives by locality that encourage motion picture

1 production in regions across the state. The list shall be distributed
2 to each approved applicant for the program to highlight local
3 jurisdictions that offer incentives to facilitate film production.

4 (i) (1) (A) The aggregate amount of credits that may be
5 allocated for a fiscal year pursuant to this section and Section
6 23698, except as provided in subdivision (k) of this section and
7 subdivision (k) of Section 23698, is three hundred thirty million
8 dollars (\$330,000,000), plus any amount described in subparagraph
9 (B), (C), (D), or (E) in credits for the 2020–21 fiscal year and each
10 fiscal year thereafter, through and including the 2024–25 fiscal
11 year, except as provided in paragraph (7) of subdivision (g), plus
12 the amount described in subparagraph (F) in credits for the 2021–22
13 and 2022–23 fiscal years.

14 (B) (i) Subject to clauses (ii) and (iii), the unused allocation
15 credit amount, if any, for the preceding fiscal year.

16 (ii) The amount of unused credit allocation attributable to
17 independent films shall only be allocated according to clause (i)
18 of subparagraph (A) of paragraph (2).

19 (iii) The total amount of any unused credit allocation amount
20 that is remaining shall only be allocated pursuant to clause (iv) of
21 subparagraph (A) of paragraph (2).

22 (C) The amount of previously allocated credits not certified.

23 (D) The amount of any credits reduced pursuant to paragraph
24 (2) of subdivision (d).

25 (E) That portion of any unused allocation credit amount, if any,
26 attributable to Section 17053.85, 17053.95, 23685, or 23695
27 available for that fiscal year in a manner as determined by
28 regulations promulgated by the California Film Commission.

29 (F) (i) For fiscal years 2021–22 and 2022–23, the California
30 Film Commission shall allocate an additional fifteen million dollars
31 (\$15,000,000) in credits to be granted exclusively to television
32 series that relocate to California.

33 (I) Notwithstanding subparagraph (A) of paragraph (2) of this
34 subdivision and clause (v) of subparagraph (D) of paragraph (2)
35 of subdivision (g), the moneys allocated pursuant to this
36 subparagraph shall not be redirected or reallocated.

37 (II) Notwithstanding paragraph (25) of subdivision (b), for
38 purposes of this subparagraph, a “television series that relocated
39 to California” means a television series, without regard to episode
40 length or initial media exhibition, with a minimum production

budget of one million dollars (\$1,000,000) per episode that both filmed at least 75 percent of principal photography days for at least one episode outside of California and has not filmed more than 25 percent of principal photography days for any episode inside of California.

(ii) For fiscal years 2021–22 and 2022–23, the California Film Commission shall allocate an additional seventy-five million dollars (\$75,000,000) in credits to be granted exclusively to recurring television series.

(2) (A) Notwithstanding the foregoing, and subject to paragraph (4) of this subdivision and changes in allocations pursuant to clause (v) of subparagraph (D) of paragraph (2) of subdivision (g), the California Film Commission shall allocate the credit amounts subject to the following categories:

(i) Independent films with qualified expenditures of ten million dollars (\$10,000,000) or less shall be allocated 4.8 percent of the amount specified in paragraph (1). Independent films with qualified expenditures in excess of ten million dollars (\$10,000,000) shall be allocated 3.2 percent of the amount specified in paragraph (1). These amounts shall be in addition to any unused allocation credit amount, if any, for the preceding fiscal year as described in subparagraph (B) of paragraph (1).

(ii) Features shall be allocated 35 percent of the amount specified in paragraph (1).

(iii) A relocating television series shall be allocated 17 percent of the amount specified in paragraph (1).

(iv) A new television series, pilots for a new television series, miniseries, and recurring television series shall be allocated 40 percent of the amount specified in paragraph (1), plus any unused allocation credit amount, if any, for the preceding fiscal year as described in subparagraph (B) of paragraph (1).

(B) Within any allocation period for credits to a relocating television series, any unused amount shall be reallocated to the category described in clause (iv) of subparagraph (A) and, if any unused amount remains, reallocated in the next allocation period for credits to a relocating television series.

(C) With respect to a relocating television series issued a credit in a subsequent year pursuant to clause (v) of subparagraph (D) of paragraph (2) of subdivision (g), that subsequent credit amount

1 shall be allowed from the allocation amount described in clause
2 (iv) of subparagraph (A).

3 (3) Any act that reduces the amount that may be allocated
4 pursuant to paragraph (1) constitutes a change in state taxes for
5 the purpose of increasing revenues within the meaning of Section
6 3 of Article XIII A of the California Constitution and may be passed
7 by not less than two-thirds of all Members elected to each of the
8 two houses of the Legislature.

9 (4) A qualified motion picture, as defined in subdivision (k),
10 shall not be eligible for an allocation under subdivisions (a) to (j),
11 inclusive, if it receives a credit under subdivision (k) during that
12 fiscal year.

13 (j) The California Film Commission shall have the authority to
14 allocate tax credits in accordance with this section and in
15 accordance with any regulations prescribed pursuant to subdivision
16 (e) upon adoption.

17 (k) (1) For taxable years beginning on or after January 1, 2022,
18 and before January 1, 2032, there shall be allowed to a qualified
19 taxpayer a credit against the “net tax,” as defined in Section 17039,
20 subject to allocation by the California Film Commission, in an
21 amount equal to:

22 (A) For credits allocated before July 1, 2025, 20 percent or 25
23 percent, whichever is the applicable credit percentage described
24 in paragraph (4) of subdivision (a), as modified by paragraph (3)
25 of this subdivision, of the qualified expenditures for the production
26 of a qualified motion picture produced in the state at a certified
27 studio construction project.

28 (B) For credits allocated on or after July 1, 2025, 35 percent or
29 40 percent, whichever is the applicable credit percentage described
30 in paragraph (4) of subdivision (a) of Section 17053.98.1, as
31 modified by paragraph (3) of this subdivision, of the qualified
32 expenditures for the production of a qualified motion picture
33 produced in the state at a certified studio construction project.

34 (2) For purposes of this subdivision, the definitions in
35 subdivision (b) shall apply except as otherwise provided in this
36 subdivision.

37 (A) “Certified studio construction project” means a construction
38 or renovation project certified for a period of five years by the
39 California Film Commission as having met all of the following
40 criteria:

1 (i) The project provides for the construction or renovation of
2 one or more soundstages located in the state.

3 (ii) Actual construction or renovation expenditures are not less
4 than twenty-five million dollars (\$25,000,000) of actual
5 construction or renovation expenditures made over not more than
6 five continuous calendar years.

7 (iii) The construction or renovation of each certified studio
8 construction project is performed in accordance with Section
9 17053.99.

10 (iv) The construction or renovation of each certified studio
11 construction project commences pursuant to a foundation permit
12 or a structural building permit for the construction or renovation
13 that is issued after the effective date of the act adopting this
14 subdivision.

15 (v) The certified studio construction project applicant or its
16 affiliates shall not have received a California Competes Grant
17 under Section 12096.6 of the Government Code for wages or
18 investment related to construction of the studio construction
19 project.

20 (B) “Qualified motion picture” means a qualified motion picture,
21 as defined in subdivision (b), that meets all of the following
22 requirements:

23 (i) During the production period, the qualified motion picture
24 films at least 50 percent of its principal photography stage shooting
25 days on a soundstage or soundstages certified as a certified studio
26 construction project.

27 (ii) During the production period, the qualified motion picture
28 pays or incurs at least five million dollars (\$5,000,000) in qualified
29 wages for filming on a soundstage or soundstages certified as a
30 certified studio construction project.

31 (iii) For taxable years beginning before January 1, 2025, is
32 produced by a qualified taxpayer that is either of the following:

33 (I) More than 50 percent owned, directly or indirectly, by the
34 same owner or owners of the soundstage or soundstages that is
35 part of a certified studio construction project on which the
36 production is filmed.

37 (II) Entered into a contract or lease of 10 years or more with
38 the owner or owners of a certified studio construction project on
39 which the production is filmed.

1 (iv) Provides a diversity workplan that is approved by the
2 California Film Commission.

3 (C) For purposes of this subdivision, a qualified taxpayer and
4 a taxpayer include a passthrough entity and a disregarded entity.

5 (3) (A) The diversity workplan required pursuant to clause (iv)
6 of subparagraph (B) of paragraph (2) shall include all of the
7 following:

8 (i) A statement of the diversity goals the motion picture will
9 seek to achieve in terms of qualified wages paid by race, ethnicity,
10 gender, and disability status.

11 (ii) A statement of the diversity goals the motion picture will
12 seek to achieve for individuals whose wages are excluded from
13 qualified wages as set forth in clause (iv) of subparagraph (B) of
14 paragraph (21) of subdivision (b), with respect to both
15 compensation and to the representation of diversity in the creative
16 aspects of the motion picture.

17 (iii) A plan of what strategies the motion picture will employ
18 to achieve the goals in clauses (i) and (ii).

19 (B) The diversity workplan shall include goals that are broadly
20 reflective of California's population, in terms of race, ethnicity,
21 gender, and disability status.

22 (C) The California Film Commission shall approve or reject the
23 diversity workplan of an applicant, to the extent allowed by federal
24 and state law.

25 (D) (i) The California Film Commission shall not certify any
26 tax credit under this subdivision until they have received a final
27 diversity report from the qualified motion picture applicant.

28 (ii) The final diversity report shall calculate and provide
29 evidence for the extent to which the applicant met the diversity
30 goals laid out in their diversity workplan.

31 (iii) The California Film Commission shall have the authority
32 to audit the final diversity report to determine if the diversity goals
33 set forth in the applicant's diversity workplan for the motion picture
34 production were achieved.

35 (iv) If the California Film Commission determines that the
36 qualified motion picture applicant has met or made a good faith
37 effort to meet the diversity goals in its diversity workplan, the
38 applicant's credit percentage described in paragraph (1) shall be
39 increased by up to four percentage points as follows:

(I) By two percentage points if the California Film Commission determines that the applicant has met or made a good faith effort to meet the diversity goals with respect to the diversity of the workforce employed by the applicant in its diversity workplan statement.

(II) By two percentage points if the California Film Commission determines that the applicant has met or made a good faith effort to meet the diversity goals with respect to individuals whose wages are excluded from qualified wages as set forth in clause (iv) of subparagraph (B) of paragraph (21) of subdivision (b), in its diversity workplan statement.

(E) The California Film Commission, in consultation with the Governor's Office of Business and Economic Development, shall establish guidelines to evaluate diversity workplans as described in this paragraph. The guidelines shall be posted on the California Film Commission's internet website.

(4) The credit allowed under this subdivision shall be administered in accordance with subdivisions (a), (b), (c), (d), (h), and (l), except that paragraph (1) of subdivision (a) shall not apply, paragraph (7) of subdivision (b) shall not apply, and paragraph (2) of subdivision (d) shall not apply.

(5) Subparagraph (A) of paragraph (2), subparagraphs (A), (B), and (C) of paragraph (3), and paragraphs (4), (5), and (6) of subdivision (g) shall apply.

(6) A conflict between this subdivision and any other subdivisions in this section shall be reconciled in favor of this subdivision.

(7) The aggregate amount of credit allocated by the California Film Commission pursuant to subdivisions (a) to (j), inclusive, of this section and Section 23698 shall not be reduced by the tax credit allowed pursuant to this subdivision. The amount of credit allowed by this subdivision shall not be limited by subdivision (i).

(8) (A) The credit allocated pursuant to this subdivision shall be allowed for the taxable year in which the California Film Commission issues a credit certificate in accordance with the procedures provided for in subdivision (g) for the qualified motion picture. The California Film Commission shall issue a credit certificate to a qualified taxpayer upon completion of the qualified motion picture reflecting the credit amount allocated after qualified expenditures have been verified.

(B) The California Film Commission, commencing with fiscal year 2021–22, shall allocate tax credits each year to qualified motion pictures meeting the criteria of this subdivision. The total amount of credits that may be allocated under this subdivision is one hundred fifty million dollars (\$150,000,000). For taxable years beginning before January 1, 2025, the amount of credit that may be allocated to a qualified motion picture under this subdivision shall not exceed the greater of twelve million dollars (\$12,000,000), or seven hundred fifty thousand dollars (\$750,000) per episode, for a season of a television series. For taxable years beginning on or after January 1, 2025, the amount of credit that may be allocated to a qualified motion picture under this subdivision shall not exceed the greater of twenty-one million dollars (\$21,000,000), or one million three hundred thousand dollars (\$1,300,000) per episode, for a season of a television series. Recurring television series receiving an initial allocation under this subdivision shall be allocated for subsequent seasons no more than allowed under this paragraph.

(C) In any year the tax credits under this paragraph have been allocated by the California Film Commission, a qualified motion picture or a recurring television series that satisfies the criteria of this subdivision, but have not received an allocation of credits, may apply to receive an allocation of credits pursuant to subdivision (i).

(D) A qualified motion picture that satisfies the criteria of this subdivision, other than a recurring television series described in subparagraph (E) of this paragraph, that does not receive a credit allocation under this subdivision because the total amount of credits authorized for the program in subparagraph (B) has been allocated or the qualified motion picture commenced production during the sixth year the certified studio construction project has been certified by the California Film Commission, or any year thereafter, may apply for a credit allocation under subdivisions (a) through (j), inclusive, subject to the jobs ratio enhancement in subclause (II) of clause (iv) of subparagraph (D) of paragraph (2) of subdivision (g).

(E) A recurring television series that satisfies the criteria of this subdivision and that is no longer eligible for a credit allocation under this subdivision for a reason described in subparagraph (D) shall receive a credit allocation under subdivisions (a) through (j),

1 inclusive, pursuant to clause (v) of subparagraph (D) of paragraph
2 (2) of subdivision (g).

3 (F) Credits shall be allocated based on the assumption that the
4 motion picture meets the diversity criteria specified in clause (iv)
5 of subparagraph (D) of paragraph (3).

6 (G) If any successor tax credit program that modifies or replaces
7 the program specified in subdivisions (a) through (j), inclusive, of
8 this section or Section 23698 is enacted, both of the following shall
9 apply:

10 (i) A qualified motion picture described in subparagraph (D)
11 may apply to receive an allocation of credits under the successor
12 program.

13 (ii) A recurring television series described in subparagraph (E)
14 shall receive an allocation of credits under the successor program.

15 (9) A qualified motion picture meeting the requirements of this
16 subdivision that receives a credit allocation during the five-year
17 period the certified studio construction project is certified by the
18 California Film Commission shall be allowed a credit under this
19 subdivision for subsequent seasons for the life of that recurring
20 television series as long as the qualified motion picture continues
21 to satisfy the criteria of this subdivision and to the extent the total
22 credit amount the California Film Commission is permitted to
23 allocate pursuant to subparagraph (B) of paragraph (8) has not
24 previously been allocated.

25 (10) Within six months of the effective date of this subdivision,
26 the California Film Commission shall:

27 (A) Establish procedures to certify a certified studio construction
28 project.

29 (B) Establish procedures to verify a qualified motion picture
30 has met the criteria established in this section for filming in a
31 certified studio construction project facility. That procedure shall
32 include a requirement that the qualified motion picture pay 0.5
33 percent of the approved credit amount to the Career Pathways
34 Training program specified in subdivision (e).

35 (C) (i) Implementation of this subdivision for the 2023–24
36 fiscal year is deemed an emergency and necessary for the
37 immediate preservation of the public peace, health, and safety, or
38 general welfare and, therefore, the California Film Commission
39 is hereby authorized to adopt emergency regulations to implement
40 this subdivision during the 2023–24 fiscal year in accordance with

1 the rulemaking provisions of the Administrative Procedure Act
2 (Chapter 3.5 (commencing with Section 11340) of Part 1 of
3 Division 3 of Title 2 of the Government Code).

4 (ii) The California Film Commission shall adopt regulations in
5 order to implement this paragraph.

6 (iii) The California Film Commission shall not be required to
7 prepare an economic impact analysis pursuant to the Administrative
8 Procedure Act (Chapter 3.5 (commencing with Section 11340) of
9 Part 1 of Division 3 of Title 2 of the Government Code) with regard
10 to any rules and regulations adopted pursuant to this subdivision.

11 (11) In the case where the credit allowed by this subdivision
12 exceeds the taxpayer's tax liability computed under this part, the
13 excess credit may be carried over to reduce the "net tax" in the
14 following taxable year, and succeeding eight taxable years, if
15 necessary, until the credit has been exhausted.

16 (12) Upon completion of construction or renovation of the
17 soundstage or soundstages, the certified studio construction project
18 applicant shall certify to the California Film Commission that all
19 contractors and subcontractors performing construction work on
20 the soundstage or soundstages were required to use a skilled and
21 trained workforce to perform such work in accordance with
22 subdivision (b) of Section 17053.99.

23 (13) (A) Upon completion of construction or renovation of the
24 soundstage or soundstages, the soundstage or soundstages shall
25 be continuously operated, maintained, and repaired by any of the
26 following:

27 (i) A workforce that is paid at least the general prevailing rate
28 of per diem wages for the type of work and geographic area, as
29 determined by the Director of Industrial Relations pursuant to
30 Sections 1773 and 1773.9 of the Labor Code, if such services are
31 performed by a workforce that is employed directly, or indirectly
32 through a motion picture payroll services company, by the owner
33 or affiliate of the owner of the soundstage or lessee of the
34 soundstage described in subclause (II) of clause (iii) of
35 subparagraph (B) of paragraph (2) of this subdivision.

36 (ii) A skilled and trained workforce as defined in Chapter 2.9
37 (commencing with Section 2600) of Part 1 of Division 2 of the
38 Public Contract Code, if such services are provided by third-party
39 vendors.

(B) Each year following completion of construction or renovation of the soundstage or soundstages that a qualified motion picture is allocated a tax credit pursuant to this subdivision, the certified studio construction project applicant shall certify to the California Film Commission both of the following:

(i) The total amount of payments to third-party vendors or qualified wages for operation, maintenance, and repair of the certified soundstage.

(ii) The amount and percentage of the total amount of payments to third-party vendors or qualified wages for operation, maintenance, and repair of the certified soundstage performed by each workforce described in subparagraph (A).

(C) If the percentage paid to workers in clause (i) of subparagraph (A) is certified to be 90 percent of the total amount under clause (i) of subparagraph (B) or greater, the qualified taxpayer shall be entitled to 100 percent of the applicable credit issued under this subdivision for the period. If the percentage paid to workers in clause (i) of subparagraph (A) is certified to be less than 90 percent of the total amount under clause (i) of subparagraph (B) but greater than or equal to 75 percent of the total amount under clause (i) of subparagraph (B), the qualified taxpayer shall be entitled to 50 percent of the applicable credit issued under this subdivision for the period. If the percentage paid to workers in clause (i) of subparagraph (A) is certified to be less than 75 percent of the total amount under clause (i) of subparagraph (B), the qualified taxpayer shall not be entitled to any credit issued under this subdivision for the applicable period.

(14) (A) Except as provided in subparagraph (B), the changes made to this subdivision by the act adding this paragraph shall apply to taxable years beginning on or after January 1, 2023.

(B) The changes made to subparagraphs (A) and (B) of paragraph (2) by the act adding this paragraph shall apply for all taxable years to any certified studio construction project that has been certified, and any qualified motion picture that has been allocated a credit, pursuant to this subdivision.

(I) Section 41 shall not apply to the credits allowed by this section.

SEC. 2. Section 17053.98.1 of the Revenue and Taxation Code is amended to read:

1 17053.98.1. (a) (1) For taxable years beginning on or after
2 January 1, 2025, there shall be allowed to a qualified taxpayer a
3 credit against the “net tax,” as defined in Section 17039, subject
4 to a computation and ranking by the California Film Commission
5 in subdivision (g) and the allocation amount categories described
6 in subdivision (i), in an amount equal to 35 or 40 percent,
7 whichever is the applicable credit percentage described in
8 paragraph (4), of the qualified expenditures for the production of
9 a qualified motion picture in California. A credit shall not be
10 allowed under this section for any qualified expenditures for the
11 production of a motion picture in California if a credit has been
12 claimed for those same expenditures under Section 17053.85,
13 17053.95, or 17053.98.

14 (2) Except as otherwise provided in this section, the credit shall
15 be allowed for the taxable year in which the California Film
16 Commission issues the credit certificate pursuant to subdivision
17 (g) for the qualified motion picture, but in no instance prior to July
18 1, 2025, and shall be for the applicable percentage of all qualified
19 expenditures paid or incurred by the qualified taxpayer in all
20 taxable years for that qualified motion picture.

21 (3) (A) The amount of the credit allowed to a qualified taxpayer
22 shall be limited to the amount specified in the credit certificate
23 issued to the qualified taxpayer by the California Film Commission
24 pursuant to subdivision (g).

25 (B) In determining the amount specified in the credit certificate
26 in subparagraph (A), the California Film Commission shall be
27 limited to the following amounts of qualified expenditures for each
28 qualified motion picture:

29 (i) In the case of a feature, up to one hundred *twenty* million
30 dollars ~~(\$100,000,000)~~ *(\$120,000,000)*.

31 (ii) In the case of a miniseries or limited series described in
32 clause (ii) of subparagraph (A) of paragraph (19) of subdivision
33 (b), up to one hundred *twenty* million dollars ~~(\$100,000,000)~~
34 *(\$120,000,000)*.

35 (iii) In the case of a television series described in clause (iii) or
36 clause (v) of subparagraph (A) of paragraph (19) of subdivision
37 (b), up to one hundred *twenty* million dollars ~~(\$100,000,000)~~
38 *(\$120,000,000)* per season.

39 (iv) In the case of an independent film, up to twenty million
40 dollars *(\$20,000,000)*.

1 (4) For purposes of paragraphs (1) and (2), the applicable credit
2 percentage shall be as follows:

3 (A) Thirty-five percent of the qualified expenditures attributable
4 to the production of a qualified motion picture in California,
5 including, but not limited to, a feature or a television series that
6 relocated to California that is in its second or subsequent years of
7 receiving a tax credit allocation pursuant to this section, or Section
8 17053.85, 17053.95, or 17053.98.

9 (B) Forty percent of the qualified expenditures attributable to
10 the production of a qualified motion picture in California where
11 the qualified motion picture is a television series that relocated to
12 California in its first year of receiving a tax credit allocation
13 pursuant to this section.

14 (C) Thirty-five percent of the qualified expenditures attributable
15 to the production of a qualified motion picture that is an
16 independent film.

17 (D) Additional credits shall be allowed for the production of a
18 qualified motion picture which applicable credit percentage is
19 determined pursuant to subparagraph (A), in an aggregate amount
20 not to exceed 5 percent of the qualified expenditures under that
21 subparagraph, as follows:

22 (i) (I) Five percent of qualified expenditures, excluding qualified
23 wages described in subparagraph (E), relating to original
24 photography outside the Los Angeles zone.

25 (II) For purposes of this clause and subparagraph (E):

26 (ia) “Applicable period” means the period that commences with
27 preproduction and ends when original photography concludes. The
28 applicable period includes the time necessary to strike a remote
29 location and return to the Los Angeles zone.

30 (ib) “Los Angeles zone” means the area within a circle 30 miles
31 in radius from Beverly Boulevard and La Cienega Boulevard, Los
32 Angeles, California, and includes Agua Dulce, Castaic, including
33 Castaic Lake, Leo Carrillo State Beach, Ontario International
34 Airport, Piru, and Pomona, including the Los Angeles County
35 Fairgrounds. The Metro-Goldwyn-Mayer, Inc. Conejo Ranch
36 property is within the Los Angeles zone.

37 (ic) “Original photography” includes principal photography and
38 reshooting original footage.

39 (id) “Qualified expenditures relating to original photography
40 outside the Los Angeles zone” means amounts paid or incurred

1 during the applicable period for tangible personal property
2 purchased or leased and used or consumed outside the Los Angeles
3 zone and relating to original photography outside the Los Angeles
4 zone and qualified wages paid for services performed outside the
5 Los Angeles zone and relating to original photography outside the
6 Los Angeles zone.

7 (ii) Five percent of the qualified expenditures relating to
8 qualified visual effects attributable to the production of a qualified
9 motion picture in California.

10 (E) (i) Notwithstanding subparagraph (D), an amount equal to
11 10 percent of qualified wages paid for services performed relating
12 to original photography outside of the Los Angeles zone to
13 qualified individuals who reside in California but outside the Los
14 Angeles zone shall be allowed as an additional credit for the
15 production of a qualified motion picture which applicable credit
16 percentage is determined pursuant to subparagraph (A) or (C).

17 (ii) Notwithstanding subparagraph (D), an amount equal to 5
18 percent of qualified wages paid for services performed relating to
19 original photography outside of the Los Angeles zone to qualified
20 individuals who reside in California but outside the Los Angeles
21 zone shall be allowed as an additional credit for the production of
22 a qualified motion picture which applicable credit percentage is
23 determined pursuant to subparagraph (B).

24 (F) *Notwithstanding subparagraph (D), an amount up to 2*
25 *percent of qualified expenditures, as determined by the California*
26 *Film Commission, for qualified productions that employ trainees*
27 *from a Career Pathways Program pursuant to subparagraph (E)*
28 *of paragraph (10) of subdivision (g).*

29 (b) For purposes of this section:

30 (1) “Ancillary product” means any article for sale to the public
31 that contains a portion of, or any element of, the qualified motion
32 picture.

33 (2) “Budget” means an estimate of all expenses paid or incurred
34 during the production period of a qualified motion picture. It shall
35 be the same budget used by the qualified taxpayer and production
36 company for all qualified motion picture purposes.

37 (3) “Clip use” means a use of any portion of a motion picture,
38 other than the qualified motion picture, used in the qualified motion
39 picture.

1 (4) “Credit certificate” means the certificate issued by the
2 California Film Commission pursuant to subparagraph (D) of
3 paragraph (3) of subdivision (g).

4 (5) “Diversity workplan checklist” means a checklist developed
5 by regulation by the California Film Commission that may include
6 consideration of inclusive hiring above the line, inclusive hiring
7 below the line, equity education, industry capacity building and
8 supplier diversity as part of any diversity workplan.

9 (6) (A) “Employee fringe benefits” means the amount allowable
10 as a deduction under this part to the qualified taxpayer involved
11 in the production of the qualified motion picture, exclusive of any
12 amounts contributed by employees, for any year during the
13 production period with respect to any of the following:

14 (i) Employer contributions under any pension, profit sharing,
15 annuity, or similar plan.

16 (ii) Employer-provided coverage under any accident or health
17 plan for employees.

18 (iii) The employer’s cost of life or disability insurance provided
19 to employees.

20 (B) Any amount treated as wages under clause (i) of
21 subparagraph (A) of paragraph (21) shall not be taken into account
22 under this paragraph.

23 (7) “Independent film” means a motion picture with a minimum
24 budget of one million dollars (\$1,000,000) that is produced by a
25 company that is not publicly traded and publicly traded companies
26 do not own, directly or indirectly, more than ~~25~~ 30 percent of the
27 producing company.

28 (8) “Jobs ratio” means the amount of qualified wages paid to
29 qualified individuals divided by the amount of tax credit, not
30 including any additional credit allowed pursuant to subparagraphs
31 (D) and (E) of paragraph (4) of subdivision (a), as computed by
32 the California Film Commission. For the purposes of the
33 calculation of the jobs ratio only, 70 percent of qualified
34 expenditures for visual effects paid to third-party vendors for work
35 performed in California shall be deemed to be qualified wages
36 paid to a qualified individual.

37 (9) “Licensing” means any grant of rights to distribute the
38 qualified motion picture, in whole or in part.

39 (10) “New use” means any use of a motion picture in a medium
40 other than the medium for which it was initially created.

1 (11) “Pilot for a new television series” means the initial episode
2 produced for a proposed television series.

3 (12) (A) “Postproduction” means the final activities in a
4 qualified motion picture’s production, including editing, foley
5 recording, automatic dialogue replacement, sound editing, scoring,
6 music track recording by musicians and music editing, beginning
7 and end credits, negative cutting, negative processing and
8 duplication, the addition of sound and visual effects, sound mixing,
9 film-to-tape transfers, encoding, and color correction.

10 (B) “Postproduction” does not include the manufacture or
11 shipping of release prints or their equivalent.

12 (13) “Preproduction” means the process of preparation for actual
13 physical production which begins after a qualified motion picture
14 has received a firm agreement of financial commitment, or is
15 greenlit, with, for example, the establishment of a dedicated
16 production office, the hiring of key crew members, and includes,
17 but is not limited to, activities that include location scouting and
18 execution of contracts with vendors of equipment and stage space.

19 (14) “Principal photography” means the phase of production
20 during which the motion picture is actually shot, as distinguished
21 from preproduction and postproduction.

22 (15) “Production period” means the period beginning with
23 preproduction and ending upon completion of postproduction.

24 (16) “Qualified entity” means a personal service corporation as
25 defined in Section 269A(b)(1) of the Internal Revenue Code, a
26 payroll services corporation, or any entity receiving qualified wages
27 with respect to services performed by a qualified individual.

28 (17) “Qualified expenditures” means amounts paid or incurred
29 for tangible personal property purchased or leased, and used, within
30 this state in the production of a qualified motion picture and
31 payments, including qualified wages, for services performed within
32 this state in the production of a qualified motion picture.

33 (18) (A) “Qualified individual” means any individual who
34 performs services during the production period in an activity related
35 to the production of a qualified motion picture.

36 (B) “Qualified individual” shall not include either of the
37 following:

38 (i) Any individual related to the qualified taxpayer as described
39 in subparagraph (A), (B), or (C) of Section 51(i)(1) of the Internal
40 Revenue Code.

1 (ii) Any 5-percent owner, as defined in Section 416(i)(1)(B) of
2 the Internal Revenue Code, of the qualified taxpayer.

3 (19) (A) “Qualified motion picture” means a motion picture
4 that is produced for distribution to the general public, regardless
5 of medium, that is one of the following:

6 (i) A feature with a minimum production budget of one million
7 dollars (\$1,000,000).

8 (ii) A miniseries or limited series consisting of two or more
9 episodes, each longer than 40 minutes of running time, exclusive
10 of commercials, that is produced in California, with a minimum
11 production budget of one million dollars (\$1,000,000) per episode.

12 (iii) An independent film.

13 (iv) A television series that relocated to California.

14 (v) A pilot for a new live action or animated television series
15 that is at least 20 minutes of running time, exclusive of
16 commercials, that is produced in California, and with a minimum
17 production budget of one million dollars (\$1,000,000).

18 (vi) A live action or animated series, averaging across a season
19 at least 20 minutes of running time per episode, exclusive of
20 commercials, that is produced in California, with a minimum
21 production budget of one million dollars (\$1,000,000) per episode.

22 (vii) An animated film that is produced in California, with a
23 minimum production budget of one million dollars (\$1,000,000).

24 (viii) A large-scale competition show, not including traditional
25 reality, game shows, talk shows, or docufollow television
26 programming, that is produced in California, with a minimum
27 production budget of one million dollars (\$1,000,000) per episode.

28 (B) To qualify as a “qualified motion picture,” all of the
29 following conditions shall be satisfied:

30 (i) At least 75 percent of the principal photography days occur
31 wholly in California or 75 percent of the production budget is
32 incurred for payment for services performed within the state and
33 the purchase or rental of property used within the state.

34 (ii) Production of the qualified motion picture is completed
35 within 30 months from the date on which the qualified taxpayer’s
36 application is approved by the California Film Commission. For
37 purposes of this section, a qualified motion picture is “completed”
38 when the process of postproduction has been finished.

1 (iii) The copyright for the motion picture is registered with the
2 United States Copyright Office pursuant to Title 17 of the United
3 States Code.

4 (iv) (I) Except as provided in subclause (II), principal
5 photography of the qualified motion picture commences after the
6 date on which the application is approved by the California Film
7 Commission, but no later than 180 days after the date of that
8 approval if the qualified motion picture has a budget with qualified
9 expenditures of less than one hundred million dollars
10 (\$100,000,000), and no later than 240 days after the date of that
11 approval in the case of a qualified motion picture with a budget
12 of qualified expenditures with at least one hundred million dollars
13 (\$100,000,000), unless death, disability, or disfigurement of the
14 director or of a principal cast member; an act of God, including,
15 but not limited to, fire, flood, earthquake, storm, hurricane, or other
16 natural disaster; terrorist activities; or government sanction has
17 directly prevented a production's ability to begin principal
18 photography within the prescribed 180- or 240-day commencement
19 period.

20 (II) Notwithstanding subclause (I), a production that has not
21 previously received an allocation under this section or Section
22 17053.85, 17053.95, or 17053.98, and that completed principal
23 photography of the previous season more than 48 months prior to
24 the application for a credit allocation under this section, shall be
25 deemed not to have commenced principal photography prior to
26 the date on which the application for an allocation of credit under
27 this section is approved by the California Film Commission.

28 *(III) Notwithstanding subclauses (I) and (II), a television series*
29 *that did not commence principal photography prior to July 1, 2025,*
30 *and applied for but did not receive an allocation under this section*
31 *for its first season filming in California and makes an application*
32 *for allocation of credit for its second season filming in California*
33 *shall be deemed not to have commenced principal photography*
34 *prior to the date on which the application for an allocation of*
35 *credit under this section is approved by the California Film*
36 *Commission.*

37 (v) (I) At least 75 percent of production costs for picture editing
38 and postproduction sound labor and services shall be incurred in
39 California.

1 (II) This requirement shall only apply to a qualified motion
2 picture applying for an allocation of credits under this section
3 pursuant to subparagraph (G) of paragraph (8) of subdivision (k)
4 of Section 17053.98 or Section 23698.

5 (vi) Provides a diversity workplan checklist.

6 (C) For the purposes of subparagraph (A), in computing the
7 total wages paid or incurred for the production of a qualified
8 motion picture, all amounts paid or incurred by all persons or
9 entities that share in the costs of the qualified motion picture shall
10 be aggregated.

11 (D) “Qualified motion picture” shall not include commercial
12 advertising, music videos, a motion picture produced for private
13 noncommercial use, such as weddings, graduations, or as part of
14 an educational course and made by students, a news program,
15 current events or public events program, talk show, game show,
16 sporting event or activity, awards show, telethon or other
17 production that solicits funds, reality television program, except
18 as specified in clause (ix) of subparagraph (A), clip-based
19 programming if more than 50 percent of the content is comprised
20 of licensed footage, documentaries, variety programs, daytime
21 dramas, strip shows, or any production that falls within the
22 recordkeeping requirements of Section 2257 of Title 18 of the
23 United States Code.

24 (20) (A) “Qualified taxpayer” means a taxpayer who has paid
25 or incurred qualified expenditures, participated in the Career
26 Readiness requirement in Section 17053.95, and has been issued
27 a credit certificate by the California Film Commission pursuant
28 to subdivision (g).

29 (B) In the case of any pass-thru entity, the determination of
30 whether a taxpayer is a qualified taxpayer under this section shall
31 be made at the entity level and any credit under this section is not
32 allowed to the pass-thru entity, but shall be passed through to the
33 partners or shareholders in accordance with applicable provisions
34 of Part 10 (commencing with Section 17001) or Part 11
35 (commencing with Section 23001). For purposes of this paragraph,
36 “pass-thru entity” means any entity taxed as a partnership or “S”
37 corporation.

38 (21) “Qualified visual effects” means visual effects where at
39 least 75 percent or a minimum of ten million dollars (\$10,000,000)

1 of the qualified expenditures for the visual effects are paid or
2 incurred in California.

3 (22) (A) “Qualified wages” means all of the following:

4 (i) Any wages subject to withholding under Division 6
5 (commencing with Section 13000) of the Unemployment Insurance
6 Code that were paid or incurred by any taxpayer involved in the
7 production of a qualified motion picture with respect to a qualified
8 individual for services performed on the qualified motion picture
9 production within this state.

10 (ii) The portion of any employee fringe benefits paid or incurred
11 by any taxpayer involved in the production of the qualified motion
12 picture that are properly allocable to qualified wage amounts
13 described in clauses (i), (iii), and (iv).

14 (iii) Any payments made to a qualified entity for services
15 performed in this state by qualified individuals within the meaning
16 of paragraph (17).

17 (iv) Remuneration paid to an independent contractor who is a
18 qualified individual for services performed within this state by that
19 qualified individual.

20 (B) “Qualified wages” shall not include any of the following:

21 (i) Expenses, including wages, related to new use, reuse, clip
22 use, licensing, secondary markets, or residual compensation, or
23 the creation of any ancillary product, including, but not limited to,
24 a soundtrack album, toy, game, trailer, or teaser.

25 (ii) Expenses, including wages, paid or incurred with respect to
26 acquisition, development, turnaround, or any rights thereto.

27 (iii) Expenses, including wages, related to financing, overhead,
28 marketing, promotion, or distribution of a qualified motion picture.

29 (iv) Expenses, including wages, paid per person per qualified
30 motion picture for writers, directors, music directors, music
31 composers, music supervisors, producers, and performers, other
32 than background actors with no scripted lines.

33 (23) (A) “Recurring television allocation amount” means the
34 sum of the base year allocation and the product of all of the
35 following:

36 (i) The base year allocation.

37 (ii) The number of subsequent years.

38 (iii) Three percent.

39 (B) For purposes of this paragraph, the following definitions
40 apply:

1 (i) “Base year allocation” means the amount received by the
2 recurring television series in its fiscal year 2025–26 Credit
3 Allocation Letter or Letters, or if no amounts were reserved in
4 fiscal year 2025–26, in the next fiscal year in which a Credit
5 Allocation Letter or Letters were received.

6 (ii) “The number of subsequent years” means the number of
7 full or partial fiscal years that have elapsed since the fiscal year in
8 which the base year allocation was made.

9 (24) “Recurring television series” means any television series
10 that was previously approved and issued a credit allocation letter
11 under this section.

12 (25) “Residual compensation” means supplemental
13 compensation paid at the time that a motion picture is exhibited
14 through new use, reuse, clip use, or in secondary markets, as
15 distinguished from payments made during production.

16 (26) “Reuse” means any use of a qualified motion picture in the
17 same medium for which it was created, following the initial use
18 in that medium.

19 (27) “Secondary markets” means media in which a qualified
20 motion picture is exhibited following the initial media in which it
21 is exhibited.

22 (28) “Television series that relocated to California” means a
23 television series, without regard to episode length or initial media
24 exhibition, with a minimum production budget of one million
25 dollars (\$1,000,000) per episode, that filmed at least 75 percent of
26 principal photography days in its most recent season outside of
27 California or has filmed all seasons outside of California and for
28 which the taxpayer certifies that the credit provided pursuant to
29 this section is the primary reason for relocating to California.

30 (c) (1) Notwithstanding any other law, a qualified taxpayer
31 may sell any credit allowed under this section that is attributable
32 to an independent film, as defined in paragraph (7) of subdivision
33 (b), to an unrelated party.

34 (2) The qualified taxpayer shall report to the Franchise Tax
35 Board prior to the sale of the credit, in the form and manner
36 specified by the Franchise Tax Board, all required information
37 regarding the purchase and sale of the credit, including the social
38 security or other taxpayer identification number of the unrelated
39 party to whom the credit has been sold, the face amount of the

1 credit sold, and the amount of consideration received by the
2 qualified taxpayer for the sale of the credit.

3 (3) In the case where the credit allowed under this section
4 exceeds the “net tax,” the excess credit may be carried over to
5 reduce the “net tax” in the following taxable year, and succeeding
6 eight taxable years, if necessary, until the credit has been exhausted.

7 (4) A credit shall not be sold pursuant to this subdivision to
8 more than one taxpayer, nor may the credit be resold by the
9 unrelated party to another taxpayer or other party.

10 (5) A party that has acquired tax credits under this subdivision
11 shall be subject to the requirements of this section.

12 (6) In no event may a qualified taxpayer assign or sell any tax
13 credit to the extent the tax credit allowed by this section is claimed
14 on any tax return of the qualified taxpayer.

15 (7) In the event that both the taxpayer originally allocated a
16 credit under this section by the California Film Commission and
17 a taxpayer to whom the credit has been sold both claim the same
18 amount of credit on their tax returns, the Franchise Tax Board may
19 disallow the credit of either taxpayer, so long as the statute of
20 limitations upon assessment remains open.

21 (8) Chapter 3.5 (commencing with Section 11340) of Part 1 of
22 Division 3 of Title 2 of the Government Code does not apply to
23 any standard, criterion, procedure, determination, rule, notice, or
24 guideline established or issued by the Franchise Tax Board
25 pursuant to this subdivision.

26 (9) Subdivision (g) of Section 17039 shall not apply to any
27 credit sold pursuant to this subdivision.

28 (10) For purposes of this subdivision, the unrelated party or
29 parties that purchase a credit pursuant to this subdivision shall be
30 treated as a qualified taxpayer pursuant to paragraph (1) of
31 subdivision (a).

32 (d) (1) No credit shall be allowed pursuant to this section unless
33 the qualified taxpayer provides the following to the California
34 Film Commission:

35 (A) Identification of each qualified individual.

36 (B) The specific start and end dates of production.

37 (C) The total wages paid.

38 (D) The total amount of qualified wages paid to qualified
39 individuals.

1 (E) Aggregate data for individuals whose wages are excluded
2 from qualified wages by clause (iv) of subparagraph (B) of
3 paragraph (22) of subdivision (b), including their gender, ethnic,
4 and racial makeup.

5 (F) The copyright registration number, as reflected on the
6 certificate of registration issued under the authority of Section 410
7 of Title 17 of the United States Code, relating to registration of
8 claim and issuance of certificate. The registration number shall be
9 provided on the return claiming the credit.

10 (G) The total amounts paid or incurred to purchase or lease
11 tangible personal property used in the production of a qualified
12 motion picture.

13 (H) Information to substantiate its qualified expenditures.

14 (I) Information required by the California Film Commission
15 under regulations promulgated pursuant to subdivision (g)
16 necessary to verify the amount of credit claimed.

17 (J) Data regarding the diversity of the workforce employed by
18 the applicant on the qualified motion picture, as described in
19 subdivision (g).

20 (K) Documentation verifying completion of the Career
21 Readiness requirement.

22 (L) Documentation verifying that the qualified taxpayer paid
23 the Career Pathways Program fee.

24 (2) (A) Based on the information provided in paragraph (1),
25 the California Film Commission shall recompute the jobs ratio
26 previously computed in subdivision (g) and compare this
27 recomputed jobs ratio to the jobs ratio that the qualified taxpayer
28 previously listed on the application submitted pursuant to
29 subdivision (g).

30 (B) (i) If the California Film Commission determines that the
31 jobs ratio has been reduced by more than 10 percent for a qualified
32 motion picture, the California Film Commission shall reduce the
33 amount of credit allowed by an equal percentage, unless the
34 qualified taxpayer demonstrates, and the California Film
35 Commission determines, that reasonable cause exists for the jobs
36 ratio reduction.

37 (ii) If the California Film Commission determines that the jobs
38 ratio has been reduced by more than 20 percent for a qualified
39 motion picture, the California Film Commission shall not accept
40 an application described in subdivision (g) from that qualified

1 taxpayer or any member of the qualified taxpayer's controlled
2 group for a period of not less than one year from the date of that
3 determination, unless the qualified taxpayer demonstrates, and the
4 California Film Commission determines, that reasonable cause
5 exists for the jobs ratio reduction.

6 (C) For the purposes of this paragraph, "reasonable cause"
7 means unforeseen circumstances beyond the control of the qualified
8 taxpayer, such as, but not limited to, the cancellation of a television
9 series prior to the completion of the scheduled number of episodes
10 or other similar circumstances as determined by the California
11 Film Commission in regulations to be adopted pursuant to
12 subdivision (e).

13 (e) (1) (A) Subject to the Administrative Procedure Act
14 (Chapter 3.5 (commencing with Section 11340) of Part 1 of
15 Division 3 of Title 2 of the Government Code), the California Film
16 Commission shall prescribe rules and regulations to carry out the
17 purposes of this section, including, but not limited to, the following:

18 (i) Subparagraph (D) of paragraph (4) of subdivision (a) and
19 clause (iv) of subparagraph (D) of paragraph (2) of subdivision
20 (g).

21 (ii) Any rules and regulations necessary to establish procedures,
22 processes, requirements, and applications.

23 (iii) (I) Continuing a Career Pathways Program established
24 pursuant to subdivision (e) of Sections 17053.98 and ~~23698~~ 23698,
25 *and pursuant to paragraph (10) of subdivision (g) of this section*
26 *and Section 23698.1*, to fund technical skills training for individuals
27 from underserved communities for entry into film and television
28 jobs. The program shall be funded by a fee equal to 0.5 percent of
29 the approved credit amount for a qualified motion picture. The
30 program shall work with nonprofit organizations that have an
31 established record of training and job placement in the
32 entertainment industry, focus on training individuals from
33 traditionally underserved communities, and offer training courses
34 focused on skilled, technical positions that would be eligible for
35 qualified wages if performed on a qualified motion picture as well
36 as administrative- and industry-related technical occupations or
37 soft skills training for the motion picture industry.

38 (II) Notwithstanding subclause (I), independent films are
39 required to pay a fee equal to 0.25 percent of the approved credit
40 amount for a qualified motion picture.

1 (iv) (I) Beginning January 1, 2028, the California Film
2 Commission, in collaboration with labor and industry stakeholders,
3 has the authority to increase the Career Pathways Training program
4 fee by 0.25 percent per year, up to 1 percent of the approved credit
5 amount for a qualified motion picture, based on evaluation of
6 available information, including, but not limited to, the number of
7 jobs available, job growth in the industry, and information included
8 in the annual reports of the Career Pathways Training program
9 required pursuant to paragraph ~~(10)~~ (11) of subdivision (g). The
10 evaluation shall be included in the annual report to the Legislature.

11 (II) Independent films are not subject to an increase to the fee
12 pursuant to subclause (I).

13 (B) Notwithstanding any other law, prior to preparing a notice
14 of proposed action pursuant to Section 11346.4 of the Government
15 Code and prior to making any revision to the proposed regulation
16 other than a change that is nonsubstantial or solely grammatical
17 in nature, the Governor’s Office of Business and Economic
18 Development shall first approve the proposed regulation or
19 proposed change to a proposed regulation regarding allocating the
20 credit pursuant to subdivision (i), computing the jobs ratio as
21 described in subdivisions (d) and (g), and defining “reasonable
22 cause” pursuant to subparagraph (C) of paragraph (2) of subdivision
23 (d).

24 (2) The California Film Commission shall not be required to
25 prepare an economic impact analysis pursuant to the Administrative
26 Procedure Act (Chapter 3.5 (commencing with Section 11340) of
27 Part 1 of Division 3 of Title 2 of the Government Code) with regard
28 to any rules and regulations adopted pursuant to this subdivision.

29 (f) If the qualified taxpayer fails to provide the copyright
30 registration number as required in subparagraph (E) of paragraph
31 (1) of subdivision (d), the credit shall be disallowed and assessed
32 and collected under Section 19051 until the procedures are
33 satisfied.

34 (g) For purposes of this section, the California Film Commission
35 shall do all of the following:

36 (1) Subject to the requirements of subparagraphs (A) to (E),
37 inclusive, of paragraph (2), on or after July 1, 2025, and before
38 July 1, 2030, in four or more allocation periods per fiscal year,
39 allocate tax credits to applicants.

(2) (A) Establish a procedure for applicants to file with the California Film Commission a written application, on a form jointly prescribed by the California Film Commission and the Franchise Tax Board for the allocation of the tax credit. The application shall include, but not be limited to, all of the following information:

(i) The budget for the motion picture production.

(ii) The number of production days.

(iii) A financing plan for the production.

(iv) 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.

(v) The amount of qualified wages the applicant expects to pay to qualified individuals.

(vi) The amount of tax credit the applicant computes the qualified motion picture will receive, applying the applicable credit percentages described in paragraph (4) of subdivision (a).

(vii) A statement establishing that the tax credit described in this section is a significant factor in the applicant's choice of location for the qualified motion picture. The statement shall include information about whether the qualified motion picture is at risk of not being filmed or specify the jurisdiction or jurisdictions in which the qualified motion picture will be located in the absence of the tax credit. The statement shall be signed by an officer or executive of the applicant.

(viii) The applicant's written policy against unlawful harassment, including, but not limited to, sexual harassment, which includes procedures for reporting and investigating harassment claims, a phone number for an individual who will be responsible for receiving harassment claims, and a statement that the company will not retaliate against an individual who reports harassment. The applicant shall also indicate how the policy will be distributed to employees and include a summary of education training resources, including the prohibition against, and prevention and correction of, sexual harassment and remedies available.

(ix) If applicable, summary of the applicant's voluntary programs to increase the representation of minorities and women in the job classifications that are not included in qualified wages as set forth in clause (iv) of subparagraph (B) of paragraph (22) of subdivision (b) and information about how these programs are

publicized to interested parties. The officer or executive referenced in clause (xi) who is signing the statement shall provide additional information about these programs, if needed and upon request, to the California Film Commission.

(x) Any other information deemed relevant by the California Film Commission or the Franchise Tax Board.

(B) Establish criteria, consistent with the requirements of this section, for allocating tax credits.

(C) Determine and designate applicants who meet the requirements of this section.

(D) For purposes of allocating the credit amounts subject to the categories described in subdivision (i) in any fiscal year, the California Film Commission shall do all of the following:

(i) For each allocation date and for each category, list each applicant from highest to lowest according to the jobs ratio as computed by the California Film Commission.

(ii) Subject to the applicable credit percentage, allocate the credit to each applicant according to the highest jobs ratio, working down the list, until the credit amount is exhausted.

(iii) (I) Pursuant to regulations adopted pursuant to subdivision (e), the California Film Commission may increase the jobs ratio by up to 25 percent 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, those factors as, the amount of the production and postproduction spending in California, the ~~utilization~~ employment of scoring musicians in California, and other criteria measuring economic impact in California as determined by the California Film Commission. *The criteria developed by the California Film Commission shall not assess fewer points for the employment of scoring musicians in California than any other category within the jobs ratio bonus.*

(II) For qualified motion pictures that are described in clause (i) of subparagraph (G) of paragraph (8) of subdivision (k) of Section 17053.98 and Section 23698, the jobs ratio shall be equal to the product of the jobs ratio calculated in paragraph (8) of subdivision (b) and 133 percent.

(iv) (I) Notwithstanding any other law, any television series, relocating television series, or any new television series based on a pilot for a new television series that has been approved and issued

1 a credit allocation by the California Film Commission under this
2 section, Section 17053.85, 17053.95, 17053.98, 23685, 23695,
3 23698, or 23698.1 shall be issued a credit for each subsequent
4 season, for the life of that television series whenever credits are
5 allocated within a fiscal year.

6 (II) Notwithstanding subclause (I), a recurring television series
7 that does not request a credit allocation within 18 months from the
8 date of completion of principal photography of the previous season
9 is deemed to have waived the credit allocation guarantee provided
10 by this clause and must reapply for a credit allocation. The
11 California Film Commission may by regulation determine the
12 appropriate priority to be given in a reapplication process for a
13 recurring series reapplying pursuant to this subclause.

14 (III) The California Film Commission shall limit the amount of
15 credits any recurring television series, including a recurring
16 television series under subdivision (k) of Section 17053.98,
17 receives in a subsequent season to no more than the recurring
18 television allocation amount.

19 (IV) In the event that insufficient tax credits are available to
20 fund all recurring television series pursuant to this clause for any
21 fiscal year or in the event the California Film Commission projects,
22 in collaboration with the Department of Finance, that there will
23 be insufficient tax credits available to fund all recurring television
24 series in either of the subsequent two fiscal years, the California
25 Film Commission shall make the following adjustments in the
26 order given until the shortfall, or any projected shortfall for the
27 two subsequent fiscal years, for recurring television series is
28 eliminated:

29 (V) (ia) Notwithstanding clause (iii) of subparagraph (A) of
30 paragraph (2) of subdivision (i), the California Film Commission
31 may redirect up to 100 percent of the credit amounts allocated to
32 the relocating television series category to recurring television
33 series for that fiscal year until the shortfall or projected shortfall
34 is eliminated.

35 (ib) Notwithstanding clause (iv) of subparagraph (A) of
36 paragraph (2) of subdivision (i), the California Film Commission
37 may redirect up to 100 percent of the credit amounts allocated to
38 a new television series to recurring television series for that fiscal
39 year until the shortfall or projected shortfall is eliminated.

1 (ic) Notwithstanding clause (ii) of subparagraph (A) of
2 paragraph (2) of subdivision (i), the California Film Commission
3 may redirect up to 100 percent of the credit allocations from the
4 features category to the recurring television series category for
5 that fiscal year until the shortfall is eliminated.

6 (id) Allocate up to 25 percent of total credit allocations that
7 would otherwise be allocated in the 2029–30 fiscal year to recurring
8 television series in the current fiscal year until the shortfall is
9 eliminated. Any amounts transferred for allocation in the current
10 fiscal year shall be subtracted from the amount allowed to be
11 allocated in the 2029–30 fiscal year as specified in subdivision (i).
12 Notwithstanding paragraph (3), the credit allocations that are
13 subtracted from the 2029–30 fiscal year shall not be certified until
14 July 1, 2030, or later.

15 (ie) The California Film Commission shall consult with the
16 qualified taxpayers who are producing the recurring television
17 series for purposes of negotiating a minimally impactful reduction
18 in the amount of credits awarded to each recurring television series
19 for that fiscal year until the shortfall is eliminated.

20 (E) Subject to the annual cap and the allocation credit amounts
21 based on categories described in subdivision (i), allocate an
22 aggregate amount of credits under this section and Section 23698.1,
23 and allocate any carryover of unallocated or unused credits from
24 prior years and Sections 17053.85, 17053.95, 17053.98, 23685,
25 23695, and 23698 and the amount of any credits reduced pursuant
26 to paragraph (2) of subdivision (d).

27 (3) Certify tax credits allocated to qualified taxpayers and do
28 all of the following:

29 (A) Establish a verification procedure to do both of the
30 following:

31 (i) Update the information in subparagraph (A) of paragraph
32 (2) of subdivision (g), including, but not limited to, the amounts
33 of qualified expenditures paid or incurred by the applicant.

34 (ii) Ensure that the final safety evaluation report required
35 pursuant to Section 9152 of the Labor Code has been submitted.

36 (B) Establish audit requirements that shall be satisfied before a
37 credit certificate may be issued by the California Film Commission.

38 (C) Issue a credit certificate to a qualified taxpayer upon
39 completion of the qualified motion picture reflecting the credit
40 amount allocated after qualified expenditures have been verified

1 and the jobs ratio computed under this section. The amount of
2 credit shown on the credit certificate shall not exceed the amount
3 of credit allocated to that qualified taxpayer pursuant to this section.

4 (D) (i) Notwithstanding any other law, the California Film
5 Commission shall certify a credit amount equal to 96 percent of
6 the total credit allocated to the qualified taxpayer, unless the
7 qualified taxpayer chooses to submit a diversity workplan and the
8 California Film Commission determines that the qualified taxpayer
9 has met or made a good-faith effort to meet the diversity goals in
10 its diversity workplan, pursuant to clause (ii).

11 (ii) The California Film Commission shall certify an additional
12 credit amount equal to 4 percent of the total credit allocated to the
13 qualified taxpayer if a qualified taxpayer submits to the California
14 Film Commission, in the form and manner required by the
15 commission, all of the following:

16 (I) A diversity workplan within 30 days after receiving a credit
17 allocation letter. The workplan shall be consistent with the diversity
18 workplan checklist to address diversity and be broadly reflective
19 of California's population in terms of race, ethnicity, gender, and
20 disability status, and shall include all of the following:

21 (ia) A statement of the diversity goals the motion picture will
22 seek to achieve in terms of qualified wages.

23 (ib) A statement of the diversity goals the motion picture will
24 seek to achieve for individuals whose wages are excluded from
25 qualified wages.

26 (ic) A plan of what strategies the motion picture will employ to
27 achieve the goals in this subclause and subclause (II).

28 (id) Other requirements as the California Film Commission
29 shall determine by regulation.

30 (II) An interim assessment on the qualified taxpayer's efforts
31 to meet the diversity workplan prior to the commencement of
32 principal photography. Upon review pursuant to a procedure
33 prescribed in regulations, the California Film Commission shall
34 determine whether the interim assessment indicates that the
35 qualified motion picture is making a good-faith effort to meet the
36 goals of the diversity workplan and shall notify the qualified motion
37 picture of its findings.

38 (III) A final diversity assessment that includes information about
39 how the project met or made a good-faith effort to meet the
40 diversity workplan, including, but not limited to, aggregate data,

1 voluntarily self-reported by individuals whose wages are included
2 in qualified wages and individuals whose wages are excluded from
3 qualified wages, with regard to their race, ethnicity, gender, and
4 disability status.

5 (iii) The California Film Commission, in consultation with the
6 Governor's Office of Business and Economic Development, shall
7 establish guidelines to evaluate diversity workplans as described
8 in this subparagraph. The guidelines shall be posted on the
9 California Film Commission's internet website.

10 (iv) The California Film Commission shall approve or reject
11 the diversity workplan of an applicant, to the extent allowed by
12 federal and state law.

13 (v) This subparagraph shall not apply to an independent film
14 with qualified expenditures of ten million dollars (\$10,000,000)
15 or less.

16 (vi) The requirements of this subparagraph shall not apply to a
17 recurring television series receiving an allocation of credits under
18 this section pursuant to clause (ii) of subparagraph (G) of paragraph
19 (8) of subdivision (k) of Section 17053.98 or Section 23698 and
20 fulfills the diversity workplan and report requirements pursuant
21 to subdivision (k) of Section 17053.98 or Section 23698.

22 (vii) A qualified motion picture described in subparagraph (D)
23 of paragraph (8) of subdivision (k) of Section 17053.98 or Section
24 23698 that applies for an allocation of credits under this section
25 shall be subject to the requirements of this subparagraph and not
26 those of clause (iv) of subparagraph (B) of paragraph (2) of
27 subdivision (k) of Sections 17053.98 and 23698 and paragraph (3)
28 of subdivision (k) of Sections 17053.98 and 23698.

29 (4) Obtain, when possible, the following information from
30 applicants that do not receive an allocation of credit:

31 (A) Whether the qualified motion picture that was the subject
32 of the application was completed.

33 (B) If completed, in which state or foreign jurisdiction was the
34 primary principal photography completed.

35 (C) Whether the applicant received any financial incentives
36 from the state or foreign jurisdiction to make the qualified motion
37 picture in that location.

38 (5) Provide the Legislative Analyst's Office, upon request, any
39 or all application materials or any other materials received from,
40 or submitted by, applicants for which a credit allocation decision

1 has been made, including, but not limited to, applicants that did
2 not receive a credit allocation. Materials provided to the Legislative
3 Analyst's Office shall be in electronic format when available and
4 include, but not be limited to, information provided pursuant to
5 subclauses (I) to (III), inclusive, of clause (ii) of subparagraph (D)
6 of paragraph (3).

7 (6) The information provided to the California Film Commission
8 pursuant to this section shall constitute confidential tax information
9 for purposes of Article 2 (commencing with Section 19542) of
10 Chapter 7 of Part 10.2.

11 (7) (A) Notwithstanding any other law, on or after July 1, 2030,
12 the California Film Commission may allocate, pursuant to this
13 section, any previously allocated credits not certified that have not
14 previously been added to credit amounts available for allocation
15 under this section or a successor section or sections.

16 (B) For purposes of this section, "previously allocated credits
17 not certified" means either of the following:

18 (i) Credits allocated under paragraph (1) for which the qualified
19 taxpayer to which the credit amounts were originally allocated has
20 notified the California Film Commission in writing that the
21 qualified taxpayer will not request certification for the allocated
22 credits.

23 (ii) The difference between the amount of credits allocated under
24 paragraph (1) to a qualified taxpayer and the amount of credits the
25 California Film Commission certified, for that qualified taxpayer.
26 For purposes of calculating the difference, the California Film
27 Commission shall not consider any credit amounts for which the
28 qualified taxpayer notifies the California Film Commission under
29 clause (i).

30 (8) Notwithstanding any other law, on or after July 1, 2030, the
31 California Film Commission may allocate, pursuant to this section,
32 any credit amounts described in subparagraphs (B) and (E) of
33 paragraph (1) of subdivision (i) that have not previously been
34 added to credit amounts available for allocation under this section
35 or a successor section or sections.

36 (9) The California Film Commission shall submit a report to
37 the Legislature, on an annual basis beginning June 30, 2027,
38 containing diversity data provided by the applicants. The report
39 shall contain, in the aggregate and per project, an assessment of
40 whether the diversity workplan goals required by this section were

met for qualified motion pictures that submitted the final assessment to the California Film Commission in the prior fiscal year. The assessment shall contain an account of diversity workplans submitted, interim assessments submitted, and final assessments submitted, as well as which categories of the diversity workplan checklist established pursuant to paragraph (5) of subdivision (b) were included. In the event that a report is required pursuant to paragraph (9) of subdivision (g) of Section 17053.98 and Section 23698 in the same year as a report is required under this paragraph, the reports may be combined into one report. *The California Film Commission shall submit each such assessment to the Legislature in compliance with section 9795 of the Government Code.*

~~(10)~~

(10) (A) The California Film Commission shall expand the number of nonprofit organizations that partner with the Career Pathways program to build upon their ongoing efforts to provide access to the widest cross-section of Californians, including historically disadvantaged and underrepresented individuals seeking training and employment opportunities in motion picture and television production.

(B) (i) The California Film Commission shall establish an application process for career-based nonprofit organizations to obtain approval as a Career Pathways program.

(ii) The application shall be submitted to the California Film Commission's fiscal agent during a request for proposal process initiated by the fiscal agent.

(iii) The first request for proposal process shall be initiated by the California Film Commission or its fiscal agent prior to the first allocation of credits allowed under this section.

(iv) The second request for proposal process shall be initiated by the California Film Commission or its fiscal agent as needed in response to changes in program revenue or training partners, but no later than July 1, 2027.

(v) Subsequent request for proposal processes shall be initiated by the California Film Commission or its fiscal agent as the commission deems necessary.

(C) The California Film Commission shall approve Career Pathways programs. Career Pathways programs shall meet all of the following requirements:

1 (i) Be conducted by a nonprofit organization that has an
2 established record of training and job placement in the
3 entertainment industry.

4 (ii) Be focused on training individuals eighteen (18) years or
5 older from traditionally underserved communities.

6 (iii) Offer training courses focused on one or more of the
7 following:

8 (I) Skilled, technical positions that would be eligible for qualified
9 wages if performed on a qualified motion picture.

10 (II) Administrative- and industry-related technical occupations.

11 (III) Soft skills training for the motion picture industry.

12 (iv) Meet minimum qualifications and standards for high-quality,
13 skill-based training programs, as determined by the California
14 Film Commission through regulations and in consultation with
15 stakeholders.

16 (D) To ensure the Career Pathways program is successful and
17 has a meaningful impact, the California Film Commission and its
18 fiscal agent shall, in addition to the requirements specified in
19 subparagraph (C), consider the following aspects when evaluating
20 applications:

21 (i) Availability of participants.

22 (ii) Fiscal agent administrative resources.

23 (iii) Overlap with the focus areas of currently approved
24 organizations, including but not limited to, industry role focus and
25 student outreach focus.

26 (iv) Specific industry labor needs, as determined by the fiscal
27 agent and based on information provided by industry and labor
28 stakeholders.

29 (E) Before July 1, 2026, the California Film Commission shall
30 develop criteria to incentivize supplemental placement of 1 to 4
31 trainees from the Career Pathways Program per qualified
32 production. The placement of the trainees shall not displace
33 otherwise anticipated or necessary hiring of experienced
34 employees. Trainee wages shall be excluded from a production's
35 qualified wages for purposes of the jobs ratio and incentive
36 calculation.

37 (11) Beginning January 1, 2025, the California Film Commission
38 shall collect information to the extent available and based on data
39 provided by the Career Pathways Training program, about the
40 breakdown of spending by the Career Pathways Program, how

1 participation in the Career Pathways Program by both program
2 partners and participants has changed in comparison to prior years,
3 whether graduates of the program are accessing jobs in the film
4 industry upon completion of the program, what projects the
5 students have worked on, whether those projects received a tax
6 credit, whether students are employed in California or another
7 state, and the aggregated self-reported and voluntarily provided
8 ethnic, racial, gender, and disability status of such individuals. The
9 California Film Commission shall report to the Legislature, in
10 compliance with Section 9795 of the Government Code, and
11 publish on its internet website an annual report about the Career
12 Pathways Training program, with the above information. Such
13 information shall be reported for participants for five years
14 following a participant's completion of the Career Pathways
15 Training program, to the extent the information is available. This
16 paragraph shall be applicable consistent with federal and state law.

17 (h) (1) The California Film Commission shall annually provide
18 the Legislative Analyst's Office, the Franchise Tax Board, and the
19 California Department of Tax and Fee Administration with a list
20 of qualified taxpayers and the tax credit amounts allocated to each
21 qualified taxpayer by the California Film Commission. The list
22 shall include the names and taxpayer identification numbers,
23 including taxpayer identification numbers of each partner or
24 shareholder, as applicable, of the qualified taxpayer.

25 (2) (A) Notwithstanding paragraph (6) of subdivision (g), the
26 California Film Commission shall annually post on its internet
27 website and make available for public release all of the following:

28 (i) A table which includes all of the following information: a
29 list of qualified taxpayers and the tax credit amounts allocated to
30 each qualified taxpayer by the California Film Commission, the
31 number of production days in California the qualified taxpayer
32 represented in its application would occur, the number of California
33 jobs that the qualified taxpayer represented in its application would
34 be directly created by the production, and the total amount of
35 qualified expenditures expected to be spent by the production.

36 (ii) A narrative staff summary describing the production of the
37 qualified taxpayer as well as background information regarding
38 the qualified taxpayer contained in the qualified taxpayer's
39 application for the credit.

1 (iii) The diversity report submitted annually to the Legislature
2 described in paragraph (2) of subdivision (g) organized per
3 production and an aggregate compilation describing the voluntary
4 programs collected pursuant to clause (xiii) of subparagraph (A)
5 of paragraph (2) of subdivision (g).

6 (B) Nothing in this subdivision shall be construed to make the
7 information submitted by an applicant for a tax credit under this
8 section a public record, including for the purposes of the California
9 Public Records Act (Division 10 (commencing with Section
10 7920.000) of Title 1 of the Government Code).

11 (3) The California Film Commission shall provide each city
12 and county in California with an instructional guide that includes,
13 but is not limited to, a review of best practices for facilitating
14 motion picture production in local jurisdictions, resources on
15 hosting and encouraging motion picture production, and the
16 California Film Commission's Model Filming Ordinance. The
17 California Film Commission shall maintain on its internet website
18 a list of initiatives by locality that encourage motion picture
19 production in regions across the state. The list shall be distributed
20 to each approved applicant for the program to highlight local
21 jurisdictions that offer incentives to facilitate film production.

22 (i) (1) (A) The aggregate amount of credits that may be
23 allocated for a fiscal year pursuant to this section and Section
24 23698.1, except as provided in subdivision (k) of Section 17053.98
25 and subdivision (k) of Section 23698, is three hundred thirty
26 million dollars (\$330,000,000), plus any amount described in
27 subparagraph (B), (C), (D), or (E) in credits for the 2025–26 fiscal
28 year and each fiscal year thereafter, through and including the
29 2029–30 fiscal year, except as provided in paragraph (7) of
30 subdivision (g).

31 (B) (i) Subject to clauses (ii) and (iii), the unused allocation
32 credit amount, if any, for the preceding fiscal year.

33 (ii) The amount of unused credit allocation attributable to
34 independent films shall only be allocated according to clause (i)
35 of subparagraph (A) of paragraph (2).

36 (iii) The total amount of any unused credit allocation amount
37 that is remaining shall only be allocated pursuant to clause (iv) of
38 subparagraph (A) of paragraph (2).

39 (C) The amount of previously allocated credits not certified.

1 (D) The amount of any credits reduced pursuant to paragraph
2 (2) of subdivision (d).

3 (E) That portion of any unused allocation credit amount, if any,
4 attributable to Section 17053.85, 17053.95, 17053.98, 23685,
5 23695, or 23698 available for that fiscal year in a manner as
6 determined by regulations promulgated by the California Film
7 Commission.

8 (2) (A) Notwithstanding the foregoing, and subject to paragraph
9 (4) of this subdivision and changes in allocations pursuant to clause
10 (v) of subparagraph (D) of paragraph (2) of subdivision (g), the
11 California Film Commission shall allocate the credit amounts
12 subject to the following categories, but shall have discretion to
13 reallocate up to ~~40~~ 30 percent of the funds within any category
14 amongst the remaining categories to maximize the amount of total
15 credits allocated:

16 (i) Independent films with qualified expenditures of ten million
17 dollars (\$10,000,000) or less shall be allocated 5 percent of the
18 amount specified in paragraph (1). Independent films with qualified
19 expenditures in excess of ten million dollars (\$10,000,000) shall
20 be allocated 5 percent of the amount specified in paragraph (1).
21 These amounts shall be in addition to any unused allocation credit
22 amount, if any, for the preceding fiscal year as described in
23 subparagraph (B) of paragraph (1).

24 (ii) Features and animated films shall be allocated 35 percent
25 of the amount specified in paragraph (1).

26 (iii) A relocating television series shall be allocated 15 percent
27 of the amount specified in paragraph (1).

28 (iv) A television series described in clause (ii), (v), (vi), or (viii)
29 of subparagraph (A) of paragraph (19) of subdivision (b) and a
30 recurring television series shall be allocated 40 percent of the
31 amount specified in paragraph (1), plus any unused allocation
32 credit amount, if any, for the preceding fiscal year as described in
33 subparagraph (B) of paragraph (1).

34 (B) Within any allocation period for credits to a relocating
35 television series, any unused amount shall be reallocated to the
36 category described in clause (iv) of subparagraph (A) and, if any
37 unused amount remains, reallocated in the next allocation period
38 for credits to a relocating television series.

39 (C) With respect to a relocating television series issued a credit
40 in a subsequent year pursuant to clause (v) of subparagraph (D)

1 of paragraph (2) of subdivision (g), that subsequent credit amount
2 shall be allowed from the allocation amount described in clause
3 (iv) of subparagraph (A).

4 (3) Any act that reduces the amount that may be allocated
5 pursuant to paragraph (1) constitutes a change in state taxes for
6 the purpose of increasing revenues within the meaning of Section
7 3 of Article XIII A of the California Constitution and may be passed
8 by not less than two-thirds of all Members elected to each of the
9 two houses of the Legislature.

10 (4) A qualified motion picture, as defined in subdivision (k) of
11 Sections 17053.98 and 23698, shall not be eligible for an allocation
12 under subdivisions (a) to (j), inclusive, if it receives a credit under
13 subdivision (k) of Section 17053.98 or Section 23698 during that
14 fiscal year.

15 (j) The California Film Commission shall have the authority to
16 allocate tax credits in accordance with this section and in
17 accordance with any regulations prescribed pursuant to subdivision
18 (e) upon adoption.

19 (k) (1) A qualified taxpayer may make a one-time election to
20 be paid a refund for each taxable year of the refundable period,
21 not to exceed the annual refundable amount.

22 (2) For purposes of this subdivision, the following definitions
23 shall apply:

24 (A) “Annual refundable amount” means 20 percent of the total
25 refundable amount.

26 (B) (i) “Credit amount” means the credit amount specified in
27 the credit certificate issued to the qualified taxpayer by the
28 California Film Commission pursuant to subdivision (g).

29 (ii) In the case of a pass-thru entity, the “credit amount”
30 described in paragraphs (2) and (3) means the pro rata share or
31 distributive share of the credit passed through to the partner or
32 shareholder of the qualified taxpayer. For purposes of this
33 subclause, the term “pass-thru entity” means any partnership, “S”
34 corporation, or limited liability company treated as a partnership.

35 (iii) In the case of an assigned credit, the “credit amount” means
36 the credit amount that was assigned to the taxpayer.

37 (C) “Refundable period” means the first taxable year that the
38 credit certificate is issued to the qualified taxpayer by the California
39 Film Commission pursuant to subdivision (g), and the succeeding
40 four taxable years.

(D) “Total refundable amount” means 100 percent of the credit amount that exceeds the “net tax” in the first taxable year of the refundable period.

(3) The refund shall be computed as follows:

(A) (i) In the first taxable year of the refundable period, the credit amount shall be allowed against the “net tax” computed under this part for the taxable year.

(ii) If the credit allowed by this section exceeds the “net tax” in the first taxable year of the refundable period, the annual refundable amount shall be refunded to the qualified taxpayer.

(B) (i) In each taxable year after the first taxable year of the refundable period, the annual refundable amount shall be allowed as a credit against the “net tax” computed under this part for the taxable year, and the excess, if any, shall be refunded to the qualified taxpayer.

(ii) If the qualified taxpayer’s tax liability for the taxable year exceeds the annual refundable amount, only the annual refundable amount shall be allowed as a credit against the qualified taxpayer’s “net tax.”

(4) (A) In the first taxable year of the refundable period, the total refundable amount, less the annual refundable amount, shall be carried over to the succeeding taxable year.

(B) In each taxable year other than first taxable year of refundable period, the total refundable amount, less the annual refundable amount allowed against the qualified taxpayer’s “net tax” or refunded in the current and prior taxable years in the refundable period, shall be carried over to the next succeeding year of the refundable period.

(C) Notwithstanding paragraph (3) of subdivision (c), if an election is made pursuant to this subdivision, no amount of credit shall be allowed after the refundable period.

(5) Any refund pursuant to this subdivision shall be credited against other amounts due, if any, and the balance, if any, shall be paid from the Tax Relief and Refund Account and refunded to the qualified taxpayer upon their election.

(6) An election made pursuant to this subdivision shall be irrevocable and shall be made on an original, timely filed return required under Part 10.2 (commencing with Section 18401) for the taxable year that the credit certificate is issued in the form and manner as prescribed by the Franchise Tax Board.

1 (7) A taxpayer that purchases a credit pursuant to subdivision
2 (c) cannot elect to be paid a refund pursuant to this subdivision.

3 (I) For the purposes of complying with Section 41 with respect
4 to this section and Section 23698.1 the Legislature finds and
5 declares all of the following:

6 (1) The specific goals, purposes, and objectives that the credits
7 allowed by this section and Section 23698.1 will achieve include
8 all of the following:

9 (A) To maintain and expand motion picture and television
10 productions, and the quality of the jobs they provide, in California.

11 (B) To keep California's Film Tax Credit competitive with
12 production incentives offered by other states and other countries.

13 (C) To increase the competitiveness of the tax credits allowed
14 by this section and Section 23698.1 relative to previous California
15 motion picture tax credit programs authorized by Sections
16 17053.85, 17053.95, 17053.98, 23685, 23695, and 23698 by
17 allowing the tax credit to be refundable.

18 (2) The performance indicators for the Legislature to use in
19 determining if the credits accomplish the specific goals, purposes,
20 and objectives may include, but are not limited to, all of the
21 following:

22 (A) The number and types of productions that apply for the tax
23 credits allowed by this section and Section 23698.1.

24 (B) The total amount of credit allocations applied for under this
25 section and Section 23698.1.

26 (C) The total amount of credits allocated under this section and
27 Section 23698.1.

28 (D) The total amount of credits certified as eligible to be claimed
29 on a tax return under this section and Section 23698.1.

30 (E) The number of jobs included in the budgets of productions
31 receiving the tax credits allocated by this section and Section
32 23698.1.

33 (F) The number of productions relocating from another state or
34 country to California and receive the tax credits allocated by this
35 section and Section 23698.1.

36 (G) A comparison of the performance indicators specified in
37 paragraphs (1) to (6), inclusive, with results from California motion
38 picture tax credit programs authorized by Sections 17053.85,
39 17053.95, 17053.98, 23685, 23695, and 23698.

(H) The total amount of credits allocated by this section and Section 23698.1 that are claimed as a refund on a tax return.

(3) On or before May 1, 2028, the Legislative Analyst's Office shall provide to the Assembly Committee on Revenue and Taxation, the Senate Committee on Governance and Finance, and the public a report evaluating the effectiveness of the tax credits allowed by this section and Section 23698.1 in achieving the metrics outlined in subdivision (a), including an assessment of the refundability of the tax credit in achieving those metrics. In researching the reports, the Legislative Analyst's Office may do all of the following:

(A) Request and receive all information of California Film Commission applicants for which a credit allocation decision has been made, including, but not limited to, applicants that did not receive a credit allocation, provided to the California Film Commission pursuant to subdivision (g) of this section and Sections 17053.95, 17053.98, 23695, 23698, and 23698.1.

(B) Request and receive all information provided to the Franchise Tax Board relating to the sale or assignment of credits pursuant to subdivision (c) of this section and Sections 17053.95, 17053.98, 23695, 23698, and 23698.1.

(C) Request and receive all information provided to the California Department of Tax and Fee Administration pursuant to subdivisions (c) and (g) of Section 6902.5.

(4) Notwithstanding Section 19542, the California Film Commission, the California Department of Tax and Fee Administration, the Franchise Tax Board, the Employment Development Department, and all other relevant state agencies shall provide additional information, as requested by the Legislative Analyst's Office, as necessary to research the report required by this subdivision.

(5) (A) The information received by the Legislative Analyst's Office pursuant to this section shall be considered confidential taxpayer information subject to Sections 7056, 7056.5, and 19542 of this code and Section 1094 of the Unemployment Insurance Code, and shall be subject to the appropriate confidentiality requirements of the participating state agency.

(B) The Legislative Analyst's Office may publish statistics in conjunction with the reports required by this section that are derived from information provided to the Legislative Analyst's

1 Office pursuant to this section, if the published statistics are
2 classified to prevent the identification of particular taxpayers,
3 reports, and tax returns and the publication of the percentage of
4 dividends paid by a corporation that is deductible by the recipient
5 under Part 11 (commencing with Section 23001) of Division 2.

6 SEC. 3. Section 23698 of the Revenue and Taxation Code is
7 amended to read:

8 23698. (a) (1) For taxable years beginning on or after January
9 1, 2020, there shall be allowed to a qualified taxpayer a credit
10 against the “tax,” as defined in Section 23036, subject to a
11 computation and ranking by the California Film Commission in
12 subdivision (g) and the allocation amount categories described in
13 subdivision (i), in an amount equal to 20 percent or 25 percent,
14 whichever is the applicable credit percentage described in
15 paragraph (4), of the qualified expenditures for the production of
16 a qualified motion picture in California. A credit shall not be
17 allowed under this section for any qualified expenditures for the
18 production of a motion picture in California if a credit has been
19 claimed for those same expenditures under Section 23685 or 23695.

20 (2) Except as otherwise provided in this section, the credit shall
21 be allowed for the taxable year in which the California Film
22 Commission issues the credit certificate pursuant to subdivision
23 (g) for the qualified motion picture, but in no instance prior to July
24 1, 2020, and shall be for the applicable percentage of all qualified
25 expenditures paid or incurred by the qualified taxpayer in all
26 taxable years for that qualified motion picture.

27 (3) (A) The amount of the credit allowed to a qualified taxpayer
28 shall be limited to the amount specified in the credit certificate
29 issued to the qualified taxpayer by the California Film Commission
30 pursuant to subdivision (g).

31 (B) In determining the amount specified in the credit certificate
32 in subparagraph (A), the California Film Commission shall be
33 limited to the following amounts of qualified expenditures for each
34 qualified motion picture:

35 (i) (I) In the case of a feature, up to one hundred million dollars
36 (\$100,000,000).

37 (II) *Notwithstanding subclause (I), for taxable years beginning*
38 *on or after January 1, 2025, and only for purposes of the credit*
39 *allowed in subdivision (k), in the case of a feature, up to one*
40 *hundred twenty million dollars (\$120,000,000).*

(ii) (I) In the case of a miniseries described in clause (ii) of subparagraph (A) of paragraph (18) of subdivision (b), up to one hundred million dollars (\$100,000,000).

(II) *Notwithstanding subclause (I), for taxable years beginning on or after January 1, 2025, and only for purposes of the credit allowed in subdivision (k), in the case of a miniseries described in clause (ii) of subparagraph (A) of paragraph (18) of subdivision (b), up to one hundred twenty million dollars (\$120,000,000).*

(iii) (I) In the case of a television series described in clause (iii) or clause (v) of subparagraph (A) of paragraph (18) of subdivision (b), up to one hundred million dollars (\$100,000,000) per season.

(II) *Notwithstanding subclause (I), for taxable years beginning on or after January 1, 2025, and only for purposes of the credit allowed in subdivision (k), in the case of a television series described in clause (iii) or clause (v) of subparagraph (A) of paragraph (18) of subdivision (b), up to one hundred twenty million dollars (\$120,000,000).*

(iv) In the case of an independent film, up to ten million dollars (\$10,000,000).

(4) For purposes of paragraphs (1) and (2), the applicable credit percentage shall be:

(A) Twenty percent of the qualified expenditures attributable to the production of a qualified motion picture in California, including, but not limited to, a feature or a television series that relocated to California that is in its second or subsequent years of receiving a tax credit allocation pursuant to this section, Section 23685, or Section 23695.

(B) Twenty-five percent 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.

(C) Twenty-five percent of the qualified expenditures attributable to the production of a qualified motion picture that is an independent film.

(D) Additional credits shall be allowed for the production of a qualified motion picture whose applicable credit percentage is determined pursuant to subparagraph (A), in an aggregate amount not to exceed 5 percent of the qualified expenditures under that subparagraph, as follows:

1 (i) (I) Five percent of qualified expenditures, excluding qualified
2 wages described in subparagraph (E), relating to original
3 photography outside the Los Angeles zone.

4 (II) For purposes of this clause and subparagraph (E):

5 (ia) “Applicable period” means the period that commences with
6 preproduction and ends when original photography concludes. The
7 applicable period includes the time necessary to strike a remote
8 location and return to the Los Angeles zone.

9 (ib) “Los Angeles zone” means the area within a circle 30 miles
10 in radius from Beverly Boulevard and La Cienega Boulevard, Los
11 Angeles, California, and includes Agua Dulce, Castaic, including
12 Castaic Lake, Leo Carrillo State Beach, Ontario International
13 Airport, Piru, and Pomona, including the Los Angeles County
14 Fairgrounds. The Metro-Goldwyn-Mayer, Inc. Conejo Ranch
15 property is within the Los Angeles zone.

16 (ic) “Original photography” includes principal photography and
17 reshooting original footage.

18 (id) “Qualified expenditures relating to original photography
19 outside the Los Angeles zone” means amounts paid or incurred
20 during the applicable period for tangible personal property
21 purchased or leased and used or consumed outside the Los Angeles
22 zone and relating to original photography outside the Los Angeles
23 zone and qualified wages paid for services performed outside the
24 Los Angeles zone and relating to original photography outside the
25 Los Angeles zone.

26 (ii) Five percent of the qualified expenditures relating to
27 qualified visual effects attributable to the production of a qualified
28 motion picture in California.

29 (E) (i) Notwithstanding subparagraph (D), an amount equal to
30 10 percent of qualified wages paid for services performed relating
31 to original photography outside of the Los Angeles zone to
32 qualified individuals who reside in California but outside the Los
33 Angeles zone shall be allowed as an additional credit for the
34 production of a qualified motion picture whose applicable credit
35 percentage is determined pursuant to subparagraph (A).

36 (ii) Notwithstanding subparagraph (D), an amount equal to 5
37 percent of qualified wages paid for services performed relating to
38 original photography outside of the Los Angeles zone to qualified
39 individuals who reside in California but outside the Los Angeles
40 zone shall be allowed as an additional credit for the production of

1 a qualified motion picture whose applicable credit percentage is
2 determined pursuant to subparagraph (B) or (C).

3 (b) For purposes of this section:

4 (1) “Ancillary product” means any article for sale to the public
5 that contains a portion of, or any element of, the qualified motion
6 picture.

7 (2) “Budget” means an estimate of all expenses paid or incurred
8 during the production period of a qualified motion picture. It shall
9 be the same budget used by the qualified taxpayer and production
10 company for all qualified motion picture purposes.

11 (3) “Clip use” means a use of any portion of a motion picture,
12 other than the qualified motion picture, used in the qualified motion
13 picture.

14 (4) “Credit certificate” means the certificate issued by the
15 California Film Commission pursuant to subparagraph (D) of
16 paragraph (3) of subdivision (g).

17 (5) (A) “Employee fringe benefits” means the amount allowable
18 as a deduction under this part to the qualified taxpayer involved
19 in the production of the qualified motion picture, exclusive of any
20 amounts contributed by employees, for any year during the
21 production period with respect to any of the following:

22 (i) Employer contributions under any pension, profit-sharing,
23 annuity, or similar plan.

24 (ii) Employer-provided coverage under any accident or health
25 plan for employees.

26 (iii) The employer’s cost of life or disability insurance provided
27 to employees.

28 (B) Any amount treated as wages under clause (i) of
29 subparagraph (A) of paragraph (21) shall not be taken into account
30 under this paragraph.

31 (6) (A) “Independent film” means a motion picture with a
32 minimum budget of one million dollars (\$1,000,000) that is
33 produced by a company that is not publicly traded and publicly
34 traded companies do not own, directly or indirectly, more than 25
35 percent of the producing company.

36 (B) *Notwithstanding subparagraph (A), for taxable years*
37 *beginning on or after January 1, 2025, and only for purposes of*
38 *the credit allowed in subdivision (k), a motion picture with a*
39 *minimum budget of one million dollars (\$1,000,000) that is*
40 *produced by a company that is not publicly traded and publicly*

1 *traded companies do not own, directly or indirectly, more than 30*
2 *percent of the producing company.*

3 (7) “Jobs ratio” means the amount of qualified wages paid to
4 qualified individuals divided by the amount of tax credit, not
5 including any additional credit allowed pursuant to subparagraphs
6 (D) and (E) of paragraph (4) of subdivision (a), as computed by
7 the California Film Commission. For the purposes of the
8 calculation of the jobs ratio only, 70 percent of qualified
9 expenditures for visual effects paid to third-party vendors for work
10 performed in California shall be deemed to be qualified wages
11 paid to a qualified individual.

12 (8) “Licensing” means any grant of rights to distribute the
13 qualified motion picture, in whole or in part.

14 (9) “New use” means any use of a motion picture in a medium
15 other than the medium for which it was initially created.

16 (10) “Pilot for a new television series” means the initial episode
17 produced for a proposed television series.

18 (11) (A) “Postproduction” means the final activities in a
19 qualified motion picture’s production, including editing, foley
20 recording, automatic dialogue replacement, sound editing, scoring,
21 music track recording by musicians and music editing, beginning
22 and end credits, negative cutting, negative processing and
23 duplication, the addition of sound and visual effects, sound mixing,
24 film-to-tape transfers, encoding, and color correction.

25 (B) “Postproduction” does not include the manufacture or
26 shipping of release prints or their equivalent.

27 (12) “Preproduction” means the process of preparation for actual
28 physical production which begins after a qualified motion picture
29 has received a firm agreement of financial commitment, or is
30 greenlit, with, for example, the establishment of a dedicated
31 production office, the hiring of key crew members, and includes,
32 but is not limited to, activities that include location scouting and
33 execution of contracts with vendors of equipment and stage space.

34 (13) “Principal photography” means the phase of production
35 during which the motion picture is actually shot, as distinguished
36 from preproduction and postproduction.

37 (14) “Production period” means the period beginning with
38 preproduction and ending upon completion of postproduction.

39 (15) “Qualified entity” means a personal service corporation as
40 defined in Section 269A(b)(1) of the Internal Revenue Code, a

payroll services corporation, or any entity receiving qualified wages with respect to services performed by a qualified individual.

(16) “Qualified expenditures” means amounts paid or incurred for tangible personal property purchased or leased, and used, within this state in the production of a qualified motion picture and payments, including qualified wages, for services performed within this state in the production of a qualified motion picture.

(17) (A) “Qualified individual” means any individual who performs services during the production period in an activity related to the production of a qualified motion picture.

(B) “Qualified individual” shall not include either of the following:

(i) Any individual related to the qualified taxpayer as described in subparagraph (A), (B), or (C) of Section 51(i)(1) of the Internal Revenue Code.

(ii) Any 5-percent owner, as defined in Section 416(i)(1)(B) of the Internal Revenue Code, of the qualified taxpayer.

(18) (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) ~~For taxable years beginning before January 1, 2025, a~~ (I) 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). *For purposes of the credit allowed in subdivision (k), this subclause shall only apply for taxable years beginning before January 1, 2025.*

~~(vii)~~

1 (II) For taxable years beginning on or after January 1, 2025,
2 and only for purposes of the credit allowed in subdivision (k), a
3 pilot for a new live action or animated series that is at least 20
4 minutes of running time, exclusive of commercials, and is produced
5 in California with a minimum production budget of one million
6 dollars (\$1,000,000) per episode.

7 ~~(viii)~~

8 (vii) For taxable years beginning on or after January 1, 2025,
9 and only for purposes of the credit allowed in subdivision (k), a
10 live action or animated series, averaging across a season at least
11 20 minutes of running time per episode, exclusive of commercials,
12 that is produced in California, with a minimum production budget
13 of one million dollars (\$1,000,000) per episode.

14 ~~(ix)~~

15 (viii) For taxable years beginning on or after January 1, 2025,
16 and only for purposes of the credit allowed in subdivision (k), an
17 animated film that is produced in California, with a minimum
18 production budget of one million dollars (\$1,000,000).

19 ~~(x)~~

20 (ix) For taxable years beginning on or after January 1, 2025,
21 and only for purposes of the credit allowed in subdivision (k), a
22 large-scale competition show, not including traditional reality,
23 game shows, talk shows, or docufollow television programming,
24 that is produced in California, with a minimum production budget
25 of one million dollars (\$1,000,000) per episode.

26 (B) To qualify as a “qualified motion picture,” all of the
27 following conditions shall be satisfied:

28 (i) At least 75 percent of the principal photography days occur
29 wholly in California or 75 percent of the production budget is
30 incurred for payment for services performed within the state and
31 the purchase or rental of property used within the state.

32 (ii) Production of the qualified motion picture is completed
33 within 30 months from the date on which the qualified taxpayer’s
34 application is approved by the California Film Commission. For
35 purposes of this section, a qualified motion picture is “completed”
36 when the process of postproduction has been finished.

37 (iii) The copyright for the motion picture is registered with the
38 United States Copyright Office pursuant to Title 17 of the United
39 States Code.

1 (iv) Principal photography of the qualified motion picture
2 commences after the date on which the application is approved by
3 the California Film Commission, but no later than 180 days after
4 the date of that approval if the qualified motion picture has a budget
5 with qualified expenditures of less than one hundred million dollars
6 (\$100,000,000), and no later than 240 days after the date of that
7 approval in the case of a qualified motion picture with a budget
8 of qualified expenditures with at least one hundred million dollars
9 (\$100,000,000), unless death, disability, or disfigurement of the
10 director or of a principal cast member; an act of God, including,
11 but not limited to, fire, flood, earthquake, storm, hurricane, or other
12 natural disaster; terrorist activities; or government sanction has
13 directly prevented a production's ability to begin principal
14 photography within the prescribed 180- or 240-day commencement
15 period.

16 (C) For the purposes of subparagraph (A), in computing the
17 total wages paid or incurred for the production of a qualified
18 motion picture, all amounts paid or incurred by all persons or
19 entities that share in the costs of the qualified motion picture shall
20 be aggregated.

21 (D) "Qualified motion picture" shall not include commercial
22 advertising, music videos, a motion picture produced for private
23 noncommercial use, such as weddings, graduations, or as part of
24 an educational course and made by students, a news program,
25 current events or public events program, talk show, game show,
26 sporting event or activity, awards show, telethon or other
27 production that solicits funds, reality television program, except
28 as specified in clause (ix) of subparagraph (A), clip-based
29 programming if more than 50 percent of the content is comprised
30 of licensed footage, documentaries, variety programs, daytime
31 dramas, strip shows, one-half hour (air time) episodic television
32 shows, except as specified in clause (vii) of subparagraph (A), or
33 any production that falls within the recordkeeping requirements
34 of Section 2257 of Title 18 of the United States Code.

35 (19) (A) "Qualified taxpayer" means a taxpayer who has paid
36 or incurred qualified expenditures, participated in the Career
37 Readiness requirement in Section 23695 and has been issued a
38 credit certificate by the California Film Commission pursuant to
39 subdivision (g).

(B) (i) In the case of any pass-thru entity, the determination of whether a taxpayer is a qualified taxpayer under this section shall be made at the entity level and any credit under this section is not allowed to the pass-thru entity but shall be passed through to the partners or shareholders in accordance with applicable provisions of Part 10 (commencing with Section 17001) or Part 11 (commencing with Section 23001). For purposes of this paragraph, “pass-thru entity” means any entity taxed as a partnership or “S” corporation.

(ii) In the case of an “S” corporation, the credit allowed under this section shall not be used by an “S” corporation as a credit against a tax imposed under Chapter 4.5 (commencing with Section 23800) of Part 11 of Division 2.

(20) “Qualified visual effects” means visual effects where at least 75 percent or a minimum of ten million dollars (\$10,000,000) of the qualified expenditures for the visual effects are paid or incurred in California.

(21) (A) “Qualified wages” means all of the following:

(i) Any wages subject to withholding under Division 6 (commencing with Section 13000) of the Unemployment Insurance Code that were paid or incurred by any taxpayer involved in the production of a qualified motion picture with respect to a qualified individual for services performed on the qualified motion picture production within this state.

(ii) The portion of any employee fringe benefits paid or incurred by any taxpayer involved in the production of the qualified motion picture that are properly allocable to qualified wage amounts described in clauses (i), (iii), and (iv).

(iii) Any payments made to a qualified entity for services performed in this state by qualified individuals within the meaning of paragraph (17).

(iv) Remuneration paid to an independent contractor who is a qualified individual for services performed within this state by that qualified individual.

(B) “Qualified wages” shall not include any of the following:

(i) Expenses, including wages, related to new use, reuse, clip use, licensing, secondary markets, or residual compensation, or the creation of any ancillary product, including, but not limited to, a soundtrack album, toy, game, trailer, or teaser.

1 (ii) Expenses, including wages, paid or incurred with respect to
2 acquisition, development, turnaround, or any rights thereto.

3 (iii) Expenses, including wages, related to financing, overhead,
4 marketing, promotion, or distribution of a qualified motion picture.

5 (iv) Expenses, including wages, paid per person per qualified
6 motion picture for writers, directors, music directors, music
7 composers, music supervisors, producers, and performers, other
8 than background actors with no scripted lines.

9 (22) “Recurring television series” means any television series
10 that was previously approved and issued a credit allocation letter
11 under this section.

12 (23) “Residual compensation” means supplemental
13 compensation paid at the time that a motion picture is exhibited
14 through new use, reuse, clip use, or in secondary markets, as
15 distinguished from payments made during production.

16 (24) “Reuse” means any use of a qualified motion picture in the
17 same medium for which it was created, following the initial use
18 in that medium.

19 (25) “Secondary markets” means media in which a qualified
20 motion picture is exhibited following the initial media in which it
21 is exhibited.

22 (26) “Television series that relocated to California” means a
23 television series, without regard to episode length or initial media
24 exhibition, with a minimum production budget of one million
25 dollars (\$1,000,000) per episode, that filmed at least 75 percent of
26 principal photography days in its most recent season outside of
27 California or has filmed all seasons outside of California and for
28 which the taxpayer certifies that the credit provided pursuant to
29 this section is the primary reason for relocating to California.

30 (27) “Visual effects” means the creation, alteration, or
31 enhancement of images that cannot be captured on a set or location
32 during live action photography and therefore is accomplished in
33 postproduction. It includes, but is not limited to, matte paintings,
34 animation, set extensions, computer-generated objects, characters
35 and environments, compositing (combining two or more elements
36 in a final image), and wire removals. “Visual effects” does not
37 include fully animated projects, whether created by traditional or
38 digital means.

39 (c) (1) Notwithstanding subdivision (i) of Section 23036, in
40 the case where the credit allowed by this section exceeds the

1 taxpayer's tax liability computed under this part, a qualified
2 taxpayer may elect to assign any portion of the credit allowed
3 under this section to one or more affiliated corporations for each
4 taxable year in which the credit is allowed. For purposes of this
5 subdivision, "affiliated corporation" has the meaning provided in
6 subdivision (b) of Section 25110 as of the last day of the taxable
7 year in which the credit is allowed, except that "100 percent" is
8 substituted for "more than 50 percent" wherever it appears in the
9 section, and "voting common stock" is substituted for "voting
10 stock" wherever it appears in the section.

11 (2) The election provided in paragraph (1):

12 (A) May be based on any method selected by the qualified
13 taxpayer that originally receives the credit.

14 (B) Shall be irrevocable for the taxable year the credit is allowed,
15 once made.

16 (C) May be changed for any subsequent taxable year if the
17 election to make the assignment is expressly shown on each of the
18 returns of the qualified taxpayer and the qualified taxpayer's
19 affiliated corporations that assign and receive the credits.

20 (D) Shall be reported to the Franchise Tax Board, in the form
21 and manner specified by the Franchise Tax Board, along with all
22 required information regarding the assignment of the credit,
23 including the corporation number, the federal employer
24 identification number, or other taxpayer identification number of
25 the assignee, and the amount of the credit assigned.

26 (3) (A) Notwithstanding any other law, a qualified taxpayer
27 may sell any credit allowed under this section that is attributable
28 to an independent film, as defined in paragraph (6) of subdivision
29 (b), to an unrelated party.

30 (B) The qualified taxpayer shall report to the Franchise Tax
31 Board prior to the sale of the credit, in the form and manner
32 specified by the Franchise Tax Board, all required information
33 regarding the purchase and sale of the credit, including the social
34 security or other taxpayer identification number of the unrelated
35 party to whom the credit has been sold, the face amount of the
36 credit sold, and the amount of consideration received by the
37 qualified taxpayer for the sale of the credit.

38 (4) In the case where the credit allowed under this section
39 exceeds the "tax," the excess credit may be carried over to reduce

1 the “tax” in the following taxable year, and succeeding eight
2 taxable years, if necessary, until the credit has been exhausted.

3 (5) A credit shall not be sold pursuant to this subdivision to
4 more than one taxpayer, nor may the credit be resold by the
5 unrelated party to another taxpayer or other party.

6 (6) A party that has been assigned or acquired tax credits under
7 this subdivision shall be subject to the requirements of this section.

8 (7) In no event may a qualified taxpayer assign or sell any tax
9 credit to the extent the tax credit allowed by this section is claimed
10 on any tax return of the qualified taxpayer.

11 (8) In the event that both the taxpayer originally allocated a
12 credit under this section by the California Film Commission and
13 a taxpayer to whom the credit has been sold both claim the same
14 amount of credit on their tax returns, the Franchise Tax Board may
15 disallow the credit of either taxpayer, so long as the statute of
16 limitations upon assessment remains open.

17 (9) Chapter 3.5 (commencing with Section 11340) of Part 1 of
18 Division 3 of Title 2 of the Government Code does not apply to
19 any standard, criterion, procedure, determination, rule, notice, or
20 guideline established or issued by the Franchise Tax Board
21 pursuant to this subdivision.

22 (10) Subdivision (i) of Section 23036 shall not apply to any
23 credit sold pursuant to this subdivision.

24 (11) For purposes of this subdivision:

25 (A) An affiliated corporation or corporations that are assigned
26 a credit pursuant to paragraph (1) shall be treated as a qualified
27 taxpayer pursuant to paragraph (1) of subdivision (a).

28 (B) The unrelated party or parties that purchase a credit pursuant
29 to paragraphs (3) to (10), inclusive, shall be treated as a qualified
30 taxpayer pursuant to paragraph (1) of subdivision (a).

31 (d) (1) No credit shall be allowed pursuant to this section unless
32 the qualified taxpayer provides the following to the California
33 Film Commission:

34 (A) Identification of each qualified individual.

35 (B) The specific start and end dates of production.

36 (C) The total wages paid.

37 (D) The total amount of qualified wages paid to qualified
38 individuals.

39 (E) Aggregate data for individuals whose wages are excluded
40 from qualified wages by clause (iv) of subparagraph (B) of

1 paragraph (21) of subdivision (b), including their gender, ethnic,
2 and racial makeup.

3 (F) The copyright registration number, as reflected on the
4 certificate of registration issued under the authority of Section 410
5 of Title 17 of the United States Code, relating to registration of
6 claim and issuance of certificate. The registration number shall be
7 provided on the return claiming the credit.

8 (G) The total amounts paid or incurred to purchase or lease
9 tangible personal property used in the production of a qualified
10 motion picture.

11 (H) Information to substantiate its qualified expenditures.

12 (I) Information required by the California Film Commission
13 under regulations promulgated pursuant to subdivision (g)
14 necessary to verify the amount of credit claimed.

15 (J) Data regarding the diversity of the workforce employed by
16 the applicant on the qualified motion picture, as described in
17 subdivision (g).

18 (K) Documentation verifying completion of the Career
19 Readiness requirement.

20 (L) Documentation verifying that the qualified taxpayer paid a
21 fee as described in subdivision (e).

22 (2) (A) Based on the information provided in paragraph (1),
23 the California Film Commission shall recompute the jobs ratio
24 previously computed in subdivision (g) and compare this
25 recomputed jobs ratio to the jobs ratio that the qualified taxpayer
26 previously listed on the application submitted pursuant to
27 subdivision (g).

28 (B) (i) If the California Film Commission determines that the
29 jobs ratio has been reduced by more than 10 percent for a qualified
30 motion picture, the California Film Commission shall reduce the
31 amount of credit allowed by an equal percentage, unless the
32 qualified taxpayer demonstrates, and the California Film
33 Commission determines, that reasonable cause exists for the jobs
34 ratio reduction.

35 (ii) If the California Film Commission determines that the jobs
36 ratio has been reduced by more than 20 percent for a qualified
37 motion picture, the California Film Commission shall not accept
38 an application described in subdivision (g) from that qualified
39 taxpayer or any member of the qualified taxpayer's controlled
40 group for a period of not less than one year from the date of that

determination, unless the qualified taxpayer demonstrates, and the California Film Commission determines, that reasonable cause exists for the jobs ratio reduction.

(C) For the purposes of this paragraph, “reasonable cause” means unforeseen circumstances beyond the control of the qualified taxpayer, such as, but not limited to, the cancellation of a television series prior to the completion of the scheduled number of episodes or other similar circumstances as determined by the California Film Commission in regulations to be adopted pursuant to subdivision (e).

(e) (1) (A) Subject to the Administrative Procedure Act (Chapter 3.5 (commencing with Section 11340) of Part 1 of Division 3 of Title 2 of the Government Code), 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, if the qualified taxpayer receives a credit under this section, to fund technical skills training to individuals from underserved communities for entry into film and television industry jobs. The California Film Commission shall (i) identify a not-for-profit fiscal agent with direct relationships to industry skills training programs to manage the funds; and (ii) engage labor-management jointly administered training programs with skills training focused on the entertainment industry to implement the program with California Film Commission approval and oversight. With regard to the Career Readiness requirement in Section 23695, the California Film Commission shall identify training and public service opportunities that may include, but not be limited to, hiring interns, public service announcements, and community outreach shall continue. The California Film Commission may prescribe rules and regulations to carry out the purposes of this section, including, subparagraph (D) of paragraph (4) of subdivision (a) and clause (iv) of subparagraph (D) of paragraph (2) of subdivision (g), and including any rules and regulations necessary to establish procedures, processes, requirements, application fee structure, and rules identified in or required to implement this section, including credit and logo requirements and credit allocation procedures over multiple fiscal years where the qualified taxpayer is producing a series of features that will be filmed concurrently.

(B) Notwithstanding any other law, prior to preparing a notice of proposed action pursuant to Section 11346.4 of the Government Code and prior to making any revision to the proposed regulation other than a change that is nonsubstantial or solely grammatical in nature, the Governor's Office of Business and Economic Development shall first approve the proposed regulation or proposed change to a proposed regulation regarding allocating the credit pursuant to subdivision (i), computing the jobs ratio as described in subdivisions (d) and (g), and defining "reasonable cause" pursuant to subparagraph (C) of paragraph (2) of subdivision (d).

(2) (A) Implementation of this section for the 2020–21 fiscal year is deemed an emergency and necessary for the immediate preservation of the public peace, health, and safety, or general welfare and, therefore, the California Film Commission is hereby authorized to adopt emergency regulations to implement this section during the 2020–21 fiscal year in accordance with the rulemaking provisions of the Administrative Procedure Act (Chapter 3.5 (commencing with Section 11340) of Part 1 of Division 3 of Title 2 of the Government Code).

(B) Nothing in this paragraph shall be construed to require the Governor's Office of Business and Economic Development to approve emergency regulations adopted pursuant to this paragraph.

(3) The California Film Commission shall not be required to prepare an economic impact analysis pursuant to the Administrative Procedure Act (Chapter 3.5 (commencing with Section 11340) of Part 1 of Division 3 of Title 2 of the Government Code) with regard to any rules and regulations adopted pursuant to this subdivision.

(f) If the qualified taxpayer fails to provide the copyright registration number as required in subparagraph (E) of paragraph (1) of subdivision (d), the credit shall be disallowed and assessed and collected under Section 19051 until the procedures are satisfied.

(g) For purposes of this section, the California Film Commission shall do the following:

(1) Subject to the requirements of subparagraphs (A) to (E), inclusive, of paragraph (2), on or after July 1, 2020, and before July 1, 2025, in two or more allocation periods per fiscal year, allocate tax credits to applicants.

(2) (A) Establish a procedure for applicants to file with the California Film Commission a written application, on a form jointly prescribed by the California Film Commission and the Franchise Tax Board for the allocation of the tax credit. The application shall include, but not be limited to, the following information:

- (i) The budget for the motion picture production.
- (ii) The number of production days.
- (iii) A financing plan for the production.
- (iv) 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.
- (v) All members of a combined reporting group, if known at the time of the application.
- (vi) The amount of qualified wages the applicant expects to pay to qualified individuals.
- (vii) The amount of tax credit the applicant computes the qualified motion picture will receive, applying the applicable credit percentages described in paragraph (4) of subdivision (a).
- (viii) A statement establishing that the tax credit described in this section is a significant factor in the applicant's choice of location for the qualified motion picture. The statement shall include information about whether the qualified motion picture is at risk of not being filmed or specify the jurisdiction or jurisdictions in which the qualified motion picture will be located in the absence of the tax credit. The statement shall be signed by an officer or executive of the applicant.
- (ix) The applicant's written policy against unlawful harassment, including, but not limited to, sexual harassment, which includes procedures for reporting and investigating harassment claims, a phone number for an individual who will be responsible for receiving harassment claims, and a statement that the company will not retaliate against an individual who reports harassment. The applicant shall also indicate how the policy will be distributed to employees and include a summary of education training resources, including the prohibition against, and prevention and correction of, sexual harassment and remedies available.
- (x) The ethnic and racial makeup and gender of individuals whose wages are excluded from qualified wages as set forth in

1 clause (iv) of subparagraph (B) of paragraph (21) of subdivision
2 (b).

3 (xi) A summary of the applicant's voluntary programs to
4 increase the representation of minorities and women in the job
5 classifications that are not included in qualified wages as set forth
6 in clause (iv) of subparagraph (B) of paragraph (21) of subdivision
7 (b) and information about how these programs are publicized to
8 interested parties. The officer or executive referenced in clause
9 (x) who is signing the statement shall provide additional
10 information about these programs, if needed and upon request, to
11 the California Film Commission.

12 (xii) Any other information deemed relevant by the California
13 Film Commission or the Franchise Tax Board.

14 (B) Establish criteria, consistent with the requirements of this
15 section, for allocating tax credits.

16 (C) Determine and designate applicants who meet the
17 requirements of this section.

18 (D) (i) For purposes of allocating the credit amounts subject to
19 the categories described in subdivision (i) in any fiscal year, the
20 California Film Commission shall do all of the following:

21 (ii) For each allocation date and for each category, list each
22 applicant from highest to lowest according to the jobs ratio as
23 computed by the California Film Commission.

24 (iii) Subject to the applicable credit percentage, allocate the
25 credit to each applicant according to the highest jobs ratio, working
26 down the list, until the credit amount is exhausted.

27 (iv) (I) Pursuant to regulations adopted pursuant to subdivision
28 (e), the California Film Commission may increase the jobs ratio
29 by up to 25 percent if a qualified motion picture increases economic
30 activity in California according to criteria developed by the
31 California Film Commission that would include, but not be limited
32 to, such factors as, the amount of the production and postproduction
33 spending in California, the utilization of scoring musicians in
34 California, and other criteria measuring economic impact in
35 California as determined by the California Film Commission.

36 (II) For qualified motion pictures that are described in
37 subparagraph (D) of paragraph (8) of subdivision (k), the jobs ratio
38 shall be equal to the product of the jobs ratio calculated in
39 paragraph (7) of subdivision (b) and 133 percent.

(v) Notwithstanding any other law, any television series, relocating television series, or any new television series based on a pilot for a new television series that has been approved and issued a credit allocation by the California Film Commission under this section, including subdivision (k), Section 17053.98, including subdivision (k), or Section 17053.85, 17053.95, 23685, or 23695 shall be issued a credit for each subsequent season, for the life of that television series whenever credits are allocated within a fiscal year. For taxable years beginning before January 1, 2025, the California Film Commission shall limit the amount of credits any recurring television series receives in a subsequent season to no more than the amount reserved in its prior fiscal year Credit Allocation Letter or Letters, or if no amounts were reserved in the prior fiscal year, the most immediate prior fiscal year in which a Credit Allocation Letter or Letters were received. For taxable years beginning on or after January 1, 2025, the California Film Commission shall limit the amount of credits any recurring television series receives in a subsequent season to no more than the recurring television allocation amount, as defined in paragraph (23) of subdivision (b) of Section 23698.1. In the event that insufficient tax credits are available to fund all recurring television series pursuant to this clause for any fiscal year or in the event the California Film Commission projects, in collaboration with the Department of Finance, that there will be insufficient tax credits available to fund all recurring television series in either of the subsequent two fiscal years, the California Film Commission shall make the following adjustments in the order given until the shortfall, or any projected shortfall for the two subsequent fiscal years, for recurring television series is eliminated:

(I) Notwithstanding clause (iii) of subparagraph (A) of paragraph (2) of subdivision (i), the California Film Commission may redirect up to 100 percent of the credit amounts allocated to the relocating television series category to recurring television series for that fiscal year until the shortfall or projected shortfall is eliminated.

(II) Notwithstanding clause (iv) of subparagraph (A) of paragraph (2) of subdivision (i), the California Film Commission may redirect up to 100 percent of the credit amounts allocated to a new television series to recurring television series for that fiscal year until the shortfall or projected shortfall is eliminated.

(III) Notwithstanding clause (ii) of subparagraph (A) of paragraph (2) of subdivision (i), the California Film Commission may redirect up to 100 percent of the credit allocations from the features category to the recurring television series category for that fiscal year until the shortfall is eliminated.

(IV) Allocate up to 25 percent of total credit allocations that would otherwise be allocated in the 2024–25 fiscal year to recurring television series in the current fiscal year until the shortfall is eliminated. Any amounts transferred for allocation in the current fiscal year shall be subtracted from the amount allowed to be allocated in the 2024–25 fiscal year as specified in subdivision (i). Notwithstanding paragraph (3), the credit allocations that are subtracted from 2024–25 shall not be certified until July 1, 2025, or later.

(V) The California Film Commission shall consult with the qualified taxpayers who are producing the recurring television series for purposes of negotiating a minimally impactful reduction in the amount of credits awarded to each recurring television series for that fiscal year until the shortfall is eliminated.

(E) Subject to the annual cap and the allocation credit amounts based on categories described in subdivision (i), allocate an aggregate amount of credits under this section and Section 17053.98, and allocate any carryover of unallocated or unused credits from prior years and Sections 17053.85, 17053.95, 23685, and 23695, and the amount of any credits reduced pursuant to paragraph (2) of subdivision (d).

(3) Certify tax credits allocated to qualified taxpayers.

(A) Establish a verification procedure to update the information in subparagraph (A) of paragraph (2) of subdivision (g), including, but not limited to, all of the following:

(i) The amounts of qualified expenditures paid or incurred by the applicant.

(ii) The diversity of the workforce employed by the applicant.

(iii) The ethnic and racial makeup and gender of individuals whose wages are excluded from qualified wages by clause (iv) of subparagraph (B) of paragraph (21) of subdivision (b).

(B) Establish audit requirements that shall be satisfied before a credit certificate may be issued by the California Film Commission.

1 (C) (i) Establish a procedure for a qualified taxpayer to report
2 to the California Film Commission, prior to the issuance of a credit
3 certificate, the following information:

4 (I) If readily available, a list of the states, provinces, or other
5 jurisdictions in which any member of the applicant's combined
6 reporting group in the same business unit as the qualified taxpayer
7 that, in the preceding calendar year, has produced a qualified
8 motion picture intended for release in the United States market.
9 For purposes of this clause, "qualified motion picture" shall not
10 include any episodes of a television series that were complete or
11 in production prior to July 1, 2020.

12 (II) Whether a qualified motion picture described in subclause
13 (I) was awarded any financial incentive by the state, province, or
14 other jurisdiction that was predicated on the performance of
15 primary principal photography or postproduction in that location.

16 (ii) The California Film Commission may provide that the report
17 required by this subparagraph be filed in a single report provided
18 on a calendar year basis for those qualified taxpayers that receive
19 multiple credit certificates in a calendar year.

20 (D) Issue a credit certificate to a qualified taxpayer upon
21 completion of the qualified motion picture reflecting the credit
22 amount allocated after qualified expenditures have been verified
23 and the jobs ratio computed under this section. The amount of
24 credit shown on the credit certificate shall not exceed the amount
25 of credit allocated to that qualified taxpayer pursuant to this section.

26 (4) Obtain, when possible, the following information from
27 applicants that do not receive an allocation of credit:

28 (A) Whether the qualified motion picture that was the subject
29 of the application was completed.

30 (B) If completed, in which state or foreign jurisdiction was the
31 primary principal photography completed.

32 (C) Whether the applicant received any financial incentives
33 from the state or foreign jurisdiction to make the qualified motion
34 picture in that location.

35 (5) Provide the Legislative Analyst's Office, upon request, any
36 or all application materials or any other materials received from,
37 or submitted by, applicants for which a credit allocation decision
38 has been made, including, but not limited to, applicants that did
39 not receive a credit allocation. Materials provided to the Legislative
40 Analyst's Office shall be in electronic format when available and

1 include, but not be limited to, information provided pursuant to
2 clauses (i) to (xii), inclusive, of subparagraph (A) of paragraph (2)
3 and the diversity workplans provided pursuant to clause (iv) of
4 subparagraph (B) of paragraph (2) of subdivision (k).

5 (6) The information provided to the California Film Commission
6 pursuant to this section shall constitute confidential tax information
7 for purposes of Article 2 (commencing with Section 19542) of
8 Chapter 7 of Part 10.2.

9 (7) (A) Notwithstanding any other law, on or after July 1, 2025,
10 the California Film Commission may allocate, pursuant to this
11 section, any previously allocated credits not certified that have not
12 previously been added to credit amounts available for allocation
13 under this section or a successor section or sections.

14 (B) For purposes of this section, “previously allocated credits
15 not certified” means either:

16 (i) Credits allocated under paragraph (1) for which the qualified
17 taxpayer to which the credit amounts were originally allocated has
18 notified the California Film Commission in writing that the
19 qualified taxpayer will not request certification for the allocated
20 credits.

21 (ii) The difference between the amount of credits allocated under
22 paragraph (1) to a qualified taxpayer and the amount of credits the
23 California Film Commission certified, for that qualified taxpayer.
24 For purposes of calculating the difference, the California Film
25 Commission shall not consider any credit amounts for which the
26 qualified taxpayer notifies the California Film Commission under
27 clause (i).

28 (8) Notwithstanding any other law, on or after July 1, 2025, the
29 California Film Commission may allocate, pursuant to this section,
30 any credit amounts described in subparagraphs (B) and (E) of
31 paragraph (1) of subdivision (i) that have not previously been
32 added to credit amounts available for allocation under this section
33 or a successor section or sections.

34 (9) The California Film Commission shall submit a report to
35 the Legislature, on an annual basis beginning January 1, 2022, on
36 aggregate diversity information for the productions allocated tax
37 credits allowed in this section and the diversity of the motion
38 picture production industry in California more generally.

39 (h) (1) The California Film Commission shall annually provide
40 the Legislative Analyst’s Office, the Franchise Tax Board, and the

1 California Department of Tax and Fee Administration with a list
2 of qualified taxpayers and the tax credit amounts allocated to each
3 qualified taxpayer by the California Film Commission. The list
4 shall include the names and taxpayer identification numbers,
5 including taxpayer identification numbers of each partner or
6 shareholder, as applicable, of the qualified taxpayer.

7 (2) (A) Notwithstanding paragraph (6) of subdivision (g), the
8 California Film Commission shall annually post on its internet
9 website and make available for public release the following:

10 (i) A table which includes all of the following information: a
11 list of qualified taxpayers and the tax credit amounts allocated to
12 each qualified taxpayer by the California Film Commission, the
13 number of production days in California the qualified taxpayer
14 represented in its application would occur, the number of California
15 jobs that the qualified taxpayer represented in its application would
16 be directly created by the production, and the total amount of
17 qualified expenditures expected to be spent by the production.

18 (ii) A narrative staff summary describing the production of the
19 qualified taxpayer as well as background information regarding
20 the qualified taxpayer contained in the qualified taxpayer's
21 application for the credit.

22 (iii) For qualified taxpayers allocated a credit, the aggregate
23 diversity information collected pursuant to clauses (iv) and (xii)
24 of subparagraph (A) of paragraph (2) of subdivision (g) organized
25 per production and an aggregate compilation describing the
26 voluntary programs collected pursuant to clause (xiii) of
27 subparagraph (A) of paragraph (2) of subdivision (g).

28 (B) Nothing in this subdivision shall be construed to make the
29 information submitted by an applicant for a tax credit under this
30 section a public record, including for the purposes of the California
31 Public Records Act (Division 10 (commencing with Section
32 7920.000) of Title 1 of the Government Code).

33 (3) The California Film Commission shall provide each city
34 and county in California with an instructional guide that includes,
35 but is not limited to, a review of best practices for facilitating
36 motion picture production in local jurisdictions, resources on
37 hosting and encouraging motion picture production, and the
38 California Film Commission's Model Filming Ordinance. The
39 California Film Commission shall maintain on its internet website
40 a list of initiatives by locality that encourage motion picture

1 production in regions across the state. The list shall be distributed
2 to each approved applicant for the program to highlight local
3 jurisdictions that offer incentives to facilitate film production.

4 (i) (1) (A) The aggregate amount of credits that may be
5 allocated for a fiscal year pursuant to this section and Section
6 17053.98, except as provided in subdivision (k) of this section and
7 subdivision (k) of Section 17053.98, is three hundred thirty million
8 dollars (\$330,000,000), plus any amount described in subparagraph
9 (B), (C), (D), or (E) in credits for the 2020–21 fiscal year and each
10 fiscal year thereafter, through and including the 2024–25 fiscal
11 year, except as provided in paragraph (7) of subdivision (g), plus
12 the amount described in subparagraph (F) in credits for the 2021–22
13 and 2022–23 fiscal years.

14 (B) (i) Subject to clauses (ii) and (iii), the unused allocation
15 credit amount, if any, for the preceding fiscal year.

16 (ii) The amount of unused credit allocation attributable to
17 independent films shall only be allocated according to clause (i)
18 of subparagraph (A) of paragraph (2).

19 (iii) The total amount of any unused credit allocation amount
20 that is remaining shall only be allocated pursuant to clause (iv) of
21 subparagraph (A) of paragraph (2).

22 (C) The amount of previously allocated credits not certified.

23 (D) The amount of any credits reduced pursuant to paragraph
24 (2) of subdivision (d).

25 (E) That portion of any unused allocation credit amount, if any,
26 attributable to Section 17053.85, 17053.95, 23685, or 23695
27 available for that fiscal year in a manner as determined by
28 regulations promulgated by the California Film Commission.

29 (F) (i) For fiscal years 2021–22 and 2022–23, the California
30 Film Commission shall allocate an additional fifteen million dollars
31 (\$15,000,000) in credits to be granted exclusively to television
32 series that relocate to California.

33 (I) Notwithstanding subparagraph (A) of paragraph (2) of this
34 subdivision and clause (v) of subparagraph (D) of paragraph (2)
35 of subdivision (g), the moneys allocated pursuant to this
36 subparagraph shall not be redirected or reallocated.

37 (II) Notwithstanding paragraph (25) of subdivision (b), for
38 purposes of this subparagraph, a “television series that relocated
39 to California” means a television series, without regard to episode
40 length or initial media exhibition, with a minimum production

1 budget of one million dollars (\$1,000,000) per episode that both
2 filmed at least 75 percent of principal photography days for at least
3 one episode outside of California and has not filmed more than 25
4 percent of principal photography days for any episode inside of
5 California.

6 (ii) For fiscal years 2021–22 and 2022–23, the California Film
7 Commission shall allocate an additional seventy-five million
8 dollars (\$75,000,000) in credits to be granted exclusively to
9 recurring television series.

10 (2) (A) Notwithstanding the foregoing, and subject to paragraph
11 (4) of this subdivision and changes in allocations pursuant to clause
12 (v) of subparagraph (D) of paragraph (2) of subdivision (g), the
13 California Film Commission shall allocate the credit amounts
14 subject to the following categories:

15 (i) Independent films with qualified expenditures of ten million
16 dollars (\$10,000,000) or less shall be allocated 4.8 percent of the
17 amount specified in paragraph (1). Independent films with qualified
18 expenditures in excess of ten million dollars (\$10,000,000) shall
19 be allocated 3.2 percent of the amount specified in paragraph (1).
20 These amounts shall be in addition to any unused allocation credit
21 amount, if any, for the preceding fiscal year as described in
22 subparagraph (B) of paragraph (1).

23 (ii) Features shall be allocated 35 percent of the amount specified
24 in paragraph (1).

25 (iii) A relocating television series shall be allocated 17 percent
26 of the amount specified in paragraph (1).

27 (iv) A new television series, pilots for a new television series,
28 miniseries, and recurring television series shall be allocated 40
29 percent of the amount specified in paragraph (1), plus any unused
30 allocation credit amount, if any, for the preceding fiscal year as
31 described in subparagraph (B) of paragraph (1).

32 (B) Within any allocation period for credits to a relocating
33 television series, any unused amount shall be reallocated to the
34 category described in clause (iv) of subparagraph (A) and, if any
35 unused amount remains, reallocated in the next allocation period
36 for credits to a relocating television series.

37 (C) With respect to a relocating television series issued a credit
38 in a subsequent year pursuant to clause (v) of subparagraph (D)
39 of paragraph (2) of subdivision (g), that subsequent credit amount

1 shall be allowed from the allocation amount described in clause
2 (iv) of subparagraph (A).

3 (3) Any act that reduces the amount that may be allocated
4 pursuant to paragraph (1) constitutes a change in state taxes for
5 the purpose of increasing revenues within the meaning of Section
6 3 of Article XIII A of the California Constitution and may be passed
7 by not less than two-thirds of all Members elected to each of the
8 two houses of the Legislature.

9 (4) A qualified motion picture, as defined in subdivision (k),
10 shall not be eligible for an allocation under subdivisions (a) to (j),
11 inclusive, if it receives a credit under subdivision (k) during that
12 fiscal year.

13 (j) The California Film Commission shall have the authority to
14 allocate tax credits in accordance with this section and in
15 accordance with any regulations prescribed pursuant to subdivision
16 (e) upon adoption.

17 (k) (1) For taxable years beginning on or after January 1, 2022,
18 and before January 1, 2032, there shall be allowed to a qualified
19 taxpayer a credit against the “tax,” as defined in Section 23036,
20 subject to allocation by the California Film Commission, in an
21 amount equal to:

22 (A) For credits allocated before July 1, 2025, 20 percent or 25
23 percent, whichever is the applicable credit percentage described
24 in paragraph (4) of subdivision (a), as modified by paragraph (3)
25 of this subdivision, of the qualified expenditures for the production
26 of a qualified motion picture produced in the state at a certified
27 studio construction project.

28 (B) For credits allocated on or after July 1, 2025, 35 percent or
29 40 percent, whichever is the applicable credit percentage described
30 in paragraph (4) of subdivision (a) of Section 23698.1, as modified
31 by paragraph (3) of this subdivision, of the qualified expenditures
32 for the production of a qualified motion picture produced in the
33 state at a certified studio construction project.

34 (2) For purposes of this subdivision, the definitions in
35 subdivision (b) shall apply except as otherwise provided in this
36 subdivision.

37 (A) “Certified studio construction project” means a construction
38 or renovation project certified for a period of five years by the
39 California Film Commission as having met all of the following
40 criteria:

1 (i) The project provides for the construction or renovation of
2 one or more soundstages located in the state.

3 (ii) Actual construction or renovation expenditures are not less
4 than twenty-five million dollars (\$25,000,000) of actual
5 construction or renovation expenditures made over not more than
6 five continuous calendar years.

7 (iii) The construction or renovation of each certified studio
8 construction project is performed in accordance with Section
9 17053.99.

10 (iv) The construction or renovation of each certified studio
11 construction project commences pursuant to a foundation permit
12 or a structural building permit for the construction or renovation
13 that is issued after the effective date of the act adopting this
14 subdivision.

15 (v) The certified studio construction project applicant or its
16 affiliates shall not have received a California Competes Grant
17 under Section 12096.6 of the Government Code for wages or
18 investment related to construction of the studio construction
19 project.

20 (B) “Qualified motion picture” means a qualified motion picture,
21 as defined in subdivision (b), that meets all of the following
22 requirements:

23 (i) During the production period, the qualified motion picture
24 films at least 50 percent of its principal photography stage shooting
25 days on a soundstage or soundstages certified as a certified studio
26 construction project.

27 (ii) During the production period, the qualified motion picture
28 pays or incurs at least five million dollars (\$5,000,000) in qualified
29 wages for filming on a soundstage or soundstages certified as a
30 certified studio construction project.

31 (iii) For taxable years beginning before January 1, 2025, is
32 produced by a qualified taxpayer that is either of the following:

33 (I) More than 50 percent owned, directly or indirectly, by the
34 same owner or owners of the soundstage or soundstages that is
35 part of a certified studio construction project on which the
36 production is filmed.

37 (II) Entered into a contract or lease of 10 years or more with
38 the owner or owners of a certified studio construction project on
39 which the production is filmed.

1 (iv) Provides a diversity workplan that is approved by the
2 California Film Commission.

3 (C) For purposes of this subdivision, a qualified taxpayer and
4 a taxpayer include a passthrough entity and a disregarded entity.

5 (3) (A) The diversity workplan required pursuant to clause (iv)
6 of subparagraph (B) of paragraph (2) shall include all of the
7 following:

8 (i) A statement of the diversity goals the motion picture will
9 seek to achieve in terms of qualified wages paid by race, ethnicity,
10 gender, and disability status.

11 (ii) A statement of the diversity goals the motion picture will
12 seek to achieve for individuals whose wages are excluded from
13 qualified wages as set forth in clause (iv) of subparagraph (B) of
14 paragraph (21) of subdivision (b), with respect to both
15 compensation and to the representation of diversity in the creative
16 aspects of the motion picture.

17 (iii) A plan of what strategies the motion picture will employ
18 to achieve the goals in clauses (i) and (ii).

19 (B) The diversity workplan shall include goals that are broadly
20 reflective of California's population, in terms of race, ethnicity,
21 gender, and disability status.

22 (C) The California Film Commission shall approve or reject the
23 diversity workplan of an applicant, to the extent allowed by federal
24 and state law.

25 (D) (i) The California Film Commission shall not certify any
26 tax credit under this subdivision until they have received a final
27 diversity report from the qualified motion picture applicant.

28 (ii) The final diversity report shall calculate and provide
29 evidence for the extent to which the applicant met the diversity
30 goals laid out in their diversity workplan.

31 (iii) The California Film Commission shall have the authority
32 to audit the final diversity report to determine if the diversity goals
33 set forth in the applicant's diversity workplan for the motion picture
34 production were achieved.

35 (iv) If the California Film Commission determines that the
36 qualified motion picture applicant has met or made a good faith
37 effort to meet the diversity goals in its diversity workplan, the
38 applicant's credit percentage described in paragraph (1) shall be
39 increased by up to four percentage points as follows:

1 (I) By two percentage points if the California Film Commission
2 determines that the applicant has met or made a good faith effort
3 to meet the diversity goals with respect to the diversity of the
4 workforce employed by the applicant in its diversity workplan
5 statement.

6 (II) By two percentage points if the California Film Commission
7 determines that the applicant has met or made a good faith effort
8 to meet the diversity goals with respect to individuals whose wages
9 are excluded from qualified wages as set forth in clause (iv) of
10 subparagraph (B) of paragraph (21) of subdivision (b), in its
11 diversity workplan statement.

12 (E) The California Film Commission, in consultation with the
13 Governor's Office of Business and Economic Development, shall
14 establish guidelines to evaluate diversity workplans as described
15 in this paragraph. The guidelines shall be posted on the California
16 Film Commission's internet website.

17 (4) The credit allowed under this subdivision shall be
18 administered in accordance with subdivisions (a), (b), (c), (d), (h),
19 and (I), except that paragraph (1) of subdivision (a) shall not apply,
20 paragraph (7) of subdivision (b) shall not apply, and paragraph (2)
21 of subdivision (d) shall not apply.

22 (5) Subparagraph (A) of paragraph (2), subparagraphs (A), (B),
23 and (C) of paragraph (3), and paragraphs (4), (5), and (6) of
24 subdivision (g) shall apply.

25 (6) A conflict between this subdivision and any other
26 subdivisions in this section shall be reconciled in favor of this
27 subdivision.

28 (7) The aggregate amount of credit allocated by the California
29 Film Commission pursuant to subdivisions (a) to (j), inclusive, of
30 this section and Section 17053.98 shall not be reduced by the tax
31 credit allowed pursuant to this subdivision. The amount of credit
32 allowed by this subdivision shall not be limited by subdivision (i).

33 (8) (A) The credit allocated pursuant to this subdivision shall
34 be allowed for the taxable year in which the California Film
35 Commission issues a credit certificate in accordance with the
36 procedures provided for in subdivision (g) for the qualified motion
37 picture. The California Film Commission shall issue a credit
38 certificate to a qualified taxpayer upon completion of the qualified
39 motion picture reflecting the credit amount allocated after qualified
40 expenditures have been verified.

(B) The California Film Commission, commencing with fiscal year 2021–22, shall allocate tax credits each year to qualified motion pictures meeting the criteria of this subdivision. The total amount of credits that may be allocated under this subdivision is one hundred fifty million dollars (\$150,000,000). For taxable years beginning before January 1, 2025, the amount of credit that may be allocated to a qualified motion picture under this subdivision shall not exceed the greater of twelve million dollars (\$12,000,000), or seven hundred fifty thousand dollars (\$750,000) per episode, for a season of a television series. For taxable years beginning on or after January 1, 2025, the amount of credit that may be allocated to a qualified motion picture under this subdivision shall not exceed the greater of twenty-one million dollars (\$21,000,000), or one million three hundred thousand dollars (\$1,300,000) per episode, for a season of a television series. Recurring television series receiving an initial allocation under this subdivision shall be allocated for subsequent seasons no more than allowed under this paragraph.

(C) In any year the tax credits under this paragraph have been allocated by the California Film Commission, a qualified motion picture or a recurring television series that satisfies the criteria of this subdivision, but have not received an allocation of credits, may apply to receive an allocation of credits pursuant to subdivision (i).

(D) A qualified motion picture that satisfies the criteria of this subdivision, other than a recurring television series described in subparagraph (E) of this paragraph, that does not receive a credit allocation under this subdivision because the total amount of credits authorized for the program in subparagraph (B) has been allocated or the qualified motion picture commenced production during the sixth year the certified studio construction project has been certified by the California Film Commission, or any year thereafter, may apply for a credit allocation under subdivisions (a) through (j), inclusive, subject to the jobs ratio enhancement in subclause (II) of clause (iv) of subparagraph (D) of paragraph (2) of subdivision (g).

(E) A recurring television series that satisfies the criteria of this subdivision and that is no longer eligible for a credit allocation under this subdivision for a reason described in subparagraph (D) shall receive a credit allocation under subdivisions (a) through (j),

1 inclusive, pursuant to clause (v) of subparagraph (D) of paragraph
2 (2) of subdivision (g).

3 (F) Credits shall be allocated based on the assumption that the
4 motion picture meets the diversity criteria specified in clause (iv)
5 of subparagraph (D) of paragraph (3).

6 (G) If any successor tax credit program that modifies or replaces
7 the program specified in subdivisions (a) through (j), inclusive, of
8 this section or Section 17053.98 is enacted, both of the following
9 shall apply:

10 (i) A qualified motion picture described in subparagraph (D)
11 may apply to receive an allocation of credits under the successor
12 program.

13 (ii) A recurring television series described in subparagraph (E)
14 shall receive an allocation of credits under the successor program.

15 (9) A qualified motion picture meeting the requirements of this
16 subdivision that receives a credit allocation during the five-year
17 period the certified studio construction project is certified by the
18 California Film Commission shall be allowed a credit under this
19 subdivision for subsequent seasons for the life of that recurring
20 television series as long as the qualified motion picture continues
21 to satisfy the criteria of this subdivision and to the extent the total
22 credit amount the California Film Commission is permitted to
23 allocate pursuant to subparagraph (B) of paragraph (8) has not
24 previously been allocated.

25 (10) Within six months of the effective date of this subdivision,
26 the California Film Commission shall:

27 (A) Establish procedures to certify a certified studio construction
28 project.

29 (B) Establish procedures to verify a qualified motion picture
30 has met the criteria established in this section for filming in a
31 certified studio construction project facility. That procedure shall
32 include a requirement that the qualified motion picture pay 0.5
33 percent of the approved credit amount to the Career Pathways
34 Training program specified in subdivision (e).

35 (C) (i) Implementation of this subdivision for the 2023–24
36 fiscal year is deemed an emergency and necessary for the
37 immediate preservation of the public peace, health, and safety, or
38 general welfare and, therefore, the California Film Commission
39 is hereby authorized to adopt emergency regulations to implement
40 this subdivision during the 2023–24 fiscal year in accordance with

1 the rulemaking provisions of the Administrative Procedure Act
2 (Chapter 3.5 (commencing with Section 11340) of Part 1 of
3 Division 3 of Title 2 of the Government Code).

4 (ii) The California Film Commission shall adopt regulations in
5 order to implement this paragraph.

6 (iii) The California Film Commission shall not be required to
7 prepare an economic impact analysis pursuant to the Administrative
8 Procedure Act (Chapter 3.5 (commencing with Section 11340) of
9 Part 1 of Division 3 of Title 2 of the Government Code) with regard
10 to any rules and regulations adopted pursuant to this subdivision.

11 (11) In the case where the credit allowed by this subdivision
12 exceeds the taxpayer's tax liability computed under this part, the
13 excess credit may be carried over to reduce the "tax" in the
14 following taxable year, and succeeding eight taxable years, if
15 necessary, until the credit has been exhausted.

16 (12) Upon completion of construction or renovation of the
17 soundstage or soundstages, the certified studio construction project
18 applicant shall certify to the California Film Commission that all
19 contractors and subcontractors performing construction work on
20 the soundstage or soundstages were required to use a skilled and
21 trained workforce to perform such work in accordance with
22 subdivision (b) of Section 17053.99.

23 (13) (A) Upon completion of construction or renovation of the
24 soundstage or soundstages, the soundstage or soundstages shall
25 be continuously operated, maintained, and repaired by any of the
26 following:

27 (i) A workforce that is paid at least the general prevailing rate
28 of per diem wages for the type of work and geographic area, as
29 determined by the Director of Industrial Relations pursuant to
30 Sections 1773 and 1773.9 of the Labor Code, if such services are
31 performed by a workforce that is employed directly, or indirectly
32 through a motion picture payroll services company, by the owner
33 or affiliate of the owner of the soundstage or lessee of the
34 soundstage described in subclause (II) of clause (iii) of
35 subparagraph (B) of paragraph (2) of this subdivision.

36 (ii) A skilled and trained workforce as defined in Chapter 2.9
37 (commencing with Section 2600) of Part 1 of Division 2 of the
38 Public Contract Code, if such services are provided by third-party
39 vendors.

(B) Each year following completion of construction or renovation of the soundstage or soundstages that a qualified motion picture is allocated a tax credit pursuant to this subdivision, the certified studio construction project applicant shall certify to the California Film Commission both of the following:

(i) The total amount of payments to third-party vendors or qualified wages for operation, maintenance, and repair of the certified soundstage.

(ii) The amount and percentage of the total amount of payments to third-party vendors or qualified wages for operation, maintenance, and repair of the certified soundstage performed by each workforce described in subparagraph (A).

(C) If the percentage paid to workers in clause (i) of subparagraph (A) is certified to be 90 percent of the total amount under clause (i) of subparagraph (B) or greater, the qualified taxpayer shall be entitled to 100 percent of the applicable credit issued under this subdivision for the period. If the percentage paid to workers in clause (i) of subparagraph (A) is certified to be less than 90 percent of the total amount under clause (i) of subparagraph (B) but greater than or equal to 75 percent of the total amount under clause (i) of subparagraph (B), the qualified taxpayer shall be entitled to 50 percent of the applicable credit issued under this subdivision for the period. If the percentage paid to workers in clause (i) of subparagraph (A) is certified to be less than 75 percent of the total amount under clause (i) of subparagraph (B), the qualified taxpayer shall not be entitled to any credit issued under this subdivision for the applicable period.

(14) (A) Except as provided in subparagraph (B), the changes made to this subdivision by the act adding this paragraph shall apply to taxable years beginning on or after January 1, 2023.

(B) The changes made to subparagraphs (A) and (B) of paragraph (2) by the act adding this paragraph shall apply for all taxable years to any certified studio construction project that has been certified, and any qualified motion picture that has been allocated a credit, pursuant to this subdivision.

(I) Section 41 shall not apply to the credits allowed by this section.

SEC. 4. Section 23698.1 of the Revenue and Taxation Code is amended to read:

23698.1. (a) (1) For taxable years beginning on or after January 1, 2025, there shall be allowed to a qualified taxpayer a credit against the “tax,” as defined in Section 23036, subject to a computation and ranking by the California Film Commission in subdivision (g) and the allocation amount categories described in subdivision (i), in an amount equal to 35 or 40 percent, whichever is the applicable credit percentage described in paragraph (4), of the qualified expenditures for the production of a qualified motion picture in California. A credit shall not be allowed under this section for any qualified expenditures for the production of a motion picture in California if a credit has been claimed for those same expenditures under Section 23685, 23695, or 23698.

(2) Except as otherwise provided in this section, the credit shall be allowed for the taxable year in which the California Film Commission issues the credit certificate pursuant to subdivision (g) for the qualified motion picture, but in no instance prior to July 1, 2025, and shall be for the applicable percentage of all qualified expenditures paid or incurred by the qualified taxpayer in all taxable years for that qualified motion picture.

(3) (A) The amount of the credit allowed to a qualified taxpayer shall be limited to the amount specified in the credit certificate issued to the qualified taxpayer by the California Film Commission pursuant to subdivision (g).

(B) In determining the amount specified in the credit certificate in subparagraph (A), the California Film Commission shall be limited to the following amounts of qualified expenditures for each qualified motion picture:

(i) In the case of a feature, up to one hundred *twenty* million dollars ~~(\$100,000,000)~~ *(\$120,000,000)*.

(ii) In the case of a miniseries or limited series described in clause (ii) of subparagraph (A) of paragraph (19) of subdivision (b), up to one hundred *twenty* million dollars ~~(\$100,000,000)~~ *(\$120,000,000)*.

(iii) In the case of a television series described in clause (iii) or clause (v) of subparagraph (A) of paragraph (19) of subdivision (b), up to one hundred *twenty* million dollars ~~(\$100,000,000)~~ *(\$120,000,000)* per season.

(iv) In the case of an independent film, up to twenty million dollars *(\$20,000,000)*.

1 (4) For purposes of paragraphs (1) and (2), the applicable credit
2 percentage shall be as follows:

3 (A) Thirty-five percent of the qualified expenditures attributable
4 to the production of a qualified motion picture in California,
5 including, but not limited to, a feature or a television series that
6 relocated to California that is in its second or subsequent years of
7 receiving a tax credit allocation pursuant to this section, or Section
8 23685, 23695, or 23698.

9 (B) Forty percent of the qualified expenditures attributable to
10 the production of a qualified motion picture in California where
11 the qualified motion picture is a television series that relocated to
12 California in its first year of receiving a tax credit allocation
13 pursuant to this section.

14 (C) Thirty-five percent of the qualified expenditures attributable
15 to the production of a qualified motion picture that is an
16 independent film.

17 (D) Additional credits shall be allowed for the production of a
18 qualified motion picture which applicable credit percentage is
19 determined pursuant to subparagraph (A), in an aggregate amount
20 not to exceed 5 percent of the qualified expenditures under that
21 subparagraph, as follows:

22 (i) (I) Five percent of qualified expenditures, excluding qualified
23 wages described in subparagraph (E), relating to original
24 photography outside the Los Angeles zone.

25 (II) For purposes of this clause and subparagraph (E):

26 (ia) “Applicable period” means the period that commences with
27 preproduction and ends when original photography concludes. The
28 applicable period includes the time necessary to strike a remote
29 location and return to the Los Angeles zone.

30 (ib) “Los Angeles zone” means the area within a circle 30 miles
31 in radius from Beverly Boulevard and La Cienega Boulevard, Los
32 Angeles, California, and includes Agua Dulce, Castaic, including
33 Castaic Lake, Leo Carrillo State Beach, Ontario International
34 Airport, Piru, and Pomona, including the Los Angeles County
35 Fairgrounds. The Metro-Goldwyn-Mayer, Inc. Conejo Ranch
36 property is within the Los Angeles zone.

37 (ic) “Original photography” includes principal photography and
38 reshooting original footage.

39 (id) “Qualified expenditures relating to original photography
40 outside the Los Angeles zone” means amounts paid or incurred

1 during the applicable period for tangible personal property
2 purchased or leased and used or consumed outside the Los Angeles
3 zone and relating to original photography outside the Los Angeles
4 zone and qualified wages paid for services performed outside the
5 Los Angeles zone and relating to original photography outside the
6 Los Angeles zone.

7 (ii) Five percent of the qualified expenditures relating to
8 qualified visual effects attributable to the production of a qualified
9 motion picture in California.

10 (E) (i) Notwithstanding subparagraph (D), an amount equal to
11 10 percent of qualified wages paid for services performed relating
12 to original photography outside of the Los Angeles zone to
13 qualified individuals who reside in California but outside the Los
14 Angeles zone shall be allowed as an additional credit for the
15 production of a qualified motion picture which applicable credit
16 percentage is determined pursuant to subparagraph (A) or (C).

17 (ii) Notwithstanding subparagraph (D), an amount equal to 5
18 percent of qualified wages paid for services performed relating to
19 original photography outside of the Los Angeles zone to qualified
20 individuals who reside in California but outside the Los Angeles
21 zone shall be allowed as an additional credit for the production of
22 a qualified motion picture which applicable credit percentage is
23 determined pursuant to subparagraph (B).

24 *(F) Notwithstanding subparagraph (D), an amount up to 2*
25 *percent of qualified expenditures, as determined by the California*
26 *Film Commission, for qualified productions that employ trainees*
27 *from a Career Pathways Program pursuant to subparagraph (E)*
28 *of paragraph (10) of subdivision (g).*

29 (b) For purposes of this section:

30 (1) “Ancillary product” means any article for sale to the public
31 that contains a portion of, or any element of, the qualified motion
32 picture.

33 (2) “Budget” means an estimate of all expenses paid or incurred
34 during the production period of a qualified motion picture. It shall
35 be the same budget used by the qualified taxpayer and production
36 company for all qualified motion picture purposes.

37 (3) “Clip use” means a use of any portion of a motion picture,
38 other than the qualified motion picture, used in the qualified motion
39 picture.

1 (4) “Credit certificate” means the certificate issued by the
2 California Film Commission pursuant to subparagraph (D) of
3 paragraph (3) of subdivision (g).

4 (5) “Diversity workplan checklist” means a checklist developed
5 by regulation by the California Film Commission that may include
6 consideration of inclusive hiring above the line, inclusive hiring
7 below the line, equity education, industry capacity building and
8 supplier diversity as part of any diversity workplan.

9 (6) (A) “Employee fringe benefits” means the amount allowable
10 as a deduction under this part to the qualified taxpayer involved
11 in the production of the qualified motion picture, exclusive of any
12 amounts contributed by employees, for any year during the
13 production period with respect to any of the following:

14 (i) Employer contributions under any pension, profit sharing,
15 annuity, or similar plan.

16 (ii) Employer-provided coverage under any accident or health
17 plan for employees.

18 (iii) The employer’s cost of life or disability insurance provided
19 to employees.

20 (B) Any amount treated as wages under clause (i) of
21 subparagraph (A) of paragraph (21) shall not be taken into account
22 under this paragraph.

23 (7) “Independent film” means a motion picture with a minimum
24 budget of one million dollars (\$1,000,000) that is produced by a
25 company that is not publicly traded and publicly traded companies
26 do not own, directly or indirectly, more than ~~25~~ 30 percent of the
27 producing company.

28 (8) “Jobs ratio” means the amount of qualified wages paid to
29 qualified individuals divided by the amount of tax credit, not
30 including any additional credit allowed pursuant to subparagraphs
31 (D) and (E) of paragraph (4) of subdivision (a), as computed by
32 the California Film Commission. For the purposes of the
33 calculation of the jobs ratio only, 70 percent of qualified
34 expenditures for visual effects paid to third-party vendors for work
35 performed in California shall be deemed to be qualified wages
36 paid to a qualified individual.

37 (9) “Licensing” means any grant of rights to distribute the
38 qualified motion picture, in whole or in part.

39 (10) “New use” means any use of a motion picture in a medium
40 other than the medium for which it was initially created.

1 (11) “Pilot for a new television series” means the initial episode
2 produced for a proposed television series.

3 (12) (A) “Postproduction” means the final activities in a
4 qualified motion picture’s production, including editing, foley
5 recording, automatic dialogue replacement, sound editing, scoring,
6 music track recording by musicians and music editing, beginning
7 and end credits, negative cutting, negative processing and
8 duplication, the addition of sound and visual effects, sound mixing,
9 film-to-tape transfers, encoding, and color correction.

10 (B) “Postproduction” does not include the manufacture or
11 shipping of release prints or their equivalent.

12 (13) “Preproduction” means the process of preparation for actual
13 physical production which begins after a qualified motion picture
14 has received a firm agreement of financial commitment, or is
15 greenlit, with, for example, the establishment of a dedicated
16 production office, the hiring of key crew members, and includes,
17 but is not limited to, activities that include location scouting and
18 execution of contracts with vendors of equipment and stage space.

19 (14) “Principal photography” means the phase of production
20 during which the motion picture is actually shot, as distinguished
21 from preproduction and postproduction.

22 (15) “Production period” means the period beginning with
23 preproduction and ending upon completion of postproduction.

24 (16) “Qualified entity” means a personal service corporation as
25 defined in Section 269A(b)(1) of the Internal Revenue Code, a
26 payroll services corporation, or any entity receiving qualified wages
27 with respect to services performed by a qualified individual.

28 (17) “Qualified expenditures” means amounts paid or incurred
29 for tangible personal property purchased or leased, and used, within
30 this state in the production of a qualified motion picture and
31 payments, including qualified wages, for services performed within
32 this state in the production of a qualified motion picture.

33 (18) (A) “Qualified individual” means any individual who
34 performs services during the production period in an activity related
35 to the production of a qualified motion picture.

36 (B) “Qualified individual” shall not include either of the
37 following:

38 (i) Any individual related to the qualified taxpayer as described
39 in subparagraph (A), (B), or (C) of Section 51(i)(1) of the Internal
40 Revenue Code.

1 (ii) Any 5-percent owner, as defined in Section 416(i)(1)(B) of
2 the Internal Revenue Code, of the qualified taxpayer.

3 (19) (A) “Qualified motion picture” means a motion picture
4 that is produced for distribution to the general public, regardless
5 of medium, that is one of the following:

6 (i) A feature with a minimum production budget of one million
7 dollars (\$1,000,000).

8 (ii) A miniseries or limited series consisting of two or more
9 episodes, each longer than 40 minutes of running time, exclusive
10 of commercials, that is produced in California, with a minimum
11 production budget of one million dollars (\$1,000,000) per episode.

12 (iii) An independent film.

13 (iv) A television series that relocated to California.

14 (v) A pilot for a new live action or animated television series
15 that is at least 20 minutes of running time, exclusive of
16 commercials, that is produced in California, and with a minimum
17 production budget of one million dollars (\$1,000,000).

18 (vi) A live action or animated series, averaging across a season
19 at least 20 minutes of running time per episode, exclusive of
20 commercials, that is produced in California, with a minimum
21 production budget of one million dollars (\$1,000,000) per episode.

22 (vii) An animated film that is produced in California, with a
23 minimum production budget of one million dollars (\$1,000,000).

24 (viii) A large-scale competition show, not including traditional
25 reality, game shows, talk shows, or docufollow television
26 programming, that is produced in California, with a minimum
27 production budget of one million dollars (\$1,000,000) per episode.

28 (B) To qualify as a “qualified motion picture,” all of the
29 following conditions shall be satisfied:

30 (i) At least 75 percent of the principal photography days occur
31 wholly in California or 75 percent of the production budget is
32 incurred for payment for services performed within the state and
33 the purchase or rental of property used within the state.

34 (ii) Production of the qualified motion picture is completed
35 within 30 months from the date on which the qualified taxpayer’s
36 application is approved by the California Film Commission. For
37 purposes of this section, a qualified motion picture is “completed”
38 when the process of postproduction has been finished.

1 (iii) The copyright for the motion picture is registered with the
2 United States Copyright Office pursuant to Title 17 of the United
3 States Code.

4 (iv) (I) Except as provided in subclause (II), principal
5 photography of the qualified motion picture commences after the
6 date on which the application is approved by the California Film
7 Commission, but no later than 180 days after the date of that
8 approval if the qualified motion picture has a budget with qualified
9 expenditures of less than one hundred million dollars
10 (\$100,000,000), and no later than 240 days after the date of that
11 approval in the case of a qualified motion picture with a budget
12 of qualified expenditures with at least one hundred million dollars
13 (\$100,000,000), unless death, disability, or disfigurement of the
14 director or of a principal cast member; an act of God, including,
15 but not limited to, fire, flood, earthquake, storm, hurricane, or other
16 natural disaster; terrorist activities; or government sanction has
17 directly prevented a production's ability to begin principal
18 photography within the prescribed 180- or 240-day commencement
19 period.

20 (II) Notwithstanding subclause (I), a production that has not
21 previously received an allocation under this section or Section
22 23685, 23695, or 23698, and that completed principal photography
23 of the previous season more than 48 months prior to the application
24 for a credit allocation under this section, shall be deemed not to
25 have commenced principal photography prior to the date on which
26 the application for an allocation of credit under this section is
27 approved by the California Film Commission.

28 *(III) Notwithstanding subclauses (I) and (II), a television series*
29 *that did not commence principal photography prior to July 1, 2025,*
30 *and applied for but did not receive an allocation under this section*
31 *for its first season filming in California and makes an application*
32 *for allocation of credit for its second season filming in California*
33 *shall be deemed not to have commenced principal photography*
34 *prior to the date on which the application for an allocation of*
35 *credit under this section is approved by the California Film*
36 *Commission.*

37 (v) (I) At least 75 percent of production costs for picture editing
38 and postproduction sound labor and services shall be incurred in
39 California.

1 (II) This requirement shall only apply to a qualified motion
2 picture applying for an allocation of credits under this section
3 pursuant to subparagraph (G) of paragraph (8) of subdivision (k)
4 of Section 17053.98 or Section 23698.

5 (vi) Provides a diversity workplan checklist.

6 (C) For the purposes of subparagraph (A), in computing the
7 total wages paid or incurred for the production of a qualified
8 motion picture, all amounts paid or incurred by all persons or
9 entities that share in the costs of the qualified motion picture shall
10 be aggregated.

11 (D) “Qualified motion picture” shall not include commercial
12 advertising, music videos, a motion picture produced for private
13 noncommercial use, such as weddings, graduations, or as part of
14 an educational course and made by students, a news program,
15 current events or public events program, talk show, game show,
16 sporting event or activity, awards show, telethon or other
17 production that solicits funds, reality television program, except
18 as specified in clause (ix) of subparagraph (A), clip-based
19 programming if more than 50 percent of the content is comprised
20 of licensed footage, documentaries, variety programs, daytime
21 dramas, strip shows, or any production that falls within the
22 recordkeeping requirements of Section 2257 of Title 18 of the
23 United States Code.

24 (20) (A) “Qualified taxpayer” means a taxpayer who has paid
25 or incurred qualified expenditures, participated in the Career
26 Readiness requirement in Section 23695, and has been issued a
27 credit certificate by the California Film Commission pursuant to
28 subdivision (g).

29 (B) In the case of any pass-thru entity, the determination of
30 whether a taxpayer is a qualified taxpayer under this section shall
31 be made at the entity level and any credit under this section is not
32 allowed to the pass-thru entity, but shall be passed through to the
33 partners or shareholders in accordance with applicable provisions
34 of Part 10 (commencing with Section 17001) or Part 11
35 (commencing with Section 23001). For purposes of this paragraph,
36 “pass-thru entity” means any entity taxed as a partnership or “S”
37 corporation.

38 (C) In the case of an “S” corporation, the credit allowed under
39 this section shall not be used by an “S” corporation as a credit

1 against a tax imposed under Chapter 4.5 (commencing with Section
2 23800) of Part 11 of Division 2.

3 (21) “Qualified visual effects” means visual effects where at
4 least 75 percent or a minimum of ten million dollars (\$10,000,000)
5 of the qualified expenditures for the visual effects are paid or
6 incurred in California.

7 (22) (A) “Qualified wages” means all of the following:

8 (i) Any wages subject to withholding under Division 6
9 (commencing with Section 13000) of the Unemployment Insurance
10 Code that were paid or incurred by any taxpayer involved in the
11 production of a qualified motion picture with respect to a qualified
12 individual for services performed on the qualified motion picture
13 production within this state.

14 (ii) The portion of any employee fringe benefits paid or incurred
15 by any taxpayer involved in the production of the qualified motion
16 picture that are properly allocable to qualified wage amounts
17 described in clauses (i), (iii), and (iv).

18 (iii) Any payments made to a qualified entity for services
19 performed in this state by qualified individuals within the meaning
20 of paragraph (17).

21 (iv) Remuneration paid to an independent contractor who is a
22 qualified individual for services performed within this state by that
23 qualified individual.

24 (B) “Qualified wages” shall not include any of the following:

25 (i) Expenses, including wages, related to new use, reuse, clip
26 use, licensing, secondary markets, or residual compensation, or
27 the creation of any ancillary product, including, but not limited to,
28 a soundtrack album, toy, game, trailer, or teaser.

29 (ii) Expenses, including wages, paid or incurred with respect to
30 acquisition, development, turnaround, or any rights thereto.

31 (iii) Expenses, including wages, related to financing, overhead,
32 marketing, promotion, or distribution of a qualified motion picture.

33 (iv) Expenses, including wages, paid per person per qualified
34 motion picture for writers, directors, music directors, music
35 composers, music supervisors, producers, and performers, other
36 than background actors with no scripted lines.

37 (23) (A) “Recurring television allocation amount” means the
38 sum of the base year allocation and the product of all of the
39 following:

40 (i) The base year allocation.

1 (ii) The number of subsequent years.

2 (iii) Three percent.

3 (B) For purposes of this paragraph, the following definitions
4 apply:

5 (i) “Base year allocation” means the amount received by the
6 recurring television series in its fiscal year 2025–26 Credit
7 Allocation Letter or Letters, or if no amounts were reserved in
8 fiscal year 2025–26, in the next fiscal year in which a Credit
9 Allocation Letter or Letters were received.

10 (ii) “The number of subsequent years” means the number of
11 full or partial fiscal years that have elapsed since the fiscal year in
12 with the base year allocation was made.

13 (24) “Recurring television series” means any television series
14 that was previously approved and issued a credit allocation letter
15 under this section.

16 (25) “Residual compensation” means supplemental
17 compensation paid at the time that a motion picture is exhibited
18 through new use, reuse, clip use, or in secondary markets, as
19 distinguished from payments made during production.

20 (26) “Reuse” means any use of a qualified motion picture in the
21 same medium for which it was created, following the initial use
22 in that medium.

23 (27) “Secondary markets” means media in which a qualified
24 motion picture is exhibited following the initial media in which it
25 is exhibited.

26 (28) “Television series that relocated to California” means a
27 television series, without regard to episode length or initial media
28 exhibition, with a minimum production budget of one million
29 dollars (\$1,000,000) per episode, that filmed at least 75 percent of
30 principal photography days in its most recent season outside of
31 California or has filmed all seasons outside of California and for
32 which the taxpayer certifies that the credit provided pursuant to
33 this section is the primary reason for relocating to California.

34 (c) (1) (A) Notwithstanding subdivision (i) of Section 23036,
35 in the case where the credit allowed by this section exceeds the
36 taxpayer’s tax liability computed under this part, a qualified
37 taxpayer may elect to assign any portion of the credit allowed
38 under this section to one or more affiliated corporations for each
39 taxable year in which the credit is allowed.

1 (B) For purposes of the election provided in subparagraph (A),
2 all of the following shall apply:

3 (i) The election may be based on any method selected by the
4 qualified taxpayer that originally receives the credit.

5 (ii) Once the election is made, it shall be irrevocable for the
6 taxable year the credit is allowed.

7 (iii) The election may be changed for any subsequent taxable
8 year if the election to make the assignment is expressly shown on
9 each of the returns of the qualified taxpayer and the qualified
10 taxpayer's affiliated corporations that assign and receive the credits.

11 (iv) The election shall be reported to the Franchise Tax Board,
12 in the form and manner specified by the Franchise Tax Board,
13 along with all required information regarding the assignment of
14 the credit, including the corporation number, the federal employer
15 identification number, or other taxpayer identification number of
16 the assignee, and the amount of the credit assigned.

17 (C) For purposes of this paragraph, "affiliated corporation" has
18 the same meaning provided in subdivision (b) of Section 25110,
19 as of the last day of the taxable year in which the credit is allowed,
20 except that "100 percent" is substituted for "more than 50 percent"
21 wherever it appears in the section, and "voting common stock" is
22 substituted for "voting stock" wherever it appears in the section.

23 (2) Notwithstanding any other law, a qualified taxpayer may
24 sell any credit allowed under this section that is attributable to an
25 independent film, as defined in paragraph (7) of subdivision (b),
26 to an unrelated party.

27 (3) The qualified taxpayer shall report to the Franchise Tax
28 Board prior to the sale of the credit, in the form and manner
29 specified by the Franchise Tax Board, all required information
30 regarding the purchase and sale of the credit, including the social
31 security or other taxpayer identification number of the unrelated
32 party to whom the credit has been sold, the face amount of the
33 credit sold, and the amount of consideration received by the
34 qualified taxpayer for the sale of the credit.

35 (4) In the case where the credit allowed under this section
36 exceeds the "tax," the excess credit may be carried over to reduce
37 the "tax" in the following taxable year, and succeeding eight
38 taxable years, if necessary, until the credit has been exhausted.

1 (5) A credit shall not be sold pursuant to this subdivision to
2 more than one taxpayer, nor may the credit be resold by the
3 unrelated party to another taxpayer or other party.

4 (6) A party that has been assigned or acquired tax credits under
5 this subdivision shall be subject to the requirements of this section.

6 (7) In no event may a qualified taxpayer assign or sell any tax
7 credit to the extent the tax credit allowed by this section is claimed
8 on any tax return of the qualified taxpayer.

9 (8) In the event that both the taxpayer originally allocated a
10 credit under this section by the California Film Commission and
11 a taxpayer to whom the credit has been sold both claim the same
12 amount of credit on their tax returns, the Franchise Tax Board may
13 disallow the credit of either taxpayer, so long as the statute of
14 limitations upon assessment remains open.

15 (9) Chapter 3.5 (commencing with Section 11340) of Part 1 of
16 Division 3 of Title 2 of the Government Code does not apply to
17 any standard, criterion, procedure, determination, rule, notice, or
18 guideline established or issued by the Franchise Tax Board
19 pursuant to this subdivision.

20 (10) Subdivision (g) of Section 23036 shall not apply to any
21 credit sold pursuant to this subdivision.

22 (11) For purposes of this subdivision, the following shall apply:

23 (A) The unrelated party or parties that purchase a credit pursuant
24 to paragraphs (2) to (10), inclusive, shall be treated as a qualified
25 taxpayer pursuant to paragraph (1) of subdivision (a).

26 (B) An affiliated corporation or corporations that are assigned
27 a credit pursuant to paragraph (1) shall be treated as a qualified
28 taxpayer pursuant to paragraph (1) of subdivision (a).

29 (d) (1) No credit shall be allowed pursuant to this section unless
30 the qualified taxpayer provides the following to the California
31 Film Commission:

32 (A) Identification of each qualified individual.

33 (B) The specific start and end dates of production.

34 (C) The total wages paid.

35 (D) The total amount of qualified wages paid to qualified
36 individuals.

37 (E) Aggregate data for individuals whose wages are excluded
38 from qualified wages by clause (iv) of subparagraph (B) of
39 paragraph (22) of subdivision (b), including their gender, ethnic,
40 and racial makeup.

1 (F) The copyright registration number, as reflected on the
2 certificate of registration issued under the authority of Section 410
3 of Title 17 of the United States Code, relating to registration of
4 claim and issuance of certificate. The registration number shall be
5 provided on the return claiming the credit.

6 (G) The total amounts paid or incurred to purchase or lease
7 tangible personal property used in the production of a qualified
8 motion picture.

9 (H) Information to substantiate its qualified expenditures.

10 (I) Information required by the California Film Commission
11 under regulations promulgated pursuant to subdivision (g)
12 necessary to verify the amount of credit claimed.

13 (J) Data regarding the diversity of the workforce employed by
14 the applicant on the qualified motion picture, as described in
15 subdivision (g).

16 (K) Documentation verifying completion of the Career
17 Readiness requirement.

18 (L) Documentation verifying that the qualified taxpayer paid
19 the Career Pathways Program fee.

20 (2) (A) Based on the information provided in paragraph (1),
21 the California Film Commission shall recompute the jobs ratio
22 previously computed in subdivision (g) and compare this
23 recomputed jobs ratio to the jobs ratio that the qualified taxpayer
24 previously listed on the application submitted pursuant to
25 subdivision (g).

26 (B) (i) If the California Film Commission determines that the
27 jobs ratio has been reduced by more than 10 percent for a qualified
28 motion picture, the California Film Commission shall reduce the
29 amount of credit allowed by an equal percentage, unless the
30 qualified taxpayer demonstrates, and the California Film
31 Commission determines, that reasonable cause exists for the jobs
32 ratio reduction.

33 (ii) If the California Film Commission determines that the jobs
34 ratio has been reduced by more than 20 percent for a qualified
35 motion picture, the California Film Commission shall not accept
36 an application described in subdivision (g) from that qualified
37 taxpayer or any member of the qualified taxpayer's controlled
38 group for a period of not less than one year from the date of that
39 determination, unless the qualified taxpayer demonstrates, and the

1 California Film Commission determines, that reasonable cause
2 exists for the jobs ratio reduction.

3 (C) For the purposes of this paragraph, “reasonable cause”
4 means unforeseen circumstances beyond the control of the qualified
5 taxpayer, such as, but not limited to, the cancellation of a television
6 series prior to the completion of the scheduled number of episodes
7 or other similar circumstances as determined by the California
8 Film Commission in regulations to be adopted pursuant to
9 subdivision (e).

10 (e) (1) (A) Subject to the Administrative Procedure Act
11 (Chapter 3.5 (commencing with Section 11340) of Part 1 of
12 Division 3 of Title 2 of the Government Code), the California Film
13 Commission shall prescribe rules and regulations to carry out the
14 purposes of this section, including, but not limited to, the following:

15 (i) Subparagraph (D) of paragraph (4) of subdivision (a) and
16 clause (iv) of subparagraph (D) of paragraph (2) of subdivision
17 (g).

18 (ii) Any rules and regulations necessary to establish procedures,
19 processes, requirements, and applications.

20 (iii) (I) Continuing a Career Pathways Program established
21 pursuant to subdivision (e) of Sections 17053.98 and ~~23698~~ 23698,
22 *and pursuant to paragraph (10) of subdivision (g) of this section*
23 *and Section 17053.98.1*, to fund technical skills training for
24 individuals from underserved communities for entry into film and
25 television jobs. The program shall be funded by a fee equal to 0.5
26 percent of the approved credit amount for a qualified motion
27 picture. The program shall work with nonprofit organizations that
28 have an established record of training and job placement in the
29 entertainment industry, focus on training individuals from
30 traditionally underserved communities, and offer training courses
31 focused on skilled, technical positions that would be eligible for
32 qualified wages if performed on a qualified motion picture as well
33 as administrative- and industry-related technical occupations or
34 soft skills training for the motion picture industry.

35 (II) Notwithstanding subclause (I), independent films are
36 required to pay a fee equal to 0.25 percent of the approved credit
37 amount for a qualified motion picture.

38 (iv) (I) Beginning January 1, 2028, the California Film
39 Commission, in collaboration with labor and industry stakeholders,
40 has the authority to increase the Career Pathways Training program

1 fee by 0.25 percent per year, up to 1 percent of the approved credit
2 amount for a qualified motion picture, based on evaluation of
3 available information, including, but not limited to, the number of
4 jobs available, job growth in the industry, and information included
5 in the annual reports of the Career Pathways Training program
6 required pursuant to paragraph ~~(10)~~ (11) of subdivision (g). The
7 evaluation shall be included in the annual report to the Legislature.

8 (II) Independent films are not subject to an increase to the fee
9 pursuant to subclause (I).

10 (B) Notwithstanding any other law, prior to preparing a notice
11 of proposed action pursuant to Section 11346.4 of the Government
12 Code and prior to making any revision to the proposed regulation
13 other than a change that is nonsubstantial or solely grammatical
14 in nature, the Governor's Office of Business and Economic
15 Development shall first approve the proposed regulation or
16 proposed change to a proposed regulation regarding allocating the
17 credit pursuant to subdivision (i), computing the jobs ratio as
18 described in subdivisions (d) and (g), and defining "reasonable
19 cause" pursuant to subparagraph (C) of paragraph (2) of subdivision
20 (d).

21 (2) The California Film Commission shall not be required to
22 prepare an economic impact analysis pursuant to the Administrative
23 Procedure Act (Chapter 3.5 (commencing with Section 11340) of
24 Part 1 of Division 3 of Title 2 of the Government Code) with regard
25 to any rules and regulations adopted pursuant to this subdivision.

26 (f) If the qualified taxpayer fails to provide the copyright
27 registration number as required in subparagraph (E) of paragraph
28 (1) of subdivision (d), the credit shall be disallowed and assessed
29 and collected under Section 19051 until the procedures are
30 satisfied.

31 (g) For purposes of this section, the California Film Commission
32 shall do all of the following:

33 (1) Subject to the requirements of subparagraphs (A) to (E),
34 inclusive, of paragraph (2), on or after July 1, 2025, and before
35 July 1, 2030, in four or more allocation periods per fiscal year,
36 allocate tax credits to applicants.

37 (2) (A) Establish a procedure for applicants to file with the
38 California Film Commission a written application, on a form jointly
39 prescribed by the California Film Commission and the Franchise

1 Tax Board for the allocation of the tax credit. The application shall
2 include, but not be limited to, all of the following information:

- 3 (i) The budget for the motion picture production.
- 4 (ii) The number of production days.
- 5 (iii) A financing plan for the production.
- 6 (iv) The diversity of the workforce employed by the applicant,
7 including, but not limited to, the ethnic and racial makeup of the
8 individuals employed by the applicant during the production of
9 the qualified motion picture, to the extent possible.

10 (v) The amount of qualified wages the applicant expects to pay
11 to qualified individuals.

12 (vi) The amount of tax credit the applicant computes the
13 qualified motion picture will receive, applying the applicable credit
14 percentages described in paragraph (4) of subdivision (a).

15 (vii) A statement establishing that the tax credit described in
16 this section is a significant factor in the applicant's choice of
17 location for the qualified motion picture. The statement shall
18 include information about whether the qualified motion picture is
19 at risk of not being filmed or specify the jurisdiction or jurisdictions
20 in which the qualified motion picture will be located in the absence
21 of the tax credit. The statement shall be signed by an officer or
22 executive of the applicant.

23 (viii) The applicant's written policy against unlawful harassment,
24 including, but not limited to, sexual harassment, which includes
25 procedures for reporting and investigating harassment claims, a
26 phone number for an individual who will be responsible for
27 receiving harassment claims, and a statement that the company
28 will not retaliate against an individual who reports harassment.
29 The applicant shall also indicate how the policy will be distributed
30 to employees and include a summary of education training
31 resources, including the prohibition against, and prevention and
32 correction of, sexual harassment and remedies available.

33 (ix) If applicable, summary of the applicant's voluntary
34 programs to increase the representation of minorities and women
35 in the job classifications that are not included in qualified wages
36 as set forth in clause (iv) of subparagraph (B) of paragraph (22)
37 of subdivision (b) and information about how these programs are
38 publicized to interested parties. The officer or executive referenced
39 in clause (xi) who is signing the statement shall provide additional

1 information about these programs, if needed and upon request, to
2 the California Film Commission.

3 (x) Any other information deemed relevant by the California
4 Film Commission or the Franchise Tax Board.

5 (B) Establish criteria, consistent with the requirements of this
6 section, for allocating tax credits.

7 (C) Determine and designate applicants who meet the
8 requirements of this section.

9 (D) For purposes of allocating the credit amounts subject to the
10 categories described in subdivision (i) in any fiscal year, the
11 California Film Commission shall do all of the following:

12 (i) For each allocation date and for each category, list each
13 applicant from highest to lowest according to the jobs ratio as
14 computed by the California Film Commission.

15 (ii) Subject to the applicable credit percentage, allocate the credit
16 to each applicant according to the highest jobs ratio, working down
17 the list, until the credit amount is exhausted.

18 (iii) (I) Pursuant to regulations adopted pursuant to subdivision
19 (e), the California Film Commission may increase the jobs ratio
20 by up to 25 percent if a qualified motion picture increases economic
21 activity in California according to criteria developed by the
22 California Film Commission that would include, but not be limited
23 to, those factors as, the amount of the production and
24 postproduction spending in California, ~~the utilization~~ *employment*
25 of scoring musicians in California, and other criteria measuring
26 economic impact in California as determined by the California
27 Film Commission. *The criteria developed by the California Film*
28 *Commission shall not assess fewer points for the employment of*
29 *scoring musicians in California than any other category within*
30 *the jobs ratio bonus.*

31 (II) For qualified motion pictures that are described in clause
32 (i) of subparagraph (G) of paragraph (8) of subdivision (k) of
33 Section 17053.98 and Section 23698, the jobs ratio shall be equal
34 to the product of the jobs ratio calculated in paragraph (8) of
35 subdivision (b) and 133 percent.

36 (iv) (I) Notwithstanding any other law, any television series,
37 relocating television series, or any new television series based on
38 a pilot for a new television series that has been approved and issued
39 a credit allocation by the California Film Commission under this
40 section or Section 17053.85, 17053.95, 17053.98, 17053.98.1,

23685, 23695, or 23698 shall be issued a credit for each subsequent season, for the life of that television series whenever credits are allocated within a fiscal year.

(II) Notwithstanding subclause (I), a recurring television series that does not request a credit allocation within 18 months from the date of completion of principal photography of the previous season is deemed to have waived the credit allocation guarantee provided by this clause and must reapply for a credit allocation. The California Film Commission may by regulation determine the appropriate priority to be given in a reapplication process for a recurring series reapplying pursuant to this subclause.

(III) The California Film Commission shall limit the amount of credits any recurring television series, including a recurring television series under subdivision (k) of Section 23698, receives in a subsequent season to no more than the recurring television allocation amount.

(IV) In the event that insufficient tax credits are available to fund all recurring television series pursuant to this clause for any fiscal year or in the event the California Film Commission projects, in collaboration with the Department of Finance, that there will be insufficient tax credits available to fund all recurring television series in either of the subsequent two fiscal years, the California Film Commission shall make the following adjustments in the order given until the shortfall, or any projected shortfall for the two subsequent fiscal years, for recurring television series is eliminated:

(V) (ia) Notwithstanding clause (iii) of subparagraph (A) of paragraph (2) of subdivision (i), the California Film Commission may redirect up to 100 percent of the credit amounts allocated to the relocating television series category to recurring television series for that fiscal year until the shortfall or projected shortfall is eliminated.

(ib) Notwithstanding clause (iv) of subparagraph (A) of paragraph (2) of subdivision (i), the California Film Commission may redirect up to 100 percent of the credit amounts allocated to a new television series to recurring television series for that fiscal year until the shortfall or projected shortfall is eliminated.

(ic) Notwithstanding clause (ii) of subparagraph (A) of paragraph (2) of subdivision (i), the California Film Commission may redirect up to 100 percent of the credit allocations from the

1 features category to the recurring television series category for
2 that fiscal year until the shortfall is eliminated.

3 (id) Allocate up to 25 percent of total credit allocations that
4 would otherwise be allocated in the 2029–30 fiscal year to recurring
5 television series in the current fiscal year until the shortfall is
6 eliminated. Any amounts transferred for allocation in the current
7 fiscal year shall be subtracted from the amount allowed to be
8 allocated in the 2029–30 fiscal year as specified in subdivision (i).
9 Notwithstanding paragraph (3), the credit allocations that are
10 subtracted from the 2029–30 fiscal year shall not be certified until
11 July 1, 2030, or later.

12 (ie) The California Film Commission shall consult with the
13 qualified taxpayers who are producing the recurring television
14 series for purposes of negotiating a minimally impactful reduction
15 in the amount of credits awarded to each recurring television series
16 for that fiscal year until the shortfall is eliminated.

17 (E) Subject to the annual cap and the allocation credit amounts
18 based on categories described in subdivision (i), allocate an
19 aggregate amount of credits under this section and Section
20 17053.98.1, and allocate any carryover of unallocated or unused
21 credits from prior years and Sections 17053.85, 17053.95,
22 17053.98, 23685, 23695, and 23698 and the amount of any credits
23 reduced pursuant to paragraph (2) of subdivision (d).

24 (3) Certify tax credits allocated to qualified taxpayers and do
25 all of the following:

26 (A) Establish a verification procedure to do both of the
27 following:

28 (i) Update the information in subparagraph (A) of paragraph
29 (2) of subdivision (g), including, but not limited to, the amounts
30 of qualified expenditures paid or incurred by the applicant.

31 (ii) Ensure that the final safety evaluation report required
32 pursuant to Section 9152 of the Labor Code has been submitted.

33 (B) Establish audit requirements that shall be satisfied before a
34 credit certificate may be issued by the California Film Commission.

35 (C) Issue a credit certificate to a qualified taxpayer upon
36 completion of the qualified motion picture reflecting the credit
37 amount allocated after qualified expenditures have been verified
38 and the jobs ratio computed under this section. The amount of
39 credit shown on the credit certificate shall not exceed the amount
40 of credit allocated to that qualified taxpayer pursuant to this section.

1 (D) (i) Notwithstanding any other law, the California Film
2 Commission shall certify a credit amount equal to 96 percent of
3 the total credit allocated to the qualified taxpayer, unless the
4 qualified taxpayer chooses to submit a diversity workplan and the
5 California Film Commission determines that the qualified taxpayer
6 has met or made a good-faith effort to meet the diversity goals in
7 its diversity workplan, pursuant to clause (ii).

8 (ii) The California Film Commission shall certify an additional
9 credit amount equal to 4 percent of the total credit allocated to the
10 qualified taxpayer if a qualified taxpayer submits to the California
11 Film Commission, in the form and manner required by the
12 commission, all of the following:

13 (I) A diversity workplan within 30 days after receiving a credit
14 allocation letter. The workplan shall be consistent with the diversity
15 workplan checklist to address diversity and be broadly reflective
16 of California's population in terms of race, ethnicity, gender, and
17 disability status, and shall include all of the following:

18 (ia) A statement of the diversity goals the motion picture will
19 seek to achieve in terms of qualified wages.

20 (ib) A statement of the diversity goals the motion picture will
21 seek to achieve for individuals whose wages are excluded from
22 qualified wages.

23 (ic) A plan of what strategies the motion picture will employ to
24 achieve the goals in this subclause and subclause (II).

25 (id) Other requirements as the California Film Commission
26 shall determine by regulation.

27 (II) An interim assessment on the qualified taxpayer's efforts
28 to meet the diversity workplan prior to the commencement of
29 principal photography. Upon review pursuant to a procedure
30 prescribed in regulations, the California Film Commission shall
31 determine whether the interim assessment indicates that the
32 qualified motion picture is making a good-faith effort to meet the
33 goals of the diversity workplan and shall notify the qualified motion
34 picture of its findings.

35 (III) A final diversity assessment that includes information about
36 how the project met or made a good-faith effort to meet the
37 diversity workplan, including, but not limited to, aggregate data
38 voluntarily self-reported by individuals whose wages are included
39 in qualified wages and individuals whose wages are excluded from

1 qualified wages, with regard to their race, ethnicity, gender, and
2 disability status.

3 (iii) The California Film Commission, in consultation with the
4 Governor's Office of Business and Economic Development, shall
5 establish guidelines to evaluate diversity workplans as described
6 in this subparagraph. The guidelines shall be posted on the
7 California Film Commission's internet website.

8 (iv) The California Film Commission shall approve or reject
9 the diversity workplan of an applicant, to the extent allowed by
10 federal and state law.

11 (v) This subparagraph shall not apply to an independent film
12 with qualified expenditures of ten million dollars (\$10,000,000)
13 or less.

14 (vi) The requirements of this subparagraph shall not apply to a
15 recurring television series receiving an allocation of credits under
16 this section pursuant to clause (ii) of subparagraph (G) of paragraph
17 (8) of subdivision (k) of Section 17053.98 or Section 23698 and
18 fulfills the diversity workplan and report requirements pursuant
19 to subdivision (k) of Section 17053.98 or Section 23698.

20 (vii) A qualified motion picture described in subparagraph (D)
21 of paragraph (8) of subdivision (k) of Section 17053.98 or Section
22 23698 that applies for an allocation of credits under this section
23 shall be subject to the requirements of this subparagraph and not
24 those of clause (iv) of subparagraph (B) of paragraph (2) of
25 subdivision (k) of Sections 17053.98 and 23698 and paragraph (3)
26 of subdivision (k) of Sections 17053.98 and 23698.

27 (4) Obtain, when possible, the following information from
28 applicants that do not receive an allocation of credit:

29 (A) Whether the qualified motion picture that was the subject
30 of the application was completed.

31 (B) If completed, in which state or foreign jurisdiction was the
32 primary principal photography completed.

33 (C) Whether the applicant received any financial incentives
34 from the state or foreign jurisdiction to make the qualified motion
35 picture in that location.

36 (5) Provide the Legislative Analyst's Office, upon request, any
37 or all application materials or any other materials received from,
38 or submitted by, applicants for which a credit allocation decision
39 has been made, including, but not limited to, applicants that did
40 not receive a credit allocation. Materials provided to the Legislative

Analyst's Office shall be in electronic format when available and include, but not be limited to, information provided pursuant to subclause (I) to (III), inclusive, of clause (ii) of subparagraph (D) of paragraph (3).

(6) The information provided to the California Film Commission pursuant to this section shall constitute confidential tax information for purposes of Article 2 (commencing with Section 19542) of Chapter 7 of Part 10.2.

(7) (A) Notwithstanding any other law, on or after July 1, 2030, the California Film Commission may allocate, pursuant to this section, any previously allocated credits not certified that have not previously been added to credit amounts available for allocation under this section or a successor section or sections.

(B) For purposes of this section, "previously allocated credits not certified" means either of the following:

(i) Credits allocated under paragraph (1) for which the qualified taxpayer to which the credit amounts were originally allocated has notified the California Film Commission in writing that the qualified taxpayer will not request certification for the allocated credits.

(ii) The difference between the amount of credits allocated under paragraph (1) to a qualified taxpayer and the amount of credits the California Film Commission certified, for that qualified taxpayer. For purposes of calculating the difference, the California Film Commission shall not consider any credit amounts for which the qualified taxpayer notifies the California Film Commission under clause (i).

(8) Notwithstanding any other law, on or after July 1, 2030, the California Film Commission may allocate, pursuant to this section, any credit amounts described in subparagraphs (B) and (E) of paragraph (1) of subdivision (i) that have not previously been added to credit amounts available for allocation under this section or a successor section or sections.

(9) The California Film Commission shall submit a report to the Legislature, on an annual basis beginning June 30, 2027, containing diversity data provided by the applicants. The report shall contain, in the aggregate and per project, an assessment of whether the diversity workplan goals required by this section were met for qualified motion pictures that submitted the final assessment to the California Film Commission in the prior fiscal

1 year. The assessment shall contain an account of diversity
2 workplans submitted, interim assessments submitted, and final
3 assessments submitted, as well as which categories of the diversity
4 workplan checklist established pursuant to paragraph (5) of
5 subdivision (b) were included. In the event that a report is required
6 pursuant to paragraph (9) of subdivision (g) of Section 17053.98
7 and Section 23698 in the same year as a report is required under
8 this paragraph, the reports may be combined into one report. *The*
9 *California Film Commission shall submit each such assessment*
10 *to the Legislature in compliance with section 9795 of the*
11 *Government Code.*

12 ~~(10)~~

13 *(10) (A) The California Film Commission shall expand the*
14 *number of nonprofit organizations that partner with the Career*
15 *Pathways program to build upon their ongoing efforts to provide*
16 *access to the widest cross-section of Californians, including*
17 *historically disadvantaged and underrepresented individuals*
18 *seeking training and employment opportunities in motion picture*
19 *and television production.*

20 *(B) (i) The California Film Commission shall establish an*
21 *application process for career-based nonprofit organizations to*
22 *obtain approval as a Career Pathways program.*

23 *(ii) The application shall be submitted to the California Film*
24 *Commission's fiscal agent during a request for proposal process*
25 *initiated by the fiscal agent.*

26 *(iii) The first request for proposal process shall be initiated by*
27 *the California Film Commission or its fiscal agent prior to the*
28 *first allocation of credits allowed under this section.*

29 *(iv) The second request for proposal process shall be initiated*
30 *by the California Film Commission or its fiscal agent as needed*
31 *in response to changes in program revenue or training partners,*
32 *but no later than July 1, 2027.*

33 *(v) Subsequent request for proposal processes shall be initiated*
34 *by the California Film Commission or its fiscal agent as the*
35 *commission deems necessary.*

36 *(C) The California Film Commission shall approve Career*
37 *Pathways programs. Career Pathways programs shall meet all of*
38 *the following requirements:*

1 (i) *Be conducted by a nonprofit organization that has an*
2 *established record of training and job placement in the*
3 *entertainment industry.*

4 (ii) *Be focused on training individuals eighteen (18) years or*
5 *older from traditionally underserved communities.*

6 (iii) *Offer training courses focused on one or more of the*
7 *following:*

8 (I) *Skilled, technical positions that would be eligible for qualified*
9 *wages if performed on a qualified motion picture.*

10 (II) *Administrative- and industry-related technical occupations.*

11 (III) *Soft skills training for the motion picture industry.*

12 (iv) *Meet minimum qualifications and standards for high-quality,*
13 *skill-based training programs, as determined by the California*
14 *Film Commission through regulations and in consultation with*
15 *stakeholders.*

16 (D) *To ensure the Career Pathways program is successful and*
17 *has a meaningful impact, the California Film Commission and its*
18 *fiscal agent shall, in addition to the requirements specified in*
19 *subparagraph (C), consider the following aspects when evaluating*
20 *applications:*

21 (i) *Availability of participants.*

22 (ii) *Fiscal agent administrative resources.*

23 (iii) *Overlap with the focus areas of currently approved*
24 *organizations, including but not limited to, industry role focus and*
25 *student outreach focus.*

26 (iv) *Specific industry labor needs, as determined by the fiscal*
27 *agent and based on information provided by industry and labor*
28 *stakeholders.*

29 (E) *Before July 1, 2026, the California Film Commission shall*
30 *develop criteria to incentivize supplemental placement of 1 to 4*
31 *trainees from the Career Pathways Program per qualified*
32 *production. The placement of the trainees shall not displace*
33 *otherwise anticipated or necessary hiring of experienced*
34 *employees. Trainee wages shall be excluded from a production's*
35 *qualified wages for purposes of the jobs ratio and incentive*
36 *calculation.*

37 (II) *Beginning January 1, 2025, the California Film Commission*
38 *shall collect information to the extent available and based on data*
39 *provided by the Career Pathways Training program, about the*
40 *breakdown of spending by the Career Pathways Program, how*

1 participation in the Career Pathways Program by both program
2 partners and participants has changed in comparison to prior years,
3 whether graduates of the program are accessing jobs in the film
4 industry upon completion of the program, what projects the
5 students have worked on, whether those projects received a tax
6 credit, whether students are employed in California or another
7 state, and the aggregated self-reported and voluntarily provided
8 ethnic, racial, gender, and disability status of such individuals. The
9 California Film Commission shall report to the Legislature, in
10 compliance with Section 9795 of the Government Code, and
11 publish on its internet website an annual report about the Career
12 Pathways Training program, with the above information. Such
13 information shall be reported for participants for five years
14 following a participant's completion of the Career Pathways
15 Training program, to the extent the information is available. This
16 paragraph shall be applicable consistent with federal and state law.

17 (h) (1) The California Film Commission shall annually provide
18 the Legislative Analyst's Office, the Franchise Tax Board, and the
19 California Department of Tax and Fee Administration with a list
20 of qualified taxpayers and the tax credit amounts allocated to each
21 qualified taxpayer by the California Film Commission. The list
22 shall include the names and taxpayer identification numbers,
23 including taxpayer identification numbers of each partner or
24 shareholder, as applicable, of the qualified taxpayer.

25 (2) (A) Notwithstanding paragraph (6) of subdivision (g), the
26 California Film Commission shall annually post on its internet
27 website and make available for public release all of the following:

28 (i) A table which includes all of the following information: a
29 list of qualified taxpayers and the tax credit amounts allocated to
30 each qualified taxpayer by the California Film Commission, the
31 number of production days in California the qualified taxpayer
32 represented in its application would occur, the number of California
33 jobs that the qualified taxpayer represented in its application would
34 be directly created by the production, and the total amount of
35 qualified expenditures expected to be spent by the production.

36 (ii) A narrative staff summary describing the production of the
37 qualified taxpayer as well as background information regarding
38 the qualified taxpayer contained in the qualified taxpayer's
39 application for the credit.

1 (iii) The diversity report submitted annually to the Legislature
2 described in paragraph (2) of subdivision (g) organized per
3 production and an aggregate compilation describing the voluntary
4 programs collected pursuant to clause (xiii) of subparagraph (A)
5 of paragraph (2) of subdivision (g).

6 (B) Nothing in this subdivision shall be construed to make the
7 information submitted by an applicant for a tax credit under this
8 section a public record, including for the purposes of the California
9 Public Records Act (Division 10 (commencing with Section
10 7920.000) of Title 1 of the Government Code).

11 (3) The California Film Commission shall provide each city
12 and county in California with an instructional guide that includes,
13 but is not limited to, a review of best practices for facilitating
14 motion picture production in local jurisdictions, resources on
15 hosting and encouraging motion picture production, and the
16 California Film Commission's Model Filming Ordinance. The
17 California Film Commission shall maintain on its internet website
18 a list of initiatives by locality that encourage motion picture
19 production in regions across the state. The list shall be distributed
20 to each approved applicant for the program to highlight local
21 jurisdictions that offer incentives to facilitate film production.

22 (i) (1) (A) The aggregate amount of credits that may be
23 allocated for a fiscal year pursuant to this section and Section
24 17053.98.1, except as provided in subdivision (k) of Section 23698
25 and subdivision (k) of Section 17053.98, is three hundred thirty
26 million dollars (\$330,000,000), plus any amount described in
27 subparagraph (B), (C), (D), or (E) in credits for the 2025–26 fiscal
28 year and each fiscal year thereafter, through and including the
29 2029–30 fiscal year, except as provided in paragraph (7) of
30 subdivision (g).

31 (B) (i) Subject to clauses (ii) and (iii), the unused allocation
32 credit amount, if any, for the preceding fiscal year.

33 (ii) The amount of unused credit allocation attributable to
34 independent films shall only be allocated according to clause (i)
35 of subparagraph (A) of paragraph (2).

36 (iii) The total amount of any unused credit allocation amount
37 that is remaining shall only be allocated pursuant to clause (iv) of
38 subparagraph (A) of paragraph (2).

39 (C) The amount of previously allocated credits not certified.

(D) The amount of any credits reduced pursuant to paragraph (2) of subdivision (d).

(E) That portion of any unused allocation credit amount, if any, attributable to Section 17053.85, 17053.95, 17053.98, 23685, 23695, or 23698 available for that fiscal year in a manner as determined by regulations promulgated by the California Film Commission.

(2) (A) Notwithstanding the foregoing, and subject to paragraph (4) of this subdivision and changes in allocations pursuant to clause (v) of subparagraph (D) of paragraph (2) of subdivision (g), the California Film Commission shall allocate the credit amounts subject to the following categories, but shall have discretion to reallocate up to ~~40~~ 30 percent of the funds within any category amongst the remaining categories to maximize the amount of total credits allocated:

(i) Independent films with qualified expenditures of ten million dollars (\$10,000,000) or less shall be allocated 5 percent of the amount specified in paragraph (1). Independent films with qualified expenditures in excess of ten million dollars (\$10,000,000) shall be allocated 5 percent of the amount specified in paragraph (1). These amounts shall be in addition to any unused allocation credit amount, if any, for the preceding fiscal year as described in subparagraph (B) of paragraph (1).

(ii) Features and animated films shall be allocated 35 percent of the amount specified in paragraph (1).

(iii) A relocating television series shall be allocated 15 percent of the amount specified in paragraph (1).

(iv) A television series described in clause (ii), (v), (vi), or (viii) of subparagraph (A) of paragraph (19) of subdivision (b) and recurring television series shall be allocated 40 percent of the amount specified in paragraph (1), plus any unused allocation credit amount, if any, for the preceding fiscal year as described in subparagraph (B) of paragraph (1).

(B) Within any allocation period for credits to a relocating television series, any unused amount shall be reallocated to the category described in clause (iv) of subparagraph (A) and, if any unused amount remains, reallocated in the next allocation period for credits to a relocating television series.

(C) With respect to a relocating television series issued a credit in a subsequent year pursuant to clause (v) of subparagraph (D)

1 of paragraph (2) of subdivision (g), that subsequent credit amount
2 shall be allowed from the allocation amount described in clause
3 (iv) of subparagraph (A).

4 (3) Any act that reduces the amount that may be allocated
5 pursuant to paragraph (1) constitutes a change in state taxes for
6 the purpose of increasing revenues within the meaning of Section
7 3 of Article XIII A of the California Constitution and may be passed
8 by not less than two-thirds of all Members elected to each of the
9 two houses of the Legislature.

10 (4) A qualified motion picture, as defined in subdivision (k) of
11 Sections 17053.98 and 23698, shall not be eligible for an allocation
12 under subdivisions (a) to (j), inclusive, if it receives a credit under
13 subdivision (k) of Section 17053.98 or Section 23698 during that
14 fiscal year.

15 (j) The California Film Commission shall have the authority to
16 allocate tax credits in accordance with this section and in
17 accordance with any regulations prescribed pursuant to subdivision
18 (e) upon adoption.

19 (k) (1) A qualified taxpayer may make a one-time election to
20 be paid a refund for each taxable year of the refundable period,
21 not to exceed the annual refundable amount.

22 (2) For purposes of this subdivision, the following definitions
23 shall apply:

24 (A) “Annual refundable amount” means 20 percent of the total
25 refundable amount.

26 (B) (i) “Credit amount” means the credit amount specified in
27 the credit certificate issued to the qualified taxpayer by the
28 California Film Commission pursuant to subdivision (g).

29 (ii) In the case of a pass-thru entity, the “credit amount” means
30 the pro rata share or distributive share of the credit passed through
31 to the partner or shareholder of the qualified taxpayer. For purposes
32 of this clause, the term “pass-thru entity” means any partnership,
33 “S” corporation, or limited liability company treated as a
34 partnership.

35 (iii) In the case of an assigned credit, the “credit amount” means
36 the credit amount that was assigned to the taxpayer.

37 (C) “Refundable period” means the first taxable year that the
38 credit certificate is issued to the qualified taxpayer by the California
39 Film Commission pursuant to subdivision (g), and the succeeding
40 four taxable years.

1 (D) “Total refundable amount” means 100 percent of the credit
2 amount that exceeds the “tax” in the first taxable year of the
3 refundable period.

4 (3) The refund shall be computed as follows:

5 (A) (i) In the first taxable year of the refundable period, the
6 credit amount shall be allowed against the “tax” computed under
7 this part for the taxable year.

8 (ii) If the credit allowed by this section exceeds the “tax” in the
9 first taxable year of the refundable period, the annual refundable
10 amount shall be refunded to the qualified taxpayer.

11 (B) (i) In each taxable year after the first taxable year of the
12 refundable period, the annual refundable amount shall be allowed
13 as a credit against the “tax” computed under this part for the taxable
14 year, and the excess, if any, shall be refunded to the qualified
15 taxpayer.

16 (ii) If the qualified taxpayer’s tax liability for the taxable year
17 exceeds the annual refundable amount, only the annual refundable
18 amount shall be allowed as a credit against the qualified taxpayer’s
19 “tax.”

20 (4) (A) In the first taxable year of the refundable period, the
21 total refundable amount, less the annual refundable amount, shall
22 be carried over to the succeeding taxable year.

23 (B) In each taxable year other than the first taxable year of the
24 refundable period, the total refundable amount, less the annual
25 refundable amount allowed as a credit against the qualified
26 taxpayer’s “tax” or refunded in the current and prior taxable years
27 in the refundable period, shall be carried over to the next
28 succeeding year of the refundable period.

29 (C) Notwithstanding paragraph (3) of subdivision (c), if an
30 election is made pursuant to this subdivision, no amount of credit
31 shall be allowed after the refundable period.

32 (5) Any refund pursuant to this subdivision shall be credited
33 against other amounts due, if any, and the balance, if any, shall be
34 paid from the Tax Relief and Refund Account and refunded to the
35 qualified taxpayer upon their election.

36 (6) An election made pursuant to this subdivision shall be
37 irrevocable and shall be made on an original, timely filed return
38 required under Part 10.2 (commencing with Section 18401) for
39 the taxable year that the credit certificate is issued in the form and
40 manner as prescribed by the Franchise Tax Board.

1 (7) A taxpayer that purchases a credit pursuant to subdivision
2 (c) cannot elect to be paid a refund pursuant to this paragraph.
3 SEC. 5. The provisions of this act are severable. If any
4 provision of this act or its application is held invalid, that invalidity
5 shall not affect other provisions or applications that can be given
6 effect without the invalid provision or application.

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