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AMENDED IN ASSEMBLY MAY 23, 2025
AMENDED IN ASSEMBLY APRIL 22, 2025
AMENDED IN ASSEMBLY MARCH 28, 2025
california legislature—2025–26 regular session

ASSEMBLY BILL

No. 1138

Introduced by Assembly Members Zbur, Bryan, and Quirk-Silva
(Principal coauthors: Senators Allen, Menjivar, Pérez, and Stern)
**(Coauthors: Assembly Members *Ávila Farías*, Caloza, Elhawary,
Mark González, Harabedian, Lackey, McKinnor, Ortega, and
Schultz)**
(Coauthors: Senators Becker, Rubio, and Valladares)

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

AB 1138, as amended, Zbur. 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% 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:

SECTION 1. Section 17053.98 of the Revenue and Taxation 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).*

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

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

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

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

18 (iv) In the case of an independent film, up to ten million dollars
19 (\$10,000,000).

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

22 (A) Twenty percent of the qualified expenditures attributable
23 to the production of a qualified motion picture in California,
24 including, but not limited to, a feature or a television series that
25 relocated to California that is in its second or subsequent years of
26 receiving a tax credit allocation pursuant to this section, Section
27 17053.85, or Section 17053.95.

28 (B) Twenty-five percent of the qualified expenditures
29 attributable to the production of a qualified motion picture in
30 California where the qualified motion picture is a television series
31 that relocated to California in its first year of receiving a tax credit
32 allocation pursuant to this section.

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

36 (D) Additional credits shall be allowed for the production of a
37 qualified motion picture whose applicable credit percentage is
38 determined pursuant to subparagraph (A), in an aggregate amount
39 not to exceed 5 percent of the qualified expenditures under that
40 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

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

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

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

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

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

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

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

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

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

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

31 (iv) An independent film.

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

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

40 ~~(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 17053.95, and has been issued
38 a credit certificate by the California Film Commission pursuant
39 to subdivision (g).

(B) 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.

(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.

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

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

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

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

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

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

(2) The qualified taxpayer shall report to the Franchise Tax Board prior to the sale of the credit, in the form and manner

1 specified by the Franchise Tax Board, all required information
2 regarding the purchase and sale of the credit, including the social
3 security or other taxpayer identification number of the unrelated
4 party to whom the credit has been sold, the face amount of the
5 credit sold, and the amount of consideration received by the
6 qualified taxpayer for the sale of the credit.

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

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

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

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

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

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

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

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

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

39 (A) Identification of each qualified individual.

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

1 (C) The total wages paid.

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

4 (E) Aggregate data for individuals whose wages are excluded
5 from qualified wages by clause (iv) of subparagraph (B) of
6 paragraph (21) of subdivision (b), including their gender, ethnic,
7 and racial makeup.

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

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

16 (H) Information to substantiate its qualified expenditures.

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

20 (J) Data regarding the diversity of the workforce employed by
21 the applicant on the qualified motion picture, as described in
22 subdivision (g).

23 (K) Documentation verifying completion of the Career
24 Readiness requirement.

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

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

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

(ii) If the California Film Commission determines that the jobs ratio has been reduced by more than 20 percent for a qualified motion picture, the California Film Commission shall not accept an application described in subdivision (g) from that qualified taxpayer or any member of the qualified taxpayer's controlled 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,

1 requirements, application fee structure, and rules identified in or
2 required to implement this section, including credit and logo
3 requirements and credit allocation procedures over multiple fiscal
4 years where the qualified taxpayer is producing a series of features
5 that will be filmed concurrently.

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

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

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

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

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

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

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

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

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

11 (ii) The number of production days.

12 (iii) A financing plan for the production.

13 (iv) The diversity of the workforce employed by the applicant,
14 including, but not limited to, the ethnic and racial makeup of the
15 individuals employed by the applicant during the production of
16 the qualified motion picture, to the extent possible.

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

19 (vi) The amount of qualified wages the applicant expects to pay
20 to qualified individuals.

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

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

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

1 resources, including the prohibition against, and prevention and
2 correction of, sexual harassment and remedies available.

3 (x) The ethnic and racial makeup and gender of individuals
4 whose wages are excluded from qualified wages as set forth in
5 clause (iv) of subparagraph (B) of paragraph (21) of subdivision
6 (b).

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

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

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

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

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

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

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

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

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

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

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

39 (II) Notwithstanding clause (iv) of subparagraph (A) of
40 paragraph (2) of subdivision (i), the California Film Commission

1 may redirect up to 100 percent of the credit amounts allocated to
2 a new television series to recurring television series for that fiscal
3 year until the shortfall or projected shortfall is eliminated.

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

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

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

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

30 (3) Certify tax credits allocated to qualified taxpayers.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

37 (5) Provide the Legislative Analyst's Office, upon request, any
38 or all application materials or any other materials received from,
39 or submitted by, applicants for which a credit allocation decision
40 has been made, including, but not limited to, applicants that did

1 not receive a credit allocation. Materials provided to the Legislative
2 Analyst's Office shall be in electronic format when available and
3 include, but not be limited to, information provided pursuant to
4 clauses (i) to (xii), inclusive, of subparagraph (A) of paragraph (2)
5 and the diversity workplans provided pursuant to clause (iv) of
6 subparagraph (B) of paragraph (2) of subdivision (k).

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, 2025,
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:

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, 2025, 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 January 1, 2022, on
38 aggregate diversity information for the productions allocated tax
39 credits allowed in this section and the diversity of the motion
40 picture production industry in California more generally.

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

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

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

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

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

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

(3) The California Film Commission shall provide each city and county in California with an instructional guide that includes, but is not limited to, a review of best practices for facilitating motion picture production in local jurisdictions, resources on hosting and encouraging motion picture production, and the California Film Commission's Model Filming Ordinance. The

1 California Film Commission shall maintain on its internet website
2 a list of initiatives by locality that encourage motion picture
3 production in regions across the state. The list shall be distributed
4 to each approved applicant for the program to highlight local
5 jurisdictions that offer incentives to facilitate film production.

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

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

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

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

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

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

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

31 (F) (i) For fiscal years 2021–22 and 2022–23, the California
32 Film Commission shall allocate an additional fifteen million dollars
33 (\$15,000,000) in credits to be granted exclusively to television
34 series that relocate to California.

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

39 (II) Notwithstanding paragraph (25) of subdivision (b), for
40 purposes of this subparagraph, a “television series that relocated

1 to California” means a television series, without regard to episode
2 length or initial media exhibition, with a minimum production
3 budget of one million dollars (\$1,000,000) per episode that both
4 filmed at least 75 percent of principal photography days for at least
5 one episode outside of California and has not filmed more than 25
6 percent of principal photography days for any episode inside of
7 California.

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

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

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

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

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

29 (iv) A new television series, pilots for a new television series,
30 miniseries, and recurring television series shall be allocated 40
31 percent of the amount specified in paragraph (1), plus any unused
32 allocation credit amount, if any, for the preceding fiscal year as
33 described in 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),
11 shall not be eligible for an allocation under subdivisions (a) to (j),
12 inclusive, if it receives a credit under subdivision (k) during that
13 fiscal year.

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

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

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

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

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

38 (A) “Certified studio construction project” means a construction
39 or renovation project certified for a period of five years by the

1 California Film Commission as having met all of the following
2 criteria:

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

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

9 (iii) The construction or renovation of each certified studio
10 construction project is performed in accordance with Section
11 17053.99.

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

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

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

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

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

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

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

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

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

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

8 (3) (A) The diversity workplan required pursuant to clause (iv)
9 of subparagraph (B) of paragraph (2) shall include all of the
10 following:

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

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

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

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

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

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

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

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

38 (iv) If the California Film Commission determines that the
39 qualified motion picture applicant has met or made a good faith
40 effort to meet the diversity goals in its diversity workplan, the

1 applicant's credit percentage described in paragraph (1) shall be
2 increased by up to four percentage points as follows:

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

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

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

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

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

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

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

35 (8) (A) The credit allocated pursuant to this subdivision shall
36 be allowed for the taxable year in which the California Film
37 Commission issues a credit certificate in accordance with the
38 procedures provided for in subdivision (g) for the qualified motion
39 picture. The California Film Commission shall issue a credit
40 certificate to a qualified taxpayer upon completion of the qualified

1 motion picture reflecting the credit amount allocated after qualified
2 expenditures have been verified.

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

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

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

39 (E) A recurring television series that satisfies the criteria of this
40 subdivision and that is no longer eligible for a credit allocation

1 under this subdivision for a reason described in subparagraph (D)
2 shall receive a credit allocation under subdivisions (a) through (j),
3 inclusive, pursuant to clause (v) of subparagraph (D) of paragraph
4 (2) of subdivision (g).

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

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

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

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

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

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

29 (A) Establish procedures to certify a certified studio construction
30 project.

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

37 (C) (i) Implementation of this subdivision for the 2023–24
38 fiscal year is deemed an emergency and necessary for the
39 immediate preservation of the public peace, health, and safety, or
40 general welfare and, therefore, the California Film Commission

1 is hereby authorized to adopt emergency regulations to implement
2 this subdivision during the 2023–24 fiscal year in accordance with
3 the rulemaking provisions of the Administrative Procedure Act
4 (Chapter 3.5 (commencing with Section 11340) of Part 1 of
5 Division 3 of Title 2 of the Government Code).

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

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

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

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

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

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

38 (ii) A skilled and trained workforce as defined in Chapter 2.9
39 (commencing with Section 2600) of Part 1 of Division 2 of the

1 Public Contract Code, if such services are provided by third-party
2 vendors.

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

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

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

15 (C) If the percentage paid to workers in clause (i) of
16 subparagraph (A) is certified to be 90 percent of the total amount
17 under clause (i) of subparagraph (B) or greater, the qualified
18 taxpayer shall be entitled to 100 percent of the applicable credit
19 issued under this subdivision for the period. If the percentage paid
20 to workers in clause (i) of subparagraph (A) is certified to be less
21 than 90 percent of the total amount under clause (i) of subparagraph
22 (B) but greater than or equal to 75 percent of the total amount
23 under clause (i) of subparagraph (B), the qualified taxpayer shall
24 be entitled to 50 percent of the applicable credit issued under this
25 subdivision for the period. If the percentage paid to workers in
26 clause (i) of subparagraph (A) is certified to be less than 75 percent
27 of the total amount under clause (i) of subparagraph (B), the
28 qualified taxpayer shall not be entitled to any credit issued under
29 this subdivision for the applicable period.

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

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

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

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

3 17053.98.1. (a) (1) For taxable years beginning on or after
4 January 1, 2025, there shall be allowed to a qualified taxpayer a
5 credit against the “net tax,” as defined in Section 17039, subject
6 to a computation and ranking by the California Film Commission
7 in subdivision (g) and the allocation amount categories described
8 in subdivision (i), in an amount equal to 35 or 40 percent,
9 whichever is the applicable credit percentage described in
10 paragraph (4), of the qualified expenditures for the production of
11 a qualified motion picture in California. A credit shall not be
12 allowed under this section for any qualified expenditures for the
13 production of a motion picture in California if a credit has been
14 claimed for those same expenditures under Section 17053.85,
15 17053.95, or 17053.98.

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

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

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

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

33 (ii) In the case of a miniseries or limited series described in
34 clause (ii) of subparagraph (A) of paragraph (19) of subdivision
35 (b), up to one hundred *twenty* million dollars ~~(\$100,000,000)~~
36 *(\$120,000,000)*.

37 (iii) In the case of a television series described in clause (iii) or
38 clause (v) of subparagraph (A) of paragraph (19) of subdivision
39 (b), up to one hundred *twenty* million dollars ~~(\$100,000,000)~~
40 *(\$120,000,000)* per season.

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

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

5 (A) Thirty-five percent of the qualified expenditures attributable
6 to the production of a qualified motion picture in California,
7 including, but not limited to, a feature or a television series that
8 relocated to California that is in its second or subsequent years of
9 receiving a tax credit allocation pursuant to this section, or Section
10 17053.85, 17053.95, or 17053.98.

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

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

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

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

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

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

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

39 (ic) “Original photography” includes principal photography and
40 reshooting original footage.

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

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

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

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

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

(b) For purposes of this section:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

17 (iii) An independent film.

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

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

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

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

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

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

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

39 (ii) Production of the qualified motion picture is completed
40 within 30 months from the date on which the qualified taxpayer’s

1 application is approved by the California Film Commission. For
2 purposes of this section, a qualified motion picture is “completed”
3 when the process of postproduction has been finished.

4 (iii) The copyright for the motion picture is registered with the
5 United States Copyright Office pursuant to Title 17 of the United
6 States Code.

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

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

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

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

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

8 (vi) Provides a diversity workplan checklist.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

38 (i) The base year allocation.

39 (ii) The number of subsequent years.

40 (iii) Three percent.

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

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

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

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

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

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

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

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

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

(2) The qualified taxpayer shall report to the Franchise Tax Board prior to the sale of the credit, in the form and manner specified by the Franchise Tax Board, all required information regarding the purchase and sale of the credit, including the social security or other taxpayer identification number of the unrelated

1 party to whom the credit has been sold, the face amount of the
2 credit sold, and the amount of consideration received by the
3 qualified taxpayer for the sale of the credit.

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

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

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

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

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

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

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

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

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

36 (A) Identification of each qualified individual.

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

38 (C) The total wages paid.

39 (D) The total amount of qualified wages paid to qualified
40 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.

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, all of 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) The amount of qualified wages the applicant expects to pay
14 to qualified individuals.

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

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

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

36 (ix) If applicable, summary of the applicant's voluntary
37 programs to increase the representation of minorities and women
38 in the job classifications that are not included in qualified wages
39 as set forth in clause (iv) of subparagraph (B) of paragraph (22)
40 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

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

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

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

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

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

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

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

37 (C) *The California Film Commission shall approve Career*
38 *Pathways programs. Career Pathways programs shall meet all of*
39 *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 18 years or older from
5 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
25 and 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 ~~(10)~~

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

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

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

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

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

37 (ii) A narrative staff summary describing the production of the
 38 qualified taxpayer as well as background information regarding
 39 the qualified taxpayer contained in the qualified taxpayer's
 40 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
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.

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

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

12 (A) Request and receive all information of California Film
13 Commission applicants for which a credit allocation decision has
14 been made, including, but not limited to, applicants that did not
15 receive a credit allocation, provided to the California Film
16 Commission pursuant to subdivision (g) of this section and Sections
17 17053.95, 17053.98, 23695, 23698, and 23698.1.

18 (B) Request and receive all information provided to the
19 Franchise Tax Board relating to the sale or assignment of credits
20 pursuant to subdivision (c) of this section and Sections 17053.95,
21 17053.98, 23695, 23698, and 23698.1.

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

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

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

38 (B) The Legislative Analyst's Office may publish statistics in
39 conjunction with the reports required by this section that are
40 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).*

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

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

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

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

19 (iv) In the case of an independent film, up to ten million dollars
20 (\$10,000,000).

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

23 (A) Twenty percent of the qualified expenditures attributable
24 to the production of a qualified motion picture in California,
25 including, but not limited to, a feature or a television series that
26 relocated to California that is in its second or subsequent years of
27 receiving a tax credit allocation pursuant to this section, Section
28 23685, or Section 23695.

29 (B) Twenty-five percent of the qualified expenditures
30 attributable to the production of a qualified motion picture in
31 California where the qualified motion picture is a television series
32 that relocated to California in its first year of receiving a tax credit
33 allocation pursuant to this section.

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

37 (D) Additional credits shall be allowed for the production of a
38 qualified motion picture whose applicable credit percentage is
39 determined pursuant to subparagraph (A), in an aggregate amount

1 not to exceed 5 percent of the qualified expenditures under that
2 subparagraph, as follows:

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

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

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

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

18 (ic) “Original photography” includes principal photography and
19 reshooting original footage.

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

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

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

38 (ii) Notwithstanding subparagraph (D), an amount equal to 5
39 percent of qualified wages paid for services performed relating to
40 original photography outside of the Los Angeles zone to qualified

1 individuals who reside in California but outside the Los Angeles
2 zone shall be allowed as an additional credit for the production of
3 a qualified motion picture whose applicable credit percentage is
4 determined pursuant to subparagraph (B) or (C).

5 (b) For purposes of this section:

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

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

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

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

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

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

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

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

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

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

38 (B) *Notwithstanding subparagraph (A), for taxable years*
39 *beginning on or after January 1, 2025, and only for purposes of*
40 *the credit allowed in subdivision (k), a motion picture with a*

1 *minimum budget of one million dollars (\$1,000,000) that is*
2 *produced by a company that is not publicly traded and publicly*
3 *traded companies do not own, directly or indirectly, more than 30*
4 *percent of the producing company.*

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

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

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

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

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

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

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

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

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

(15) “Qualified entity” means a personal service corporation as 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) (I) For taxable years beginning before January 1, 2025, 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*

1 *subdivision (k), this subclause shall only apply for taxable years*
2 *beginning before January 1, 2025.*

3 ~~(vii)~~

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

10 ~~(viii)~~

11 (vii) For taxable years beginning on or after January 1, 2025,
12 and only for purposes of the credit allowed in subdivision (k), a
13 live action or animated series, averaging across a season at least
14 20 minutes of running time per episode, exclusive of commercials,
15 that is produced in California, with a minimum production budget
16 of one million dollars (\$1,000,000) per episode.

17 ~~(ix)~~

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

22 ~~(x)~~

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

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

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

35 (ii) Production of the qualified motion picture is completed
36 within 30 months from the date on which the qualified taxpayer’s
37 application is approved by the California Film Commission. For
38 purposes of this section, a qualified motion picture is “completed”
39 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) Principal photography of the qualified motion picture
5 commences after the date on which the application is approved by
6 the California Film Commission, but no later than 180 days after
7 the date of that approval if the qualified motion picture has a budget
8 with qualified expenditures of less than one hundred million dollars
9 (\$100,000,000), and no later than 240 days after the date of that
10 approval in the case of a qualified motion picture with a budget
11 of qualified expenditures with at least one hundred million dollars
12 (\$100,000,000), unless death, disability, or disfigurement of the
13 director or of a principal cast member; an act of God, including,
14 but not limited to, fire, flood, earthquake, storm, hurricane, or other
15 natural disaster; terrorist activities; or government sanction has
16 directly prevented a production's ability to begin principal
17 photography within the prescribed 180- or 240-day commencement
18 period.

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

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

38 (19) (A) "Qualified taxpayer" means a taxpayer who has paid
39 or incurred qualified expenditures, participated in the Career
40 Readiness requirement in Section 23695 and has been issued a

1 credit certificate by the California Film Commission pursuant to
2 subdivision (g).

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

12 (ii) In the case of an “S” corporation, the credit allowed under
13 this section shall not be used by an “S” corporation as a credit
14 against a tax imposed under Chapter 4.5 (commencing with Section
15 23800) of Part 11 of Division 2.

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

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

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

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

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

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

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

38 (i) Expenses, including wages, related to new use, reuse, clip
39 use, licensing, secondary markets, or residual compensation, or

1 the creation of any ancillary product, including, but not limited to,
2 a soundtrack album, toy, game, trailer, or teaser.

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

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

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

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

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

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

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

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

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

(c) (1) Notwithstanding subdivision (i) of Section 23036, in the case where the credit allowed by this section exceeds the taxpayer's tax liability computed under this part, a qualified taxpayer may elect to assign any portion of the credit allowed under this section to one or more affiliated corporations for each taxable year in which the credit is allowed. For purposes of this subdivision, "affiliated corporation" has the meaning provided in subdivision (b) of Section 25110 as of the last day of the taxable year in which the credit is allowed, except that "100 percent" is substituted for "more than 50 percent" wherever it appears in the section, and "voting common stock" is substituted for "voting stock" wherever it appears in the section.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

26 (11) For purposes of this subdivision:

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

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

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

36 (A) Identification of each qualified individual.

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

38 (C) The total wages paid.

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

1 (E) Aggregate data for individuals whose wages are excluded
2 from qualified wages by clause (iv) of subparagraph (B) of
3 paragraph (21) 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 a
23 fee as described in subdivision (e).

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 adopt rules and regulations to implement a pilot
17 Career Pathways Training program including a fee to be paid by
18 the qualified taxpayer, if the qualified taxpayer receives a credit
19 under this section, to fund technical skills training to individuals
20 from underserved communities for entry into film and television
21 industry jobs. The California Film Commission shall (i) identify
22 a not-for-profit fiscal agent with direct relationships to industry
23 skills training programs to manage the funds; and (ii) engage
24 labor-management jointly administered training programs with
25 skills training focused on the entertainment industry to implement
26 the program with California Film Commission approval and
27 oversight. With regard to the Career Readiness requirement in
28 Section 23695, the California Film Commission shall identify
29 training and public service opportunities that may include, but not
30 be limited to, hiring interns, public service announcements, and
31 community outreach shall continue. The California Film
32 Commission may prescribe rules and regulations to carry out the
33 purposes of this section, including, subparagraph (D) of paragraph
34 (4) of subdivision (a) and clause (iv) of subparagraph (D) of
35 paragraph (2) of subdivision (g), and including any rules and
36 regulations necessary to establish procedures, processes,
37 requirements, application fee structure, and rules identified in or
38 required to implement this section, including credit and logo
39 requirements and credit allocation procedures over multiple fiscal

1 years where the qualified taxpayer is producing a series of features
2 that will be filmed concurrently.

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

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

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

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

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

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

38 (1) Subject to the requirements of subparagraphs (A) to (E),
39 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.

1 (x) The ethnic and racial makeup and gender of individuals
2 whose wages are excluded from qualified wages as set forth in
3 clause (iv) of subparagraph (B) of paragraph (21) of subdivision
4 (b).

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

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

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

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

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

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

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

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

38 (II) For qualified motion pictures that are described in
39 subparagraph (D) of paragraph (8) of subdivision (k), the jobs ratio

1 shall be equal to the product of the jobs ratio calculated in
2 paragraph (7) of subdivision (b) and 133 percent.

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

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

37 (II) Notwithstanding clause (iv) of subparagraph (A) of
38 paragraph (2) of subdivision (i), the California Film Commission
39 may redirect up to 100 percent of the credit amounts allocated to

1 a new television series to recurring television series for that fiscal
2 year until the shortfall or projected shortfall is eliminated.

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

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

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

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

29 (3) Certify tax credits allocated to qualified taxpayers.

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

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

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

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

39 (B) Establish audit requirements that shall be satisfied before a
40 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.

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

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

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

13 (C) If the percentage paid to workers in clause (i) of
14 subparagraph (A) is certified to be 90 percent of the total amount
15 under clause (i) of subparagraph (B) or greater, the qualified
16 taxpayer shall be entitled to 100 percent of the applicable credit
17 issued under this subdivision for the period. If the percentage paid
18 to workers in clause (i) of subparagraph (A) is certified to be less
19 than 90 percent of the total amount under clause (i) of subparagraph
20 (B) but greater than or equal to 75 percent of the total amount
21 under clause (i) of subparagraph (B), the qualified taxpayer shall
22 be entitled to 50 percent of the applicable credit issued under this
23 subdivision for the period. If the percentage paid to workers in
24 clause (i) of subparagraph (A) is certified to be less than 75 percent
25 of the total amount under clause (i) of subparagraph (B), the
26 qualified taxpayer shall not be entitled to any credit issued under
27 this subdivision for the applicable period.

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

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

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

38 SEC. 4. Section 23698.1 of the Revenue and Taxation Code
39 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,

1 23685, 23695, or 23698 shall be issued a credit for each subsequent
2 season, for the life of that television series whenever credits are
3 allocated within a fiscal year.

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

12 (III) The California Film Commission shall limit the amount of
13 credits any recurring television series, including a recurring
14 television series under subdivision (k) of Section 23698, receives
15 in a subsequent season to no more than the recurring television
16 allocation amount.

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

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

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

38 (ic) Notwithstanding clause (ii) of subparagraph (A) of
39 paragraph (2) of subdivision (i), the California Film Commission
40 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) (A) *The California Film Commission shall expand the*
13 *number of nonprofit organizations that partner with the Career*
14 *Pathways program to build upon their ongoing efforts to provide*
15 *access to the widest cross section of Californians, including*
16 *historically disadvantaged and underrepresented individuals*
17 *seeking training and employment opportunities in motion picture*
18 *and television production.*

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

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

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

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

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

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

38 (i) *Be conducted by a nonprofit organization that has an*
39 *established record of training and job placement in the*
40 *entertainment industry.*

1 (ii) *Be focused on training individuals 18 years or older from*
2 *traditionally underserved communities.*

3 (iii) *Offer training courses focused on one or more of the*
4 *following:*

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

7 (II) *Administrative- and industry-related technical occupations.*

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

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

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

18 (i) *Availability of participants.*

19 (ii) *Fiscal agent administrative resources.*

20 (iii) *Overlap with the focus areas of currently approved*
21 *organizations, including, but not limited to, industry role focus*
22 *and student outreach focus.*

23 (iv) *Specific industry labor needs, as determined by the fiscal*
24 *agent and based on information provided by industry and labor*
25 *stakeholders.*

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

34 ~~(10)~~

35 (11) *Beginning January 1, 2025, the California Film*
36 *Commission shall collect information to the extent available and*
37 *based on data provided by the Career Pathways Training program,*
38 *about the breakdown of spending by the Career Pathways Program,*
39 *how participation in the Career Pathways Program by both program*
40 *partners and participants has changed in comparison to prior years,*

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

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

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

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

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

38 (iii) The diversity report submitted annually to the Legislature
39 described in paragraph (2) of subdivision (g) organized per
40 production and an aggregate compilation describing the voluntary

1 programs collected pursuant to clause (xiii) of subparagraph (A)
2 of paragraph (2) of subdivision (g).

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

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

19 (i) (1) (A) The aggregate amount of credits that may be
20 allocated for a fiscal year pursuant to this section and Section
21 17053.98.1, except as provided in subdivision (k) of Section 23698
22 and subdivision (k) of Section 17053.98, is three hundred thirty
23 million dollars (\$330,000,000), plus any amount described in
24 subparagraph (B), (C), (D), or (E) in credits for the 2025–26 fiscal
25 year and each fiscal year thereafter, through and including the
26 2029–30 fiscal year, except as provided in paragraph (7) of
27 subdivision (g).

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

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

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

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

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

39 (E) That portion of any unused allocation credit amount, if any,
40 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 a 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 shall be allowed from the allocation amount described in clause (iv) of subparagraph (A).

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

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

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

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

19 (2) For purposes of this subdivision, the following definitions
20 shall apply:

21 (A) “Annual refundable amount” means 20 percent of the total
22 refundable amount.

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

26 (ii) In the case of a pass-thru entity, the “credit amount” means
27 the pro rata share or distributive share of the credit passed through
28 to the partner or shareholder of the qualified taxpayer. For purposes
29 of this clause, the term “pass-thru entity” means any partnership,
30 “S” corporation, or limited liability company treated as a
31 partnership.

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

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

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

1 (3) The refund shall be computed as follows:

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

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

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

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

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

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

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

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

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

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

1 SEC. 5. The provisions of this act are severable. If any
2 provision of this act or its application is held invalid, that invalidity
3 shall not affect other provisions or applications that can be given
4 effect without the invalid provision or application.

O