AB 286, CA FILM TAX CREDIT
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This bill:
AB 286 will promote production spending in the entertainment industry, generate jobs and increase tax revenues by adjusting how the California Film and Television Tax Credit Program is allocated each year. Specifically, AB 286 will allow feature film productions with a budget larger than $75 million to apply for a 20% tax credit for the first $75 million qualified expenditures and allow the California Film Commission (CFC) to allocate credits from the succeeding year to offset returning TV Series allocations.

Background:
In February 2009, the California Film & Television Tax Credit Program administered by the CFC was enacted as a part of an economic stimulus plan to promote production spending, jobs, and tax revenues in California**.** The 2009 legislation established a 5 year (2009- 2014) $500 million tax credit for specific expenditures on qualified productions. **This bill limited the CFC to allocate only $100 million dollars in credits each year.** However, in the 2009-2010 fiscal year, which was the initial year of the program, the CFC was allowed to allocate $200 million. Additionally, in 2011, legislation was enacted to extend the film tax credit to 2015 and in 2012, the credit was extended for two additional years (2015-2017).

To be eligible for the credit, a project must meet the 75% test (production days or total production budget in California) and must be a qualifying motion picture. Specifically, for the purposes of a 20% tax credit, a qualifying motion picture is defined as:

- A Feature Film **($1 million minimum- $75 million maximum production budget);**
- A movie of the Week or Miniseries ($500,000 minimum production budget); or
- A new TV series licensed for original distribution on basic cable ($1 million budget, one-half hour shows and other exclusions apply)

For the purposes of a 25% tax credit, a qualifying motion picture is defined as:

- A TV series, without regard to episode length, that filmed all prior seasons outside of California; or
- An independent film

The allocation formula for the credit is targeted to specific productions and holds proper accountability measures as the credit is not awarded until qualified expenditures are proven.

The California Film & Television Tax Credit has been very successful in promoting direct spending and job growth. To date, approximately $500 million in tax credits has been allocated resulting in:

- Estimated total aggregate direct spending by program projects: $3.9 billion
- Estimated total qualified wages paid / to be paid by program projects: $1.3 billion

In addition, the need to expand the program is very evident as the CFC is flooded on the first day the credit is made available with hundreds of applications from independent and studio producers who want to produce in California.

Purpose:
Currently, for purposes of a 20% credit a qualifying motion picture is defined as a feature film with a $1 million minimum and $75 million maximum production budget. AB 286 will remove the $75 million maximum production budget restriction and thus allow big budget films to apply for the credit. However, to ensure available credits are evenly distributed, big budget feature films may only apply for credits toward the first $75 million qualified expenditures.

In the July 2012 California Film and Tax Credit Program progress report, CFC explains that a small number of submitted projects that do not receive an incentive still film in the state. However, available data shows that the projects that remain are small, low-budget films, while the larger budget films, with the potential to create thousands of jobs, leave for states or other countries with incentives. In order to target productions most likely to leave California for other incentives offered, AB 286 will expand the tax credit to allow big budget films an opportunity to compete. It is imperative that we do as much as possible to maintain larger budget films in the state; which offer the most jobs.

As mentioned, tax credits can be allocated to new and relocating TV series. Currently, to ensure consistency of credit allocations, the CFC guarantees returning TV series credits in the succeeding years, if the projects meet all the existing requirements. Because the CFC guarantees credit to returning TV series, the amount of available funds for the succeeding year is actually less than the total $100 million allocated. In order to offset the amount already allocated to returning TV series, AB286 will allow the California Film Commission (CFC) to allocate credits from the next succeeding year to other eligible projects.

Support:
None on file

Opposition:
None on file

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