



California Film & Television Tax Credit Program 2.0

PROGRAM YEAR 4

BUDGET TAGGING & TRACKING TIPS

October 2019

For Projects with Credit Allocation Letters on or after July 1, 2016

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TABLE OF CONTENTS

Section	Page
A. General Tracking Tips.....	3
B. Specific Tracking Tips & Useful Information	4
1. Producer (Hyphenate) Wage Split	
2. Box Rentals/Car/Cell Phone Allowances	
3. Proration Out of State Work, Goods, and Services	
4. Proration fo (Stunt Coordinators/Riggers	
5. Travel Expenses	
6. Shipping Goods	
7. In State Vendors	
8. Insurance Claims Refunds	
9. Local Community Expenditure Report	
C. Jobs Ratio/Bonus Points/Uplifts	6
1. What is a Jobs Ratio?	
2. Bonus Points	
3. Uplifts - Non-Independent Productions (Excluding Relocating TV Series)	
a. Visual Effects	
b. Music Scoring and Track Recording	
c. Out of Los Angeles Zone	
D. Budget Tagging & Tracking Instructions.....	8
1. Qualified Wages Processed Through Payroll	
2. Non-Wage Expenditures	
3. Fringes	
E. Expenditure Summary Report.....	11
F. Agreed Upon Procedures (AUP): Required Documentation	11
1. Certified Public Accountants	
2. Verification of In State Work	
3. Related Party Transactions	
4. Production Assets	
G. Materials for Verification of Expenditures	14
Bonus Points Range Charts.....	15
Appendix A Digital Assets.....	16
Appendix B Consumables.....	17

CALIFORNIA FILM & TELEVISION TAX CREDIT PROGRAM 2.0

Budget Tagging and Tracking Tips 2.0

March 2019

This document contains useful budget, tagging, and program information. Please review the Guidelines for an understanding of the additional 5% tax credits (“uplift”) available for non-independent productions (excluding Relocating Series), Bonus Points, and the Jobs Ratio. Bonus Points affect a production’s Jobs Ratio, as does the actualized final estimated wage and non-wage expenditures. Bonus Points are given for principal photography days out of the zone and in an approved facility, as well as for VFX expenditures. See Appendix A for bonus point matrix.

The Jobs Ratio is calculated at application submission and the CFC approved Jobs Ratio is compared to the Jobs Ratio recalculated during the audit process.

A. GENERAL TRACKING TIPS

1. Credit Allocation Letter Date: Expenses incurred whether paid or not prior to the issuance of the Credit Allocation Letter (CAL) are not qualified expenditures. However, qualified items which required full or partial payment (insurance premium, completion bonds, office rent) prior to the issuance of the CAL may be pro-rated.

For example, insurance premium payment may be prorated by the number of pre-production and production weeks. The payments for weeks after issuance of the CAL are considered qualified expenditures. Insurance premiums that are prorated should be calculated by your insurance broker and given to the CPA performing the Agreed Upon Procedures (AUP.)

2. Cutoff Date for Tracking Costs: Costs are qualified only until 30 days after the creation of the final elements regardless of when paid. Only expenditures incurred up to 30 days after that date shall be considered qualified expenditures (pre-paid items for services that have not yet been performed do not qualify.)

Documentation which indicates the date of completion of the final elements e.g., digital air master, composite answer print, or digital cinema files, will be required by the CPA performing the Agreed Upon Procedures. Please use the [Final Element Creation Verification Form](#), which can be found on the [CFC website](#).

3. Refunds and credit notes received for discounts, rebates, insurance claims, invoicing errors, and purchase returns must be credited to the production costs.
4. In-kind services that are exchanged for equity in the project and deferrals are not considered qualified expenditures. Only direct out-of-pocket costs may qualify.
5. Contingency funds, which are spent during the production period, should be properly allocated into the specific accounts on the cost reports.
6. All receipts/invoices must be legible; illegible documentation may not be accepted by the CPA. Petty Cash (P.C.) receipts should be numbered, legible, and must not be truncated, with each transaction clearly marked on the front of the P.C. envelope or on a spreadsheet.
7. The costs recorded are to be actual costs with no markups, profit additions or personal expenses.

B. SPECIFIC TRACKING TIPS & USEFUL INFORMATION

1. Producer (Hyphenate) Wage Split

Any individual receiving an on-screen producer credit must also receive a Below the Line (BTL) on screen credit in a qualified occupation in order for the BTL wages to qualify. Maximum Salary must be within industry standards with a maximum of \$100,000, (exclusive of fringes, box rentals, cell or car allowance). If the employee will not be receiving a BTL credit on the project, then none of the salary will qualify.

Examples:

- If a DGA/UPM receives a Producer screen credit, the wage attributable to the UPM account will qualify up to \$100,000.
- Non DGA UPM receives an Executive Producer credit, the wage attributable to the UPM will qualify up to the industry standard rate.
- If a Visual Effects Supervisor also receives a Visual Effects Producer screen credit, the wage attributable to the VFX Supervisor account will qualify up to \$100,000.
- If a Post Supervisor also receives an Associate Producer screen credit, the wages attributable to the Post Supervisor account will qualify up to the industry standard rate.

**All wages attributable to any individual that receives an on-screen producer credit are subject to review.

2. Box Rentals/Car/Cell Phone Allowances – IF THE SALARY QUALIFIES, THE ALLOWANCE QUALIFIES

- a. Box Rentals, Cell Phone Allowances (QE) and Car Allowances (QW) are considered qualified expenditures for qualified individuals only, including producer-hyphenates up to the amount commensurate with other department heads.
- b. Payments for cell phones rented from and for nonqualified ATL crew or cast which are paid from an actual bill, are considered qualified spend. All amounts must be commensurate with those of other department heads.

3. Proration for Out of State Work, Goods, and Services (filming in and out of California)

- a. If at any time during the production period the project operates out of state, wages, goods and services must be prorated proportionately to accurately allocate the costs.
- b. For example, if an employee who makes \$1000/week works 2 days out of the state and 3 days in the state, his or her salary would be prorated and \$600 (\$200/daily rate x 3 days) would be the employee's qualified wages for that week.
- c. If a company is contracted to perform work both inside and outside of the state, their contract amount would need to be prorated proportionately for the percentage of work time expended in and out of California. Rented or purchased items such as camera equipment, self-drive cars, production trucks, picture cars, wardrobe, props and the like must all be prorated according to the number of days shot out of state.

- d. For any items fabricated or built in the state, but filmed out of state, only the labor will qualify – not the materials (can prorate for usage in state).
- e. Insurance premiums must also be prorated if filming occurs out of the state.

4. Proration for Stunt Coordinator or Stunt Riggers/Performers

Stunt Coordinator, stunt riggers or safeties earnings are considered qualified wages when not on camera. The production company must indicate on production reports and Exhibit “G’s” those days when a stunt coordinator or stunt person is “not photographed”. On those days when a stunt coordinator, safety or rigger rehearses or has wardrobe fittings for planned on-camera work, their salaries would not qualify.

5. Travel Expenses

- a. Airfare is considered a qualified expenditure if air travel within CA originates and concludes in California (intrastate only) and is purchased from a CA travel agent (the carriers state of origin is not a factor).
- b. Travel day salaries for qualified individuals traveling within the state are qualified expenditures. Travel day salaries for qualified individuals traveling into or out of the state do not qualify. For Non-Independent productions, travel day salaries out of the LA zone and back into the zone qualify for the 5% uplift.
- c. Travel Agency fees qualify when airfare is purchased from a California travel agent for intrastate travel. Luggage fees qualify for intrastate travel only.
- d. Travel allowances to unqualified cast or crew are not qualified expenditures; however, if the production company directly pays for a hotel room or corporate housing (no private housing rentals), those expenditures will qualify.
- e. Per Diems for non-qualified individuals do not qualify. For producer-hyphenates, per diem is considered a qualified expenditure up to the amount commensurate with per diems given to other department heads.
- f. Relocation costs (including Fold and Hold Sets) for relocating series do not qualify.
- g. Aerial photography is qualified provided the helicopter or plane takes off and lands in California.
- h. Itemized proof will be required for any intrastate travel allowances to qualified crew members.

6. Shipping Goods

The costs to ship items into or out of the state are not qualified expenditures. The costs to ship items intrastate do qualify; however, in both instances, break out the cost of the item from the shipping costs, to properly code these expenses. Save any return address labels that prove the item was shipped intrastate (if purchased on the internet). Remember, unless it is clear the item was purchased or rented in California, it will not qualify. When purchasing items online, items must be shipped from the California in-state vendor to a California location to qualify. Items may be shipped from the vendor’s California warehouse location.

7. In-State Vendors

The definition of an instate vendor “...is a vendor or supplier which has an office or other place of business in California and is registered or qualified with the CA secretary of state or is required to file a return with the CA Franchise Tax Board under Parts 10 or 11 of the Revenue and Taxation Code.” Productions must purchase or rent from California suppliers and be able to prove via receipts or

return shipping labels that the purchase or rental is from a company who meets the above requirements and shipped from a California location. Online purchases will be particularly scrutinized. To clarify:

- a. Goods purchased or rented from an out of CA business that is registered to do business in CA qualify, as long as those goods are rented or purchased in California.
- b. Internet purchases from online vendors (who qualify as in-state vendors) such as Best Buy or Staples which have physical stores in California qualify as long as the goods are purchased in California (shipping label verification).
- c. Goods purchased online that are shipped from a CA fulfillment center (e.g., Amazon) do not qualify, as the fulfillment center is considered a “pass through business.”

The following link to the California Secretary of State website can be used to check to see if a company is registered to do business in CA: <https://businesssearch.sos.ca.gov/>

8. Insurance Claims Refunds

Cash refunds received as the result of an insurance claim must be credited to the cost report and offset related qualified expenditures. Proceeds from the refunds that are spent on qualified labor and/or materials will count toward your tax credit amount.

9. Local Community Expenditure Report

Applicants filming outside Los Angeles County which spend more than \$100,000 in a county or counties must fill out a Local Community Expenditure Report available as part of the Expenditure Summary Report (Phase IV) on the portal. A Local Community Expenditure Report tutorial is available at <https://vimeo.com/215100264>. Please follow the tagging directions to accurately report both labor and non-labor expenditures per county as soon as all work in the county has been completed (please see the Guidelines for more information regarding filing this report).

For all out of Los Angeles county purchases and/or rentals, the county where the vendor is located must be noted. Do not include items purchased and/or rented in L.A. County. For wages (local hire payroll only), note the county where the work is incurred during prep, shoot, and strike. Please create a free field code for each county - e.g., HC for Humboldt county, OC for Orange county, etc. - to report spend for each county. Exact spend is not crucial; estimates are acceptable.

C. JOBS RATIO / BONUS POINTS / UPLIFTS

1. What is a Jobs Ratio?

Qualified Wages plus 35% Non-Wages, divided by estimated tax credit. See section VI of the [Guidelines](#) and [Jobs Ratio Ranking](#) page on the CFC website.

2. Bonus Points (See page 11 for bonus point chart)

- a. Facility Days: First unit crew must utilize a production facility for six hours or more for a principal photography day to be considered a production facility day. [Approved facilities listing](#) can be found on the CFC website. If the first unit crew is utilizing a studio back lot location, it may also be noted as a production facility day, in full or part. Facilities that are principally used for motion picture production which are not included on the listing are eligible for “bonus” points if approved by the CFC prior to the first day of principal photography. If not on listing – inside or outside of LA 30-mile zone – must get preapproval. Be sure there is sufficient documentation e.g., production reports, call sheets, script supervisor’s report – to indicate the time the first unit utilizes a facility each day.

- b. Out of Zone Principal Photography Days: If a principal photography day is split between in and out of zone, the first scene must be shot in the OZ location to be considered a principal photography OZ day; only applies to the principal shooting unit.
- c. Visual Effects: No minimum spend for bonus points. The VFX costs, which qualify for bonus points are primarily vendor payments for VFX processes, such as previz, postviz, Lidar, element creation, CGI shot costs. See qualified expenditure chart for items marked “VU”.

3. Uplifts - Non-Independent Productions (Excluding Relocating TV Series)

a. Visual Effects “Uplift” Expenditures

- 1) VFX expenditures in state must equal at least \$10 million dollars OR 75% of total worldwide VFX costs in order to qualify for the uplift.
- 2) The VFX costs, which qualify for the 5% uplift, are primarily vendor payments for VFX processes, such as previz, postviz, Lidar, element creation, CGI shot costs. These costs are the same expenditures which qualify for bonus points.
- 3) Labor, whose primary function is visual effects, such as VFX Supervisor or VFX Editor, and are paid directly by the production company, as well as their computer rentals, will qualify for the uplift. (Refer to [Features Qualified Expenditure chart](#) – all VFX costs, which qualify for the uplift, are labeled “VU”).

b. Music Scoring and Track Recording “Uplift” Expenditures

Qualified wages and expenditures (incurred in California), listed in [the Features Qualified Expenditure chart](#) under music noted by “MU” qualify for this uplift.

c. Out of Los Angeles Zone* “Uplift” Expenditures

- 1) OZ uplift only applies to work associated with filming original photography and/or reshooting original footage out of the LA Zone. Post-production expenditures out of zone do not qualify for this uplift.
- 2) OZ labor: Applies only during the “applicable period,” which is prep, shoot, and time needed to strike sets in the OZ location. OZ labor costs will be the estimated labor costs (initial submission) and actualized labor paid (for tax credit allocation). Must be tagged “QW/ZW”.
- 3) OZ materials that are purchased and/or rented and are totally consumed OZ (as defined in the Regulations, e.g., fuel, food, dry cleaning, location site and equipment rentals, security guards, etc.) may be tagged “QE/ZC” if desired. (Note: Box or Car rentals from non-locals do not qualify as ZC.)
- 4) If documentation is sufficient, the cost of these items will be credited 100% toward the tax credit. A listing of total consumables can be found in **Appendix B** of this document.
- 5) Items purchased or rented and used outside the LA zone which are not consumables will therefore be assumed to be used both inside and outside the zone. These items may be

tagged “**QE/ZE**” and will be prorated according to the amount of principal photography days outside the zone versus inside the zone.

*“Los Angeles zone” means the area within a circle 30 miles in radius from Beverly Boulevard and La Cienega Boulevard, Los Angeles, California, and includes Agua Dulce, Castaic, including Lake Castaic, Leo Carillo State Beach, Ontario International Airport, Piru, and Pomona, including the Los Angeles County Fairgrounds. The Metro Goldwyn Mayer, Inc. Conejo Ranch property is within the Los Angeles zone.

D. BUDGET TAGGING AND TRACKING INSTRUCTIONS

1. Qualified Wages Processed Through Payroll

All of the payments below, taxable or non-taxable, are considered Qualified Wages (QW) when the salary of the individual or entity is qualified labor. Only wages paid through the production’s payroll service, musicians' payroll service, or directly by the production company to an individual or their loan out company can be considered wage. The following may also be tagged QW:

- Meal Penalties / Allowances
- Car Allowance
- Mileage
- Per Diem
- Housing Allowance

2. Non-Wage Expenditures

All purchases and rentals are considered non-wage expenditures. These include invoices via a contracted company and include security guards, police, firefighters, site reps (if not paid directly by Production Company).

Box rentals and cell phone allowances/rentals from an individual whether paid through payroll or invoiced separately are considered Qualified Non-wage (QE).

- *Box Rentals*
- *Cell phone allowances or rentals from individual*

**TAGGING METHODOLOGY
INDEPENDENTS and RELOCATING TELEVISION**

	Budget Subgroup	Cost Report Tagging	Comments
Qualified Wages	QW	QW	Qualify for 25%
Qualified Expenditures	QE	QE	Qualify for 25%
Non-Qualified Expenditures inside CA	NQ	NQ	These costs do not qualify for the Incentive, but were incurred in CA.
Non-Qualified Expenditures outside CA	XX	XX	These costs do not qualify for the Incentive.

NON-INDEPENDENT PRODUCTIONS

	Budget Subgroup	Cost Report Tagging	Comments
Qualified Wages	QW	QW	Qualify for 20%
Qualified Expenditures	QE	QE	Qualify for 20%
Non-Qualified CA Expenses	NQ	NQ	These costs do not qualify for the Incentive but were incurred in CA.
Non-Qualified Expenditures outside CA	XX	XX	These costs do not qualify for the Incentive.
Out of Zone Wages	QW, ZW	QW,ZW	5% uplift bonus for qualified wages for work performed outside the LA Zone (2nd Unit & PP).
OPTIONAL: Outside the Zone Consumable Expenses	QE, ZC	QE, ZC	If tracked and verified, items totally consumed outside the LA Zone are eligible for 100% of purchase price towards 5% uplift (versus a tax credit based on the % of PP days). See Appendix B in this document for a listing of total consumables.
Outside the Zone Non Consumable Expenses	QE, ZE	QE, ZE	Total non-wage expenditures outside the LA Zone are eligible for an additional 5% uplift (non-indies) based on the % of PP days if tracked and verified.
VFX Uplift	QE, VU or QW, VU	QE, VU or QW, VU	5% uplift bonus for qualified expenditures for VFX work performed in CA. In state VFX expenditures must be at least \$10 million dollars OR 75% of total Worldwide VFX costs. (Refer to Qualified Expenditure charts – all VFX costs which qualify for uplifts & bonus points labeled “VU”)
MUSIC Uplift	QE, MU or QW, MU	QE, MU or QW, MU	5% uplift for music recording and scoring done in CA. All qualified wages and expenditures (incurred in California) listed in the qualified expenditure charts under music noted by “MU” qualify for this uplift.

3. Fringes**FRINGE BENEFITS**

It is advisable to set up budgets with the following fringe breakdown as federal fringes and others must be excluded from California tax credit calculations. Non-Qualifying fringe must be separated or zero' d out when creating the Qualified Expenditure budget.

The CFC will not accept budgets with ALL-INCLUSIVE fringe rates that include any Non-Qualifying Fringe (e.g., FICA, MEDICARE, FUI, FUTA, PIT [personal income tax withholding]).

Note: If fringes are combined, they must include itemized calculations showing how the combined total was achieved and must not exceed individual ranges. **Combined Fringes MUST be itemized on the Fringe Matrix.**

Description	Type	Accepted %	Notes
Unemployment Insurance	Fed FUI	0	Exclude from Incentive Budget
FICA – Social Security	Fed FICA	0	Exclude from Incentive Budget
FICA – Medicare	Fed MED	0	Exclude from Incentive Budget
CA Solvency	Fed CAFUI	0	Exclude from Incentive Budget

Description	Type		Accepted %	Notes
CA State Taxes	CA	CAST	0	Exclude from Incentive Budget
Add'l FUTA	CA	FUTA	0	Exclude from Incentive Budget
State Unemployment Insurance	CA	SUI	6.2	Include in Incentive Budget
California Care Medical Insurance	CA	NU %	0	Include as a line item in your budget tagged QE.
Workers Compensation – Crew / Background Talent	CA	WC	5.4	Include in Incentive Budget.
Workers Compensation – Clerical / Editorial	CA	WC	1.96	
Vacation Accrual	CA	VAC	4.0	Include in Incentive Budget. (if applicable)
Holiday Accrual	CA	HOL	3.719	Exclude from Incentive Budget if holiday pay is a line item.
Sick Pay Accrual	CA	SIC	0	Exclude from Incentive Budget
Crew/399 Pension, Health & Welfare	CA	IA %	23.50	May Include in Incentive Budget
Crew Combined	CA	IA/CAT	37.219	IA plus SUI/WC/Payroll Fee
Crew/399 IAP	CA	IA%	6.0	May include in Incentive Budget
DGA PH&W UPM/ ADs	CA	DGA	20.38	
SAG/AFTRA P/H/W Stunt Coordinator	CA	SAG	19	
SAG/AFTRA P/H/W Extras	CA	SAGE	18.5	
AFTRA (Network)	CA	AFTRA	17.1	
Non-Union Flat	CA	NU	SUI 6.2 WC 4.03 Payroll fee 1.0-2 CA Care 4.5	If combined, include breakdown of how total was achieved and not to exceed individual ranges
Extras – SAG (All inclusive - exclude Casting Fee)	CA	SE	Max 32.5	Include in Incentive Budget. If combined, include breakdown of how total was achieved; not to exceed individual ranges
Extras Casting Fee	CA	Fee	0	May be included as a QE line item in the budget.
Teamsters	CA	T%	29.4255	
Teamster Combined	CA	T%	35.4255	
ATL Payroll Handling Fee	CA	ATL	Per check fee	Include in Incentive Budget (salary must qualify)
BTL Payroll Handling Fee	CA	BTL	Max 2	

For more details, see our [Qualified Expenditure Charts](#) on the website.

E. Expenditure Summary Report

1. The Expenditure Summary Report (Form FF1 or FF2) must be filled out once the CPA performing the AUP has finished and final tax credit calculations are available. The Report will ask for final schedule and expenditure information.
2. Applicants filming outside Los Angeles County which spend more than \$100,000 in a county or counties must fill out a Local Community Expenditure Report available as part of the Expenditure Summary Report (Phase IV) on the portal.
3. The Report also asks for information on the **diversity of the cast and crew**. Employees generally have the option of providing this information on their start paperwork. If the payroll service does not ask for this information, please include an ethnicity question, at the employee's option to answer, on the deal memo or a separate form. It is important to explain to the employee that this question is being asked because your production is participating in the California Film & Television Tax Credit Program 2.0, and it is a requirement of the program, although answering the question is optional. The data from this report will enable the production to complete the Employment Diversity information on the Expenditure Summary Report.
4. The Adjusted Jobs Ratio based on actual expenditures, as calculated by the CPA performing the AUP, will be inputted along with the applicant's final tax credit amount. This document will need to be printed out, signed, and submitted with your AUP and other final documentation.

F. AGREED UPON PROCEDURES (AUP): REQUIRED DOCUMENTATION

1. Certified Public Accountants

An AUP Report must be performed by a CPA with an active California license to perform attest services or current firm registration in California. Applicants are unable to engage the same CPA/Accountant who performed any production accounting and/or post-production accounting for the approved project. Only CPAs who have attended a CPA Orientation Seminar 2.0 are able to conduct AUPs; CFC supplies [a listing of CPAs](#) who have attended a seminar and are familiar with Program 2.0. In anticipation of applying for the Tax Credit Certificate, production companies need to add the CPA performing the AUP as a user so as to gain access to portal files (see note in the ["Audit Procedures"](#) section of the website under [Applicant Essentials](#)).

2. Verification of In-state Work

Each production must obtain documentation from visual effects, digital effects, post sound and/or title design companies or contractors in order to verify that all work was performed in the state. Vendors must utilize the [Verification of In-State Work](#) template available on the website. If a portion of the work was performed out of state by the company or its subcontractors, the letter must indicate the dollar amount for such work and/or materials. This documentation will be reviewed by the CPA performing the AUP and the CFC.

3. Related Party Transactions

All related party* transactions must be in accordance with an arm's length standard. The production company is required to provide the CPA performing the AUP with a breakdown of all related party transactions, as they are subject to review and sampling; a minimum of 3 comparison bids and/or studio rate cards will be requested. If the production company rents equipment from a BTL crew member, this is not a related party transaction. However, renting company services or equipment

from cast or crew whose salaries are not qualified for the tax incentive program are considered related parties by the CFC and are subject to review.

*The term "related parties" is understood to mean the reporting entity; its affiliates; principal owners, management, and members of their immediate families, entities for which investments are accounted for by the equity method; and any other party with which the reporting entity may deal when one party has the ability to significantly influence the management or operating policies of the other, to the extent that one of the transacting parties might be prevented from fully pursuing its own separate interest. Related parties also exist when another entity has the ability to significantly influence the management or operating policies of the transacting parties or when another entity has an ownership interest in one of the transacting parties and the ability to significantly influence the other, to the extent that one or more of the transacting parties might be prevented from fully pursuing its own separate interests.

4. Production Assets

Proceeds from the sale of any production assets must be deducted from the costs presented in the cost report. Asset lists are required as part of the AUP documentation.

- a. Any assets with a purchase price of \$10,000 and over will be subject to review in determining tangible personal property value. As a rule, the lesser of the net cost of the asset after sales proceeds (if assets sold) or 50% of the purchase price will be allowed as a qualified expenditure. If the asset is destroyed during the process of production, applicant should maintain documentation as proof for verification by the Certified Public Accountant (CPA) performing the AUP for the company. An asset list of all items with a purchase price of \$10,000 or more is required for the AUP and for review by the CFC.
- b. Any leased or rented items manufactured, assembled, or fabricated to specification with a value of \$10,000 or more shall be treated as a capital lease if it meets any one of the following four conditions:
 - 1) If the term of the lease exceeds 75% of the life of the asset.
 - 2) If there is a transfer of ownership to the lessee at the end of the lease term.
 - 3) If there is an option to purchase the asset for substantially less than the fair market value ("bargain price") at the end of the lease term.
 - 4) If the present value of the lease payments, discounted at an appropriate discount rate, exceeds 90% of the fair market value of the asset.

Any such rental or lease agreement that meets the standards for a capital lease will be considered a purchase and subject to a 50% expense cap for purposes of qualifying for the tax incentive. All such items are required to be on the asset list of items with a purchase price of \$10,000 or more.

- c. Office or on-set electronic, post production or effects equipment such as computers, hardware, drives, scanners, monitors and relevant components, copiers, and/or printers which are purchased for the production will be allowed the lesser of the net cost of the asset after sales proceeds (if assets sold) or 20% of their purchase price as a qualified expenditure.
 - 1) Digital assets with a purchase price equal to or less than \$250.00 are not subject to this requirement.
 - 2) Props or set dressing that involve digital equipment are also subject to this rule, except for period props/dressing manufactured more than 5 years from the date of usage.
 - 3) An asset list of all such items is required for the AUP and for review by the CFC.

- d. Licensed Assets: Per statute, any licensed materials, e.g., music licenses, software, are not qualified expenditures. Please tag these items accordingly.
- e. Disposition of assets (examples):
- 1) Asset over \$10k is Sold (e.g. 50% assets)
If the asset is sold, the qualified cost is the lesser of the net cost after sales proceeds or 50% of the original purchase price. So in one example, if a \$15,000 asset is sold for \$6,000 (net cost of \$9,000), the qualified cost is \$7,500 (50% of the original purchase). In a second example, if a \$15,000 asset is sold for \$11,000 (net cost of \$4,000), the qualified cost is \$4,000. So, in summary, if the asset is sold the most you could get as a qualified cost would be 50% of the original purchase price.
 - 2) Asset over \$10k is Retained (e.g. 50% assets)
If the asset is retained, the qualified cost is limited to 50% of the original purchase price in all cases.
 - 3) Asset over \$10k is Destroyed (e.g. 50% assets)
If the asset is destroyed as part of the production, the qualified cost is the full value of the asset. However, in all cases the production company must maintain documentation that the asset was destroyed (e.g. photographs, production reports, video footage, etc.).
 - 4) Asset under \$10k (not including the post, office electronic, digital and effects equipment)
If the asset purchase price is below \$10k, the qualified cost is the full value of the asset. The production company does not need to specifically track the asset but upon request, may need to provide a listing of all assets to the auditor and CFC.
 - 5) Electronic and Digital Assets
If the asset is electronic or digital, the qualified cost is limited to 20% of the original purchase price. The production company must track these types of purchases regardless of dollar amount of the purchase price, but the 20% limit does not apply to digital assets with a purchase price equal to or less than \$250.00.
 - 6) If an Asset is given to a non-qualified individual, e.g., director, producer, actors, the purchase price of the asset must be fully deducted from the qualifying expenditure total.

F. MATERIALS FOR VERIFICATION OF EXPENDITURES

Production companies may need to provide the CPA that will be performing the AUP report access to the following materials (including but not limited to):

- Copy of Credit Allocation Letter
- Full set of final, signed Production Reports for principal photography and any reshoots/additional photography
- Shooting schedule
- Final crew, cast, and vendor lists
- Final cost report including all non-qualifying expenditures
- For productions close to threshold limits, CPAs will review ATL contracts for any guaranteed deferments or bonuses, which must be included in the total budget amount.
- Detailed Cost Ledger, e.g., Bible
- Payroll register of all cast, crew, and staff paid (summary)
- Detailed Trial Balance
- Detailed Ledger of expenditures - digital and hard copy
- Petty cash envelopes
- Bank Statements & Reconciliations
- Information to substantiate qualified expenditures, including invoices, purchase orders, receipts, contracts, deal memos, time cards, stop/start forms, etc.
- List of all visual effects, digital effects, and/or title companies who worked on the production.
- Complete Inventory/Asset list (electronic).
- Listing of items with a purchase price over \$10,000 indicating the status of the assets (e.g. destroyed, sold, donated, being held for future productions, given to cast or crew, etc).
- Listing of office, post-production or effects equipment purchased for the production and its disposition.
- Listing of customized leased or rented items manufactured, assembled, or fabricated to specification with payment aggregating \$10,000 or more.
- Listing of all related party transactions, including type of relationship, transactions, amount of transactions; comparison bids may be requested.
- Listing of all parties with a 5% or greater ownership in or other affiliation with the production company.
- Script Supervisor's reports

Please refer to the [Qualified Expenditure Charts](#) to confirm qualified and non-qualified expenditures. However, do not hesitate to contact the CFC Film & Television Tax Credit Program if you are unsure if an expenditure is or is not qualified.

Bonus Point Ranges

**BONUS
POINT
RANGES**

Maximum Total
Percentage Points:
25

% Out of Zone Days	
0%	0
10%	1
20%	2
30%	3
40%	4
50%	5
60%	6
70%	7
80%	8
90%	9
100%	10

% Of Stage Facility Days	
0%	0
10%	1
20%	2
30%	3
40%	4
50%	5
60%	6
70%	7

VISUAL EFFECTS BONUS POINTS

Bonus Point Tips:

- Production facilities must be listed in the Production Facility listing on the CFC website for the production facility to qualify for bonus points, unless the facility is approved by the CFC prior to principal photography.
- Principal shooting crew must utilize a production facility for 6 hours or more for that day to be considered a Facility Day.
- Visual effects expenditures which qualify for bonus points are indicated by “VU” in the qualified expenditure charts.
- If a principal photography day is split between in and out of zone, the first scene must be shot in the out of zone (OZ) location to be considered a principal photography OZ day.
- Bonus Points only apply to filming original photography (principal photography and reshooting original footage) out of the LA Zone.

Non-indie Range		Indie Range		TV Series Range	
Rounded	Points	Rounded	Points	Rounded	Points
0	0	0	0	0	0
500,000	1	10,000	1	50,000	1
750,000	2	20,000	2	75,000	2
1,000,000	4	30,000	3	100,000	3
1,500,000	5	40,000	4	200,000	4
2,000,000	6	50,000	5	300,000	5
2,500,000	7	75,000	6	450,000	6
3,000,000	8	100,000	7	600,000	7
3,500,000	9	200,000	8	750,000	8
4,000,000	9	250,000	9	1,000,000	9
4,500,000	10	300,000	10	2,000,000	10
5,000,000	11	350,000	11	3,000,000	11
5,500,000	12	400,000	12	3,500,000	12
6,000,000	13	450,000	13	4,000,000	13
8,000,000	14	550,000	14	4,500,000	14
10,000,000	15	600,000	15	5,000,000	15

Ranges are subject to change.
These ranges are for productions with Credit Allocation Letters dated July 1, 2016 or later.

APPENDIX A – DIGITAL ASSETS

All productions are required to create a listing of electronic assets with a purchase price over \$250.00.

Office or on-camera set dressing of electronic, post-production or effects equipment such as computers, hardware, drives, scanners, monitors and relevant components, copiers, and/or printers which are purchased for the production will be allowed the lesser of the net cost of the asset after sales proceeds (if assets sold) or 20% of their purchase price as a qualified expenditure.

Below please find a listing of which includes, but is not limited to, the following electronic assets:

- TV's/Monitors
- Printers
- Scanners
- Copiers
- Atomos Connect H2S converter (SDI to HDMI and HDMI to SDI video converter)
- Modems/ Cell Signal Boosters
- Laptops/Computers
- DVD Players
- VCRs
- Digital Blue Screen
- Rig XRay Camera
- GoPro Camera
- Cameras
- Phone Systems
- Cellphones
- Ipads
- Fitbit/ Apple Watches
- Wireless Microphones
- Hard Drives
- Coffee Maker (High-end)
- Projectors
- Speakers
- Gaming table (Pacman, Galaga, etc.)
- Xbox & Gaming Equipment
- Radar Gun

APPENDIX B - CONSUMABLES

Tangible personal property purchased or leased outside the Los Angeles zone shall be considered completely consumed provided the property was of a type or nature such that it would have no residual material value remaining after its use or consumption. Examples of such include, but are not limited to:

- Food and catering items
- Rented hotel or corporate housing usage
- Construction supplies and materials for sets
- Automotive or other fuels
- Security services
- Location and stage services
- Governmental permit fees
- Personnel services
- Printing
- Equipment rentals for the applicable period
- Transportation services
- Dry cleaning
- Shipping costs from within the state from the out of zone location
- Cell, Car or Box Rentals from local hires out of the zone