

**ASSEMBLY BILL**

**No. 1839**

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**Introduced by Assembly Members Gatto and Bocanegra**

**(Principal coauthors: Assembly Members Allen, Bloom, Bonta, Brown, Campos, Dababneh, Garcia, Gorell, Hall, Muratsuchi, V. Manuel Pérez, Rendon, and Wilk)**

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(Coauthors: Senators Berryhill, Gaines, Knight, Liu, Pavley, Torres, and Walters)

February 18, 2014

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An act to add Sections 17053.95 and 23695 to the Revenue and Taxation Code, relating to taxation, to take effect immediately, tax levy.

LEGISLATIVE COUNSEL'S DIGEST

AB 1839, as introduced, Gatto. Taxation: credits: qualified motion pictures.

The Personal Income Tax Law and the Corporation Tax Law allow various credits against the taxes imposed by those laws, including a credit against those taxes for taxable years beginning on or after January 1, 2011, in an amount equal to an applicable percentage of either 20% or 25%, respectively, of the qualified expenditures, as defined, attributable to the production of a qualified motion picture in California,

or, where the qualified motion picture is a television series that relocated to California or is an independent film, as provided. Existing law imposes specified duties on the California Film Commission related to the administration of the credits, including a requirement to allocate the tax credits until July 1, 2017, and limits the aggregate amount of credits that may be allocated to qualified motion pictures in any fiscal year to \$100,000,000 through the 2016–17 fiscal year.

This bill would establish similar credits under the Personal Income Tax Law and the Corporation Tax Law for taxable years beginning on or after January 1, 2016, to be allocated by the California Film Commission on and after July 1, 2016 and before July 1, 2021. This bill would, as compared to the existing tax credits, extend the scope of the credits for a feature film to the applicable percentage of qualified expenditures up to \$100,000,000, extend the credit to qualified expenditures for television pilot episodes, and determine an applicable percentage of 25% or 20% for qualified expenditures for television series relocating to California based on the number of years the series has received the credit since relocation to California and where in California photography occurs. This bill would limit the aggregate amount of these new credits to be allocated in each fiscal year to an unspecified amount, and would also set aside specific credit allocation amounts for each fiscal year for independent films and for television series that relocate to California.

The bill would state that its provisions are severable.

This bill would take effect immediately as a tax levy.

Vote: majority. Appropriation: no. Fiscal committee: yes.

State-mandated local program: no.

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

- 1 SECTION 1. Section 17053.95 is added to the Revenue and
- 2 Taxation Code, to read:
- 3 17053.95. (a) (1) For taxable years beginning on or after
- 4 January 1, 2016, there shall be allowed to a qualified taxpayer a
- 5 credit against the “net tax,” as defined in Section 17039, in an
- 6 amount equal to the applicable percentage, as specified in
- 7 paragraph (4), of the qualified expenditures for the production of
- 8 a qualified motion picture in California. A credit shall not be
- 9 allowed under this section for any qualified expenditures for the

1 production of a motion picture in California if a credit has been  
2 claimed for those same expenditures under Section 17053.85.

3 (2) The credit shall be allowed for the taxable year in which the  
4 California Film Commission issues the credit certificate pursuant  
5 to subdivision (g) for the qualified motion picture, and shall be for  
6 the applicable percentage of all qualified expenditures paid or  
7 incurred by the qualified taxpayer in all taxable years for that  
8 qualified motion picture.

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

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

15 (A) Twenty percent of the qualified expenditures attributable  
16 to the production of a feature in California, up to one hundred  
17 million dollars (\$100,000,000), or attributable to a television series  
18 in its second or subsequent year of receiving a tax credit allocation  
19 pursuant to this section since relocation to California.

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

25 (C) (i) The California Film Commission shall increase the  
26 applicable percentage by 5 percent if the qualified motion picture  
27 incurred or paid the qualified expenditures relating to original  
28 photography outside the Los Angeles zone.

29 (ii) For purposes of this subparagraph:

30 (I) "Applicable period" means the period that commences with  
31 pre production and ends when original photography concludes.  
32 The applicable period includes the time necessary to strike a remote  
33 location and return to the Los Angeles zone.

34 (II) "Los Angeles zone" means the area within a circle 30 miles  
35 in radius from Beverly Boulevard and La Cienega Boulevard, Los  
36 Angeles, California, and includes Agua Dulce, Castaic, including  
37 Lake Castaic, Leo Carillo State Beach, Ontario International  
38 Airport, Piru, and Pomona, including the Los Angeles County Fair  
39 grounds. The Metro Goldwyn Mayer, Inc. Conejo Ranch property  
40 is within the Los Angeles zone.

1 (III) “Original photography” includes principal photography,  
2 additional unit photography, and reshooting original footage.

3 (IV) “Qualified expenditures relating to original photography  
4 outside the Los Angeles zone” means amounts paid or incurred  
5 during the applicable period for tangible personal property used  
6 or consumed outside the Los Angeles zone and relating to original  
7 photography outside the Los Angeles zone and qualified wages  
8 paid for services performed outside the Los Angeles zone and  
9 relating to original photography outside the Los Angeles zone.

10 (b) For purposes of this section:

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

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

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

21 (4) “Credit certificate” means the certificate issued by the  
22 California Film Commission pursuant to subparagraph (C) of  
23 paragraph (2) of subdivision (g).

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

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

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

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

35 (B) Any amount treated as wages under clause (i) of  
36 subparagraph (A) of paragraph (18) shall not be taken into account  
37 under this paragraph.

38 (6) “Independent film” means a motion picture with a minimum  
39 budget of one million dollars (\$1,000,000) and a maximum budget  
40 of ten million dollars (\$10,000,000) that is produced by a company

1 that is not publicly traded and publicly traded companies do not  
2 own, directly or indirectly, more than 25 percent of the producing  
3 company.

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

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

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

15 (B) “Post production” does not include the manufacture or  
16 shipping of release prints.

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

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

27 (12) “Production period” means the period beginning with  
28 preproduction and ending upon completion of post production.

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

33 (14) (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 (15) (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 movie of the week or miniseries with a minimum  
9 production budget of five hundred thousand dollars (\$500,000).
- 10 (iii) A new one-hour television series of episodes longer than  
11 40 minutes each of running time, exclusive of commercials, that  
12 is produced in California, with a minimum production budget of  
13 one million dollars (\$1,000,000) per episode.
- 14 (iv) An independent film.
- 15 (v) A television series that relocated to California.
- 16 (vi) A pilot for a new television series that is longer than 40  
17 minutes of running time, exclusive of commercials, that is produced  
18 in California, and with a minimum production budget of one  
19 million dollars (\$1,000,000).
- 20 (B) To qualify as a “qualified motion picture,” all of the  
21 following conditions shall be satisfied:
- 22 (i) At least 75 percent of the principal photography days occur  
23 wholly in California or 75 percent of the production budget is  
24 incurred for payment for services performed within the state and  
25 the purchase or rental of property used within the state.
- 26 (ii) Production of the qualified motion picture is completed  
27 within 30 months from the date on which the qualified taxpayer’s  
28 application is approved by the California Film Commission. For  
29 purposes of this section, a qualified motion picture is “completed”  
30 when the process of post production has been finished.
- 31 (iii) The copyright for the motion picture is registered with the  
32 United States Copyright Office pursuant to Title 17 of the United  
33 States Code.
- 34 (iv) Principal photography of the qualified motion picture  
35 commences after the date on which the application is approved by  
36 the California Film Commission, but no later than 180 days after  
37 the date of that approval unless death, disability, or disfigurement  
38 of the director or of a principal cast member, an act of God,  
39 including, but not limited to, fire, flood, earthquake, storm,  
40 hurricane, or other natural disaster, terrorist activities, or

1 government sanction has directly prevented a production’s ability  
2 to begin principal photography within the prescribed 180-day  
3 commencement period.

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

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

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

26 (17) (A) “Qualified taxpayer” means a taxpayer who has paid  
27 or incurred qualified expenditures and has been issued a credit  
28 certificate by the California Film Commission pursuant to  
29 subdivision (g).

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

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

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

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

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

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

17 (B) "Qualified wages" shall not include any of the following:

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

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

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

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

30 (19) "Residual compensation" means supplemental  
31 compensation paid at the time that a motion picture is exhibited  
32 through new use, reuse, clip use, or in secondary markets, as  
33 distinguished from payments made during production.

34 (20) "Reuse" means any use of a qualified motion picture in the  
35 same medium for which it was created, following the initial use  
36 in that medium.

37 (21) "Secondary markets" means media in which a qualified  
38 motion picture is exhibited following the initial media in which it  
39 is exhibited.

1 (22) “Television series that relocated to California” means a  
2 television series, without regard to episode length or initial media  
3 exhibition, that filmed all of its prior season or seasons outside of  
4 California and for which the taxpayer certifies that the credit  
5 provided pursuant to this section is the primary reason for  
6 relocating to California.

7 (23) “Pilot for a new television series” means the initial episode  
8 produced for a proposed television series.

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

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

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

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

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

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

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

39 (8) Chapter 3.5 (commencing with Section 11340) of Part 1 of  
40 Division 3 of Title 2 of the Government Code does not apply to

1 any standard, criterion, procedure, determination, rule, notice, or  
2 guideline established or issued by the Franchise Tax Board  
3 pursuant to this subdivision.

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

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

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

- 13 (1) Identification of each qualified individual.
- 14 (2) The specific start and end dates of production.
- 15 (3) The total wages paid.
- 16 (4) The amount of qualified wages paid to each qualified  
17 individual.
- 18 (5) The copyright registration number, as reflected on the  
19 certificate of registration issued under the authority of Section 410  
20 of Title 17 of the United States Code, relating to registration of  
21 claim and issuance of certificate. The registration number shall be  
22 provided on the return claiming the credit.
- 23 (6) The total amounts paid or incurred to purchase or lease  
24 tangible personal property used in the production of a qualified  
25 motion picture.
- 26 (7) Information to substantiate its qualified expenditures.
- 27 (8) Information required by the California Film Commission  
28 under regulations promulgated pursuant to subdivision (g)  
29 necessary to verify the amount of credit claimed.
- 30 (e) The California Film Commission may prescribe rules and  
31 regulations to carry out the purposes of this section including any  
32 rules and regulations necessary to establish procedures, processes,  
33 requirements, application fee structure, and rules identified in or  
34 required to implement this section, including credit and logo  
35 requirements. The regulations shall include provisions to set aside  
36 a percentage of annual credit allocations for independent films and  
37 television series relocating to California, pursuant to subdivision  
38 (i).
- 39 (f) If the qualified taxpayer fails to provide the copyright  
40 registration number as required in paragraph (5) of subdivision

1 (d), the credit shall be disallowed and assessed and collected under  
2 Section 19051 until the procedures are satisfied.

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

5 (1) On or and after July 1, 2016, and before July 1, 2021,  
6 allocate tax credits to applicants.

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

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

13 (ii) The number of production days.

14 (iii) A financing plan for the production.

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

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

21 (vi) Financial information, if available, including, but not limited  
22 to, the most recently produced balance sheets, annual statements  
23 of profits and losses, audited or unaudited financial statements,  
24 summary budget projections or results, or the functional equivalent  
25 of these documents of a partnership or owner of a single member  
26 limited liability company that is disregarded pursuant to Section  
27 23038. The information provided pursuant to this clause shall be  
28 confidential and shall not be subject to public disclosure.

29 (vii) The names of all partners in a partnership not publicly  
30 traded or the names of all members of a limited liability company  
31 classified as a partnership not publicly traded for California income  
32 tax purposes that have a financial interest in the applicant's  
33 qualified motion picture. The information provided pursuant to  
34 this clause shall be confidential and shall not be subject to public  
35 disclosure.

36 (viii) Detailed narratives, for use only by the Legislative  
37 Analyst's Office in conducting a study of the effectiveness of this  
38 credit, that describe the extent to which the credit is expected to  
39 influence or affect filming and other business location decisions,

1 hiring decisions, salary decisions, and any other financial matters  
2 of the applicant.

3 (ix) 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) Process and approve, or reject, all applications on a  
10 first-come-first-served basis.

11 (E) Subject to the annual cap established as provided in  
12 subdivision (i), allocate an aggregate amount of credits under this  
13 section and Section 23695, and allocate any carryover of  
14 unallocated credits from prior years.

15 (2) Certify tax credits allocated to qualified taxpayers.

16 (A) Establish a verification procedure for the amount of qualified  
17 expenditures paid or incurred by the applicant, including, but not  
18 limited to, updates to the information in subparagraph (A) of  
19 paragraph (1) of subdivision (g).

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

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

26 (I) If readily available, a list of the states, provinces, or other  
27 jurisdictions in which any member of the applicant's combined  
28 reporting group in the same business unit as the qualified taxpayer  
29 that, in the preceding calendar year, has produced a qualified  
30 motion picture intended for release in the United States market.  
31 For purposes of this clause, "qualified motion picture" shall not  
32 include any episodes of a television series that were complete or  
33 in production prior to July 1, 2016.

34 (II) Whether a qualified motion picture described in subclause  
35 (I) was awarded any financial incentive by the state, province, or  
36 other jurisdiction that was predicated on the performance of  
37 primary principal photography or post production in that location.

38 (ii) The California Film Commission may provide that the report  
39 required by this subparagraph be filed in a single report provided

1 on a calendar year basis for those qualified taxpayers that receive  
2 multiple credit certificates in a calendar year.

3 (D) Issue a credit certificate to a qualified taxpayer upon  
4 completion of the qualified motion picture reflecting the credit  
5 amount allocated after qualified expenditures have been verified  
6 under this section. The amount of credit shown in the credit  
7 certificate shall not exceed the amount of credit allocated to that  
8 qualified taxpayer pursuant to this section.

9 (3) Obtain, when possible, the following information from  
10 applicants that do not receive an allocation of credit:

11 (A) Whether the qualified motion picture that was the subject  
12 of the application was completed.

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

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

18 (4) Provide the Legislative Analyst's Office, upon request, any  
19 or all application materials or any other materials received from,  
20 or submitted by, the applicants, in electronic format when available,  
21 including, but not limited to, information provided pursuant to  
22 clauses (i) to (ix), inclusive, of subparagraph (A) of paragraph (1).

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

27 (h) (1) The California Film Commission shall annually provide  
28 the Legislative Analyst's Office, the Franchise Tax Board, and the  
29 board with a list of qualified taxpayers and the tax credit amounts  
30 allocated to each qualified taxpayer by the California Film  
31 Commission. The list shall include the names and taxpayer  
32 identification numbers, including taxpayer identification numbers  
33 of each partner or shareholder, as applicable, of the qualified  
34 taxpayer.

35 (2) (A) Notwithstanding paragraph (5) of subdivision (g), the  
36 California Film Commission shall annually post on its Internet  
37 Web site and make available for public release the following:

38 (i) A table which includes all of the following information: a  
39 list of qualified taxpayers and the tax credit amounts allocated to  
40 each qualified taxpayer by the California Film Commission, the

1 number of production days in California the qualified taxpayer  
2 represented in its application would occur, the number of California  
3 jobs that the qualified taxpayer represented in its application would  
4 be directly created by the production, and the total amount of  
5 qualified expenditures expected to be spent by the production.

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

10 (B) Nothing in this subdivision shall be construed to make the  
11 information submitted by an applicant for a tax credit under this  
12 section a public record.

13 (i) (1) The aggregate amount of credits that may be allocated  
14 in any fiscal year pursuant to this section and Section 23695 shall  
15 be an amount equal to the sum of all of the following:

16 (A) \_\_\_\_\_dollars (\$\_\_\_\_\_) in credits for the 2016–17 fiscal year  
17 and each fiscal year thereafter, through and including the 2020–21  
18 fiscal year.

19 (B) The unused allocation credit amount, if any, for the  
20 preceding fiscal year.

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

22 (2) If the amount of credits applied for in any particular fiscal  
23 year exceeds the aggregate amount of tax credits authorized to be  
24 allocated under this section, that excess shall be treated as having  
25 been applied for on the first day of the subsequent fiscal year.  
26 However, credits may not be allocated from a fiscal year other  
27 than the fiscal year in which the credit was originally applied for  
28 or the immediately succeeding fiscal year.

29 (3) (A) Notwithstanding the foregoing, the California Film  
30 Commission shall set aside the lesser of 10 percent of the amount  
31 specified in subparagraph (A) of paragraph (1) or twenty million  
32 dollars (\$20,000,000) of tax credits each fiscal year for independent  
33 films allocated in accordance with rules and regulations developed  
34 pursuant to subdivision (e).

35 (B) Notwithstanding the foregoing, the California Film  
36 Commission shall set aside up to thirty million dollars  
37 (\$30,000,000) of tax credit each fiscal year for television series  
38 that relocated to California in its first year of receiving a tax credit  
39 allocation pursuant to this section allocated in accordance with  
40 rules and regulations developed pursuant to subdivision (e).

1 (4) 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  
5 passed by not less than two-thirds of all Members elected to each  
6 of the two houses of the Legislature.

7 (j) The California Film Commission shall have the authority to  
8 allocate tax credits in accordance with this section and in  
9 accordance with any regulations prescribed pursuant to subdivision  
10 (e) upon adoption.

11 SEC. 2. Section 23695 is added to the Revenue and Taxation  
12 Code, to read:

13 23695. (a) (1) For taxable years beginning on or after January  
14 1, 2016, there shall be allowed to a qualified taxpayer a credit  
15 against the “tax,” as defined in Section 23036, in an amount equal  
16 to the applicable percentage, as specified in paragraph (4), of the  
17 qualified expenditures for the production of a qualified motion  
18 picture in California. A credit shall not be allowed under this  
19 section for any qualified expenditures for the production of a  
20 motion picture in California if a credit has been claimed for those  
21 same expenditures under Section 23695.

22 (2) The credit shall be allowed for the taxable year in which the  
23 California Film Commission issues the credit certificate pursuant  
24 to subdivision (g) for the qualified motion picture, and shall be for  
25 the applicable percentage of all qualified expenditures paid or  
26 incurred by the qualified taxpayer in all taxable years for that  
27 qualified motion picture.

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

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

34 (A) Twenty percent of the qualified expenditures attributable  
35 to the production of a feature in California, up to one hundred  
36 million dollars (\$100,000,000), or attributable to a television series  
37 in its second or subsequent year of receiving a tax credit allocation  
38 pursuant to this section since relocation to California.

39 (B) Twenty-five percent of the qualified expenditures  
40 attributable to the production of a qualified motion picture in

1 California where the qualified motion picture is a television series  
2 that relocated to California in its first year of receiving a tax credit  
3 allocation pursuant to this section or is an independent film.

4 (C) (i) The California Film Commission shall increase the  
5 applicable percentage by 5 percent if the qualified motion picture  
6 incurred or paid the qualified expenditures relating to original  
7 photography outside the Los Angeles zone.

8 (ii) For purposes of this subparagraph:

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

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

20 (III) “Original photography” includes principal photography,  
21 additional unit photography, and reshooting original footage.

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

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 (C) of  
3 paragraph (2) of subdivision (g).

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

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

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

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

15 (B) Any amount treated as wages under clause (i) of  
16 subparagraph (A) of paragraph (18) shall not be taken into account  
17 under this paragraph.

18 (6) “Independent film” means a motion picture with a minimum  
19 budget of one million dollars (\$1,000,000) and a maximum budget  
20 of ten million dollars (\$10,000,000) that is produced by a company  
21 that is not publicly traded and publicly traded companies do not  
22 own, directly or indirectly, more than 25 percent of the producing  
23 company.

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

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

28 (9) (A) “Post production” means the final activities in a  
29 qualified motion picture’s production, including editing, foley  
30 recording, automatic dialogue replacement, sound editing, scoring,  
31 music track recording by musicians and music editing, beginning  
32 and end credits, negative cutting, negative processing and  
33 duplication, the addition of sound and visual effects, soundmixing,  
34 film-to-tape transfers, encoding, and color correction.

35 (B) “Post production” does not include the manufacture or  
36 shipping of release prints.

37 (10) “Preproduction” means the process of preparation for actual  
38 physical production which begins after a qualified motion picture  
39 has received a firm agreement of financial commitment, or is  
40 greenlit, with, for example, the establishment of a dedicated

1 production office, the hiring of key crew members, and includes,  
2 but is not limited to, activities that include location scouting and  
3 execution of contracts with vendors of equipment and stage space.

4 (11) “Principal photography” means the phase of production  
5 during which the motion picture is actually shot, as distinguished  
6 from preproduction and post production.

7 (12) “Production period” means the period beginning with  
8 preproduction and ending upon completion of post production.

9 (13) “Qualified entity” means a personal service corporation as  
10 defined in Section 269A(b)(1) of the Internal Revenue Code, a  
11 payroll services corporation, or any entity receiving qualified wages  
12 with respect to services performed by a qualified individual.

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

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

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

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

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

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

28 (ii) A movie of the week or miniseries with a minimum  
29 production budget of five hundred thousand dollars (\$500,000).

30 (iii) A new one-hour television series of episodes longer than  
31 40 minutes each of running time, exclusive of commercials, that  
32 is produced in California, with a minimum production budget of  
33 one million dollars (\$1,000,000) per episode.

34 (iv) An independent film.

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

36 (vi) A pilot for a new television series that is longer than 40  
37 minutes of running time, exclusive of commercials, that is produced  
38 in California, and with a minimum production budget of one  
39 million dollars (\$1,000,000).

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

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

7 (ii) Production of the qualified motion picture is completed  
8 within 30 months from the date on which the qualified taxpayer’s  
9 application is approved by the California Film Commission. For  
10 purposes of this section, a qualified motion picture is “completed”  
11 when the process of post production has been finished.

12 (iii) The copyright for the motion picture is registered with the  
13 United States Copyright Office pursuant to Title 17 of the United  
14 States Code.

15 (iv) Principal photography of the qualified motion picture  
16 commences after the date on which the application is approved by  
17 the California Film Commission, but no later than 180 days after  
18 the date of that approval unless death, disability, or disfigurement  
19 of the director or of a principal cast member, an act of God,  
20 including, but not limited to, fire, flood, earthquake, storm,  
21 hurricane, or other natural disaster, terrorist activities, or  
22 government sanction has directly prevented a production’s ability  
23 to begin principal photography within the prescribed 180-day  
24 commencement period.

25 (C) For the purposes of subparagraph (A), in computing the  
26 total wages paid or incurred for the production of a qualified  
27 motion picture, all amounts paid or incurred by all persons or  
28 entities that share in the costs of the qualified motion picture shall  
29 be aggregated.

30 (D) “Qualified motion picture” shall not include commercial  
31 advertising, music videos, a motion picture produced for private  
32 noncommercial use, such as weddings, graduations, or as part of  
33 an educational course and made by students, a news program,  
34 current events or public events program, talk show, game show,  
35 sporting event or activity, awards show, telethon or other  
36 production that solicits funds, reality television program, clip-based  
37 programming if more than 50 percent of the content is comprised  
38 of licensed footage, documentaries, variety programs, daytime  
39 dramas, strip shows, one-half hour (air time) episodic television

1 shows, or any production that falls within the recordkeeping  
2 requirements of Section 2257 of Title 18 of the United States Code.

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 taxpayer” means a taxpayer who has paid  
9 or incurred qualified expenditures and has been issued a credit  
10 certificate by the California Film Commission pursuant to  
11 subdivision (g).

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

21 (ii) In the case of an “S” corporation, the credit allowed under  
22 this section shall not be used by an “S” corporation as a credit  
23 against a tax imposed under Chapter 4.5 (commencing with Section  
24 23800) of Part 11 of Division 2.

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

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

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

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

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

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

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

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

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

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

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

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

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

27 (22) “Television series that relocated to California” means a  
28 television series, without regard to episode length or initial media  
29 exhibition, that filmed all of its prior season or seasons outside of  
30 California and for which the taxpayer certifies that the credit  
31 provided pursuant to this section is the primary reason for  
32 relocating to California.

33 (23) “Pilot for a new television series” means the initial episode  
34 produced for a proposed television series.

35 (c) (1) Notwithstanding subdivision (i) of Section 23036, in  
36 the case where the credit allowed by this section exceeds the  
37 taxpayer’s tax liability computed under this part, a qualified  
38 taxpayer may elect to assign any portion of the credit allowed  
39 under this section to one or more affiliated corporations for each  
40 taxable year in which the credit is allowed. For purposes of this

1 subdivision, “affiliated corporation” has the meaning provided in  
2 subdivision (b) of Section 25110, as that section was amended by  
3 Chapter 881 of the Statutes of 1993, as of the last day of the taxable  
4 year in which the credit is allowed, except that “100 percent” is  
5 substituted for “more than 50 percent” wherever it appears in the  
6 section, and “voting common stock” is substituted for “voting  
7 stock” wherever it appears in the section.

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

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

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

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

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

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

27 (B) 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 five taxable  
38 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 paragraph 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 (i) of Section 23036 shall not apply to any  
21 credit sold pursuant to this subdivision.

22 (11) For purposes of this subdivision:

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

26 (B) The unrelated party or parties that purchase a credit pursuant  
27 to paragraph (3) shall be treated as a qualified taxpayer pursuant  
28 to paragraph (1) of subdivision (a).

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

32 (1) Identification of each qualified individual.

33 (2) The specific start and end dates of production.

34 (3) The total wages paid.

35 (4) The amount of qualified wages paid to each qualified  
36 individual.

37 (5) The copyright registration number, as reflected on the  
38 certificate of registration issued under the authority of Section 410  
39 of Title 17 of the United States Code, relating to registration of

1 claim and issuance of certificate. The registration number shall be  
2 provided on the return claiming the credit.

3 (6) The total amounts paid or incurred to purchase or lease  
4 tangible personal property used in the production of a qualified  
5 motion picture.

6 (7) Information to substantiate its qualified expenditures.

7 (8) Information required by the California Film Commission  
8 under regulations promulgated pursuant to subdivision (g)  
9 necessary to verify the amount of credit claimed.

10 (e) The California Film Commission may prescribe rules and  
11 regulations to carry out the purposes of this section including any  
12 rules and regulations necessary to establish procedures, processes,  
13 requirements, application fee structure, and rules identified in or  
14 required to implement this section, including credit and logo  
15 requirements. The regulations shall include provisions to set aside  
16 a percentage of annual credit allocations for independent films and  
17 television series relocating to California, pursuant to subdivision  
18 (i).

19 (f) If the qualified taxpayer fails to provide the copyright  
20 registration number as required in paragraph (5) of subdivision  
21 (d), the credit shall be disallowed and assessed and collected under  
22 Section 19051 until the procedures are satisfied.

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

25 (1) On or after July 1, 2016, and before July 1, 2021, allocate  
26 tax credits to applicants.

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

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

33 (ii) The number of production days.

34 (iii) A financing plan for the production.

35 (iv) The diversity of the workforce employed by the applicant,  
36 including, but not limited to, the ethnic and racial makeup of the  
37 individuals employed by the applicant during the production of  
38 the qualified motion picture, to the extent possible.

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

1 (vi) Financial information, if available, including, but not limited  
2 to, the most recently produced balance sheets, annual statements  
3 of profits and losses, audited or unaudited financial statements,  
4 summary budget projections or results, or the functional equivalent  
5 of these documents of a partnership or owner of a single member  
6 limited liability company that is disregarded pursuant to Section  
7 23038. The information provided pursuant to this clause shall be  
8 confidential and shall not be subject to public disclosure.

9 (vii) The names of all partners in a partnership not publicly  
10 traded or the names of all members of a limited liability company  
11 classified as a partnership not publicly traded for California income  
12 tax purposes that have a financial interest in the applicant's  
13 qualified motion picture. The information provided pursuant to  
14 this clause shall be confidential and shall not be subject to public  
15 disclosure.

16 (viii) Detailed narratives, for use only by the Legislative  
17 Analyst's Office in conducting a study of the effectiveness of this  
18 credit, that describe the extent to which the credit is expected to  
19 influence or affect filming and other business location decisions,  
20 hiring decisions, salary decisions, and any other financial matters  
21 of the applicant.

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

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

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

28 (D) Process and approve, or reject, all applications on a  
29 first-come-first-served basis.

30 (E) Subject to the annual cap established as provided in  
31 subdivision (i), allocate an aggregate amount of credits under this  
32 section and Section 17053.95, and allocate any carryover of  
33 unallocated credits from prior years.

34 (2) Certify tax credits allocated to qualified taxpayers.

35 (A) Establish a verification procedure for the amount of qualified  
36 expenditures paid or incurred by the applicant, including, but not  
37 limited to, updates to the information in subparagraph (A) of  
38 paragraph (1) of subdivision (g).

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

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

7 (I) If readily available, a list of the states, provinces, or other  
8 jurisdictions in which any member of the applicant's combined  
9 reporting group in the same business unit as the qualified taxpayer  
10 that, in the preceding calendar year, has produced a qualified  
11 motion picture intended for release in the United States market.  
12 For purposes of this clause, "qualified motion picture" shall not  
13 include any episodes of a television series that were complete or  
14 in production prior to July 1, 2016.

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

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

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

29 (3) 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 (4) Provide the Legislative Analyst's Office, upon request, any  
39 or all application materials or any other materials received from,  
40 or submitted by, the applicants, in electronic format when available,

1 including, but not limited to, information provided pursuant to  
2 clauses (i) to (ix), inclusive, of subparagraph (A) of paragraph (1).

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

7 (h) (1) The California Film Commission shall annually provide  
8 the Legislative Analyst's Office, the Franchise Tax Board, and the  
9 board with a list of qualified taxpayers and the tax credit amounts  
10 allocated to each qualified taxpayer by the California Film  
11 Commission. The list shall include the names and taxpayer  
12 identification numbers, including taxpayer identification numbers  
13 of each partner or shareholder, as applicable, of the qualified  
14 taxpayer.

15 (2) (A) Notwithstanding paragraph (5) of subdivision (g), the  
16 California Film Commission shall annually post on its Internet  
17 Web site and make available for public release the following:

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

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

30 (B) Nothing in this subdivision shall be construed to make the  
31 information submitted by an applicant for a tax credit under this  
32 section a public record.

33 (i) (1) The aggregate amount of credits that may be allocated  
34 in any fiscal year pursuant to this section and Section 17053.95  
35 shall be an amount equal to the sum of all of the following:

36 (A) \_\_\_\_\_dollars (\$\_\_\_\_\_) in credits for the 2016–17 fiscal year  
37 and each fiscal year thereafter, through and including the 2020–21  
38 fiscal year.

39 (B) The unused allocation credit amount, if any, for the  
40 preceding fiscal year.

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

2 (2) If the amount of credits applied for in any particular fiscal  
3 year exceeds the aggregate amount of tax credits authorized to be  
4 allocated under this section, the excess shall be treated as having  
5 been applied for on the first day of the subsequent fiscal year.  
6 However, credits may not be allocated from a fiscal year other  
7 than the fiscal year in which the credit was originally applied for  
8 or the immediately succeeding fiscal year.

9 (3) (A) Notwithstanding the foregoing, the California Film  
10 Commission shall set aside the lesser of 10 percent of the amount  
11 specified in subparagraph (A) of paragraph (1) or twenty million  
12 dollars (\$20,000,000) of tax credits each fiscal year for independent  
13 films allocated in accordance with rules and regulations developed  
14 pursuant to subdivision (e).

15 (B) Notwithstanding the foregoing, the California Film  
16 Commission shall set aside up to thirty million dollars  
17 (\$30,000,000) of tax credit each fiscal year for television series  
18 that relocated to California in its first year of receiving a tax credit  
19 allocation pursuant to this section allocated in accordance with  
20 rules and regulations developed pursuant to subdivision (e).

21 (4) Any act that reduces the amount that may be allocated  
22 pursuant to paragraph (1) constitutes a change in state taxes for  
23 the purpose of increasing revenues within the meaning of Section  
24 3 of Article XIII A of the California Constitution and may be  
25 passed by not less than two-thirds of all Members elected to each  
26 of the two houses of the Legislature.

27 (j) The California Film Commission shall have the authority to  
28 allocate tax credits in accordance with this section and in  
29 accordance with any regulations prescribed pursuant to subdivision  
30 (e) upon adoption.

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

35 SEC. 4. This act provides for a tax levy within the meaning of  
36 Article IV of the Constitution and shall go into immediate effect.

O