

# FREQUENTLY ASKED QUESTIONS

## NON-INDEPENDENT PROJECTS

May 2019

### GENERAL

- Q:** If I had a project in the old program, shot one day, but didn't finish the project (making it ineligible for the old program), would it be eligible for the new program?
- A:** Since the 2.0 program is a completely different program, you are eligible to submit an application for the project in the new 2.0 program.
- Q:** If principal photography cannot begin prior to receiving a Credit Allocation Letter (CAL) approval, what about pre-production spending?
- A:** Pre-production spending before the CAL approval would not qualify for tax credits, but is certainly allowed.
- Q:** Can a production begin principal photography outside of California before receiving a Credit Allocation Letter (CAL)?
- A:** A production may begin filming outside of California prior to receiving a CAL. Principal photography in California before the CAL date would disqualify the project from the program.
- Q:** If we spend less money than our estimated credit amount, will we be penalized?
- A:** No, there is no penalty if your budget decreases, but you may be penalized if your Jobs Ratio is reduced after an audit of all your expenditures. Please refer to our Guidelines, Section XII, for more information.
- Q:** If our budget goes up, would we be eligible for the additional amount?
- A:** No, productions are capped by the amount on the Credit Allocation Letter.
- Q:** Can you define "Estimated Total CA 2<sup>ND</sup> Unit/Stunt/VFX Days"? For example, if we have \$45k per episode for 2<sup>nd</sup> unit, I was counting this as one day per episode, correct? However, this is a 2<sup>nd</sup> unit day and not a separate full shoot day.
- A:** These days do not qualify for bonus points so an exact count is not crucial.
- Q:** Does 2<sup>nd</sup> unit or VFX work count as a principal photography day?
- A:** "Principal photography days" means the number of days shot by the principal unit with the director and lead actors present. "Principal photography days" in California does not include the filming of primarily backgrounds, visual effects, action and or/crowd scenes by the second, stunt or visual effects units.
- Q:** Will the Narrative Statement on why we would like to shoot in California versus another location be used to make a decision as to whether a production will be granted approval for tax credits?
- A:** No; however, a Detailed Narrative Statement will be requested in Phase 2 of the application process – It is a written statement which describes the extent to which the credit is expected to influence the choice of filming locations with respect to financial considerations. The statement should include other locales which would be considered in the absence of a tax credit.

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### GENERAL (continued)

**Q:** If 50 projects apply and 10 are accepted, am I correct that these are the projects with the highest Jobs Ratio figures?

**A:** The projects are ranked by Jobs Ratios in their categories. The projects with the highest Jobs Ratios will receive a tax credit reservation. Recurring television series and series based on pilots previously accepted into the program have priority within the television category.

**Q:** Regarding the insurance statement on proration of premiums for qualified dates, is there a specific way that dates are prorated? Is it based on calendar days of the policy or is it based on overall shoot days?

**A:** Insurance premiums are usually prorated 10% for pre-production, 70% for production and 20% for post-production. Alternatively, applicants may request a statement from their insurance brokers which would state the amount of premium proration.

**Q:** The program requires feature films to spend a minimum of \$1 million. Does the minimum spend of \$1 million mean total budget or California only budget?

**A:** The \$1 million minimum spend refers to Qualified and Non-Qualified expenditures in California. So ATL talent, although a non-qualified expenditure, would count toward your total production budget as long as their services are provided in California. Overhead costs do not count towards the \$1 million minimum spend requirement.

**Q:** Are half-hour TV series eligible to apply for the California tax credit? Once they are in the program, are they eligible to stay in the program each year until the show is cancelled?

**A:** Only half hour relocating shows with a minimum episode budget of \$1 million can apply for the California Tax Credit Program. Once in the program, the series will become a recurring series and receive a 20% tax credit as long as credits are available.

**Q:** Is a stop motion project eligible to apply to the tax credit program?

**A:** Yes, stop motion projects are eligible for the Tax Credit Program as stop motion photography is not part of the animation exclusion. Note: Projects cannot begin principal photography prior to acceptance and production must be completed within 30 months from the date the credit allocation letter is issued.

**Q:** If my project is accepted into the program, will my budget be published to the public?

**A:** The CFC is required by law to publish specific information on our website, including the project title, tax credit amount, production days in California, California jobs directly created by the production, and the total amount of estimated qualified expenditures. Please note that any other information that is part of the application is not subject to public disclosure.

**Q:** Do Technical Directors qualify?

**A:** Yes, on live shows. Technical Directors act under the direction of the director like assistant directors.

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### APPLICATION

- Q:** Regarding the 75% spend test: What if I am shooting a portion of the film in another state?
- A:** Wages, goods and services must be prorated proportionately to accurately estimate your California spend. Wages, rented or purchased items from California such as camera equipment, self-drive cars, production trucks, picture cars and the like must all be prorated if they will be used out of state for a portion of the schedule. Remember that the 75% spend test is based on total production spend – not just qualified expenditures.
- Q:** Why do I need to provide proof of funding?
- A:** The production company must show a viable plan to finance the production with evidence that it has at least 60% of the financing in place. The application requires a detailed listing of your funding sources and verification of this funding must be submitted upon request. Acceptable forms of documentation include financing agreements with signed letter(s) on letterhead from your investor(s), stating the amount of funds secured from the investor along with a bank or brokerage statement which verifies the funds are on hand. If you have concerns regarding confidentiality, please call the CFC to discuss.
- Q:** Can I use a foreign production company taxpayer ID number? My project is an independent production and we would be transferring the credits.
- A:** A foreign corporation will need to register to do business in the state and obtain a California ID number issued by the [California Secretary of State](#).
- Q:** If my project is on the waitlist, can I revise my budget and credit estimation?
- A:** The initial credit reservation cannot be increased, but a budget and corresponding schedule may be modified to more accurately reflect the anticipated production plan.
- Q:** I understand that the contingency amount of up to 10% of all qualified expenditures can be added to the budget when figuring out the tax credit amount. Does the contingency get tagged as expenditures or can some of it be tagged as wages?
- A:** Neither. Contingencies, as well as bonds, need to be set up as a contractual charges in the qualified expenditure budget – not a line item.
- Q:** Do I need to have the LLC formed in order to submit my application?
- A:** No. However, if your project is ranked high enough to be eligible for tax credits, an LLC would need to be formed and a tax payer ID given to the CFC by the Credit Allocation Issuance date.

# FREQUENTLY ASKED QUESTIONS NON-INDEPENDENT PROJECTS

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## PRODUCTION COMPANY FORMATION

- Q:** Two different companies are financing my film and both members are partners in the production company. Both of them have a tax liability in the state. Do I need to provide the tax ID for both?
- A:** We accept only one taxpayer ID on the application, which should be the tax ID of the company that is formed to produce the project. One thing to be aware of, however, is the disproportionate allocation rules governed by the IRS. California conforms to IRS code section 704(b). Applicants should consult their tax advisors with respect to allocating credits to investing entities.
- Q:** The project we are budgeting is below \$10M. We are setting up a separate LLC for this project which will be a subsidiary of a publicly traded company. The LLC will not be publicly traded however. Would this project qualify for the 25% credit? Could we then “sell” or transfer the tax credits to the publicly traded company for their tax liability in California?
- A:** No. If the LLC is owned wholly or partially (over 25%) by the publicly traded company, the project will only qualify for a 20% credit. In this case credits cannot be sold, but the LLC may assign its credits to an affiliate.

## TELEVISION/INTERNET PROJECTS

- Q:** Can I submit an application for a pilot even if it's cast contingent?
- A:** The new regulations require that a pilot must have a pick-up order to qualify.
- Q:** The script supervisor's lined script is now a requirement that must be submitted with final documentation. For a TV series, how many episodes of the script supervisor's lined script are required?
- A:** When submitting final documentation, a copy of the lined scripts for episodes #2 and #5 must be included.
- Q:** If we apply as a pilot and the pilot is selected, would we need to apply separately for the series, (assuming we get a pick-up order)?
- A:** Yes, you would need to apply for the series with a separate application during a TV allocation period. A series based on a pilot in the program will get priority over new applications in the selection process.
- Q:** If we shoot a pilot here in CA, can we apply for Season 1 as a “New TV” project even if that original pilot was not in the program?
- A:** Yes, The tax credit program considers a “pilot” as its own type of production, and therefore a series from a pilot may apply for the program regardless of having shot the pilot in the state.
- Q:** How would a mid-season additional episode order be treated? Let's say there is a 10 episode order that qualifies for credit, then mid-season more episodes are ordered?
- A:** Television producers can apply for tax credits for additional episode orders in the TV allocation period prior to when the producers anticipate filming of the additional episodes. A Credit Allocation Letter will not be issued until a pick-up order is confirmed. As a recurring TV series, the additional episode order will have priority over new applicants.

# FREQUENTLY ASKED QUESTIONS

## NON-INDEPENDENT PROJECTS

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### TELEVISION/INTERNET PROJECTS (continued)

- Q:** What about season to season? Does a TV production have to resubmit every year for consideration for continued tax credits or is there an incumbency provision?
- A:** There is an incumbency provision, but producers must confirm the project is returning prior to the TV allocation period and a new application submitted. Tax credits will be reserved but a Credit Allocation Letter will not be issued until a pick-up order has been received.
- Q:** Are copyright forms required for each episode of a series?
- A:** Proof of copyright registration (Form PA) for at least one episode per season is required.
- Q:** We have a straight to series show. We plan to shoot an enhanced first episode. Do the extra days for that episode qualify?
- A:** Yes, an enhanced episode 1 is allowed. The additional costs for the enhanced episode 1 should be specified as line items in the amortized budget.
- Q:** Do we need to verify distribution for TV projects?
- A:** For a mini-series, documentation verifying that its initial distribution on TV or internet transmission consists of 2 or more episodes with a total running time of at least 150 program minutes. For a movie of the week, documentation verifying its initial distribution on TV or internet transmission with a minimum of 75 program minutes broadcast in one part. There is no verification needed for television series.
- Q:** We are applying for a straight to series show that will take a hiatus between the Pilot and the rest of the series. Does this break count as a hiatus?
- A:** Yes it does. Hiatus days are permitted up to 120 calendar days. Please note that if your show were to shoot outside of California at any time after your first principal photography day, the days filmed outside of California would also be considered hiatus days until you recommence filming in California.
- Q:** If a TV series takes a hiatus, does the hiatus apply to the existing season or also between seasons?
- A:** It only applies to the same season.
- Q:** If I have a pilot in the program and the pilot gets picked up to series, can I apply for the series during an allocation period which is not open to new TV projects?
- A:** Yes, any series which has a pilot in the program may apply in subsequent allocation periods even if the allocation period is closed to “new” series. We do not consider series from pilots in the program as entirely “new”, given that the pilot for the project is already in the program. A pick up order is required to apply.

# FREQUENTLY ASKED QUESTIONS NON-INDEPENDENT PROJECTS

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## TELEVISION/INTERNET PROJECTS (continued)

**Q:** Returning TV series and series based on a TV pilot that were accepted into the program have priority in subsequent seasons. How is that priority determined?

**A:** TV series approved and accepted into the program prior to January 2016 will be prioritized by the *year of original application* with the earliest allocation periods having priority. For example, a series that applied and was accepted during the May 2015 application period would have priority over a series that applied in November 2015. Both would have priority over a series that received a Credit Allocation Letter after January 1, 2016.

TV series approved and accepted into the program after January 1, 2016 will receive priority placement based on the *fiscal year of original credit allocation (CAL)*, with the earliest allocation periods receiving priority over the later allocation periods.

When a company receives a CAL for a pilot, and that pilot is picked up, the series will have the same priority as a returning series according to the rule described above with respect to the original application for the pilot. Assuming other series have a similar priority, the Jobs Ratio ranking would be used (if necessary, when oversubscribed) to determine which series will receive credits.

TV series accepted into the Heritage Tax Credit Program are grandfathered into Program 2.0 and have priority over series in Program 2.0. The CFC anticipates that heritage program series will begin to apply for tax credits in May 2017.

## RELOCATING TV

**Q:** My TV series is moving from out of state. Is there a form for the relocation statement?

**A:** All relocating series applicants must submit a letter on letterhead stating that the tax credit provided is the primary reason for relocating. A Detailed Narrative Statement is not required if submitting this document.

**Q:** Are half hour shows eligible to qualify for a tax credit?

**A:** If the running time is less than 40 minutes, half hour TV series may apply only as a relocating TV series. The minimum episode budget is \$1 million. Once in the program, the project is considered a recurring TV series eligible for a 20% tax credit with priority each year as long as credits are available.

# FREQUENTLY ASKED QUESTIONS NON-INDEPENDENT PROJECTS

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## RELOCATING TV (continued)

**Q:** If our pilot was shot outside CA and we wanted to bring the series back to LA, would that be considered a relocating series?

**A:** To qualify as a television series that relocated to California, the television series must meet the following criteria:

- 1) Provide a certification (statement) from the applicant that the tax credit provided is the primary reason for relocating to California.
- 2) Produce episodes of any program length, filmed its most recent season outside of California, and have a minimum production budget of one million dollars (\$1,000,000.00) per episode.

A television season is defined as follows:

“Television Season” means the initial exhibition of a set of interrelated new television episodes lasting no less than six (6) episodes and no more than thirty (30) episodes within a period of twelve (12) months.

Therefore, a proposed series based on an out of state pilot would not qualify as a relocating series. It must be a series that has shot a minimum of 6 episodes out of state.

## JOBS RATIO & BONUS POINTS

**Q:** Why doesn't the contingency count toward the Jobs Ratio calculation?

**A:** Contingencies are not included in the Jobs Ratio calculation since they are funds that may not be spent and it is difficult to estimate wage vs non-wage. Also, many projects do not include contingencies.

**Q:** Is shooting on a “backlot” at an approved production facility, considered a qualified stage day and thus able to qualify for bonus points?

**A:** If a facility with a backlot is on the approved facility listing, backlot filming will also qualify as a facility day. A facility day requires a minimum of 6 hours of principal photography at the facility.

**Q:** I need clarity on the Jobs Ratio penalty.

**A:** Non-Independent Projects: If the CFC determines that the Jobs Ratio has been reduced by more than 10%, the credit will be reduced by an equal percentage, unless the CFC and the qualified applicant demonstrates reasonable cause exists for the reduction. If the Jobs Ratio has been reduced by more than 20%, the CFC shall not accept an application from that company's entire combined reporting group for one year from the date of determination.

**Q:** When calculating the Jobs Ratio, can items like fringes, meal penalties, car allowances, box rentals, cell phone allowances and per diems be included as qualified wages?

**A:** The Budget Tagging and Tracking Tips 2.0 defines what can be considered wage and non-wage. Of the items you listed, all are considered a wage except box rentals and cell phone allowances/rentals. Per diems, for instance, are considered a qualified wage. All of the above apply to qualified labor only.

# FREQUENTLY ASKED QUESTIONS NON-INDEPENDENT PROJECTS

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## **JOBS RATIO & BONUS POINTS (continued)**

- Q:** Do pension and health payments and California state income tax withholding count as qualified wages in the Jobs Ratio calculations?
- A:** Yes, but with the exception of the California solvency tax.
- Q:** If a project is using a facility outside the zone, is this eligible for Jobs Ratio bonus points – both stage and outside the zone?
- A:** For purposes of the Jobs Ratio bonus points, applicants must indicate the number of shooting days outside the zone and the number of facility days. Example: If a production has 5 days out of the zone that occur at a production facility, they would enter 5 days for out-of-zone and 5 days for facility when calculating the Jobs Ratio.
- Q:** We have a qualified expenditure budget that is \$130 million. When calculating the Jobs Ratio on the initial application, would we ignore the \$100 million cap and calculate the Jobs Ratio based on the entire \$130 million?
- A:** The Jobs Ratio calculator is programmed to limit the amount of tax credits allowed based on the qualified expenditure caps for non-indies. Tax credits for non-independent productions will cap out at \$100 million qualified spend.
- Q:** With respect to filming principal photography days at an approved facility, what is the minimum hours required to qualify for the bonus points?
- A:** Facility days are defined as days in which the shooting crew is utilizing the facility for 6 hours or more; please be sure to indicate on the production reports for verification.
- Q:** For a feature film that will be filming numerous motion capture days in a qualified facility with the director and cast present, are these days considered principal photography, eligible for the bonus points?
- A:** Yes, principal photography days\* (with the principal director and lead cast) in an approved facility are eligible for bonus points. Also, as noted on the expenditure charts, costs related to filming on a motion capture stage are qualified expenditures but do not qualify for the 5% VFX uplift.  
\*\*Principal photography days means the number of days shot by the principal unit with the director and lead actors present. 'Principal photography days' in California does not include the filming of the primarily backgrounds, visual effects, action and or/crowd scenes by the second, stunt or visual effects units."
- Q:** I am employing musicians and need clarity on how much of their salaries will qualify as wage vs. non-wage.
- A:** Musicians paid via the company payroll service or a musician payroll service are considered QW. In order to qualify for the music uplift (MU), the occupations must be stated. Musicians who invoice individually can also be considered QW/MU again, with clear information on their occupation. Musicians whose salaries are invoiced by a company that invoices for a group of musicians (more than 1) would result in the musicians considered QE/MU.



# FREQUENTLY ASKED QUESTIONS

## NON-INDEPENDENT PROJECTS

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### UPLIFTS

- Q:** Does a camera package which will be rented in Los Angeles, but brought to San Francisco for our production, qualify for the 5% uplift?
- A:** No. Tangible personal property used outside the Los Angeles zone must be purchased, rented or leased from a vendor through an office or other place of business outside the Los Angeles zone to qualify for an uplift.
- An “Outside Los Angeles Zone Vendor” is a supplier in the State which maintains an office or place of business outside the Los Angeles zone and is registered or qualified with the California Secretary of State; or is required to file a return with the California Franchise Tax Board under Parts 10 or 11 of the Revenue and Taxation Code and employs one or more full time employees; or is a sole proprietor working at the place of business outside the Los Angeles zone. Pass-through businesses do not qualify as an “Outside Los Angeles Zone Vendor” (Items purchased out of state which are shipped to fulfillment centers do not qualify).
- Q:** Visual Effects: Do all wages and non-wage expenses credited to VFX, including practical shooting costs, qualify for the uplift?
- A:** The visual effects (VFX) accounts which qualify for the uplift are mainly those concerning third party vendors providing CG asset creation. VFX Digital Artists and VFX upper management staff (as indicated on the Qualified Expenditure Chart) who are hired directly by the production company do qualify and would be tagged as QW (qualified wage) and VU (VFX uplift). All vendor payments would be tagged QE (non-wage) and VU. The qualified expenditure charts indicate those VFX expenditures that qualify for the VFX uplift and for VFX bonus points (they are the same accounts). There is a minimum spend provision for VFX uplifts of \$10 million (for all qualified VFX expenditures) OR 75% of all worldwide VFX are performed in California.
- Q:** Do visual effects expenditures qualify for uplift during prep and post-production periods?
- A:** VFX expenditures which are indicated on the Qualified Expenditure Charts as qualifying for the uplift (with VU) qualify during prep, shoot, and/or post.
- Q:** Is motion capture work considered VFX?
- A:** Not for purposes of the 5% uplift or bonus points. However, they should be included when calculating the percentage of VFX work incurred in California.
- Q:** Music – “Total Track Recording”: With respect to qualifying for additional percentage points (uplift) for music track recording, is that related to the costs to create the score?
- A:** Yes, the uplift concerns score track recording only.
- Q:** Since the tax credit for non-indies is based on a cap of \$100 million in qualified expenditures, is that inclusive of any uplifts?
- A:** The \$20M cap is exclusive of uplifts. The statute allows uplifts not to exceed 5% of the qualified expenditure \$100M tax credit cap. Therefore, a non-indie could receive up to \$25M in tax credits. If a production has less than \$100M in qualified spend (so tax credit is less than \$20M), 5% of the expenditures that qualify for uplifts up to \$5M can be added to the qualified spend.

# FREQUENTLY ASKED QUESTIONS

## NON-INDEPENDENT PROJECTS

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### UPLIFTS (continued)

- Q:** Do 2<sup>nd</sup>/Stunt/VFX unit expenditures count for the 5% Out of Zone (OZ) uplift?
- A:** Wages for work performed out of the zone and tangible personal property purchased or rented, and used out of the zone are eligible for the uplift for both principal photography and additional units. Verification, utilizing sufficient documentation, payroll records, call sheets, time cards, etc., will be necessary.
- Q:** If a project is shooting in a facility outside of Los Angeles, is this eligible for uplifts?
- A:** Principal photography days in a production facility are eligible for bonus points, but not uplifts, regardless of where the facility is located. The facility must be on the approved facility listing or approved by the CFC prior to principal photography in order to garner bonus points.
- Q:** When calculating the 75% test for the CA VFX uplift, are 3D Post-Production amounts included in the numerator?
- A:** As 3D is a type of distribution format, the only uplift for processes in your listing would be VFX vendor costs for 3D elements.

### OUT OF ZONE

- Q:** I know that if we film our first scene of the day outside the zone and resume filming the rest of the day inside the zone, the day will count as an out of zone principal photography day. How does this apply to labor? Is labor for the entire day considered ZW?
- A:** Yes, the labor would receive an uplift for the entire day.
- Q:** I understand that for non-independent productions there is a 5% uplift for shooting out of the studio zone. How is the studio zone defined?
- A:** Please utilize this link to view the studio zone: <https://www.csatf.org/zonemap.pdf>. It also contains a secondary zone; however, for purposes of the uplift, the tax credit program only recognizes the studio zone – not the secondary studio zone.
- Q:** Does the extra 5% for outside the 30 Mile Zone apply to projects shot in San Francisco?
- A:** It applies to qualified expenses purchased or rented and utilized in San Francisco related to the applicable period: prep, shoot and strike outside the Los Angeles zone.
- Q:** Do permit fees that we have to obtain for only outside the Los Angeles zone locations qualify for the uplift?
- A:** Permit fees paid to offices within the Los Angeles zone – even if for locations outside the zone – do not qualify for the uplift. **Q:** If we park the crew inside the zone and shuttle them out to the location every day, is that still considered outside the zone spend for those shooting days? I'm unsure because the website says that if a day is split between places in and outside the zone that you have to start outside the zone. In this instance, my first shooting location would be outside the zone, but their report to location would be inside the zone.
- A:** As long as the main unit's first scene of the day is filmed outside the zone, it will qualify as an out of zone principal photography day.

# FREQUENTLY ASKED QUESTIONS

## NON-INDEPENDENT PROJECTS

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### OUT OF ZONE (continued)

- Q:** Does 2<sup>nd</sup> unit work count as one day out of zone (OZ) or are OZ days only for 1<sup>st</sup> unit work that starts the day OZ?
- A:** Only 1<sup>st</sup> unit principal photography days count toward OZ bonus point days. OZ principal photography days must begin with filming the first scene of the day OZ to qualify.
- Q:** Do we need to shoot the full day out of zone to qualify for the uplift?
- A:** No, but the first scene of the day must be at the out of zone location.
- Q:** If we travel the crew to an out of zone location and shoot on the same day, would the day still count as an OZ day (even though some of the day was travel)?
- A:** Travel salaries out of the zone count toward the 5% uplift. You would need to shoot the first scene of the day the same day you travel to have that day count as an OZ principal photography day. Travel to an out of zone location without shooting still counts towards the 5% uplift – just not as a principal photography day OZ.
- Q:** If we purchase lumber out of zone, bring it into the zone to build the sets and then bring the sets out of the zone to shoot, can we qualify the lumber towards the 5% uplift?
- A:** The lumber would qualify for the uplift; the labor to build the sets in the zone would not.
- Q:** Regarding tagging for out of zone expenditures, what is the difference between ZE and ZC?
- A:** Outside the L.A. zone consumables (ZC) are non-wage purchases or rentals outside the zone used or consumed only outside the zone. These may include fuel, security personnel hired through a security company, dry cleaning, food, hotel rooms, as well as equipment rented out of the zone and used solely out of the zone (please refer to Appendix A of the Guidelines for a list of zone consumables). Outside the zone expenditures (ZE) are items purchased or rented outside the zone and used both in the zone and outside the zone. For example: if you are shooting in San Francisco and rent your equipment in S.F. but also use it in Los Angeles, the equipment rental would be tagged ZE, as it will be prorated based on the number of principal photography days both in and out of the Los Angeles zone.
- Q:** Does the out of zone uplift apply to sales taxes on items purchased and used out of the zone?
- A:** Yes, for any expenditures eligible for the out of zone uplift. Totally consumed items, along with the sale tax, should be tagged QE/ZC; all other out of zone purchases with sales taxes should be tagged QE/ZE.
- Q:** Do car allowances for out of zone labor qualify for the uplift?
- A:** Car allowances paid to qualified out of zone labor does qualify and would be tagged QW/ZW. If it is for a car that is rented from an out of zone vendor and used both in and out of the zone, it would be tagged QE/ZE. If it is used only out of the zone, it would be tagged QE/ZC.

# FREQUENTLY ASKED QUESTIONS

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### OUT OF ZONE (continued)

- Q:** If a location scout starts inside the zone, scouts outside the zone, and then returns inside the zone at the end of the day, do her wages qualify for the OZ uplift?
- A:** The scout's wages for the hours spent out of the zone would garner the 5% uplift assuming it is related to filming outside the zone (during prep/shoot/or strike).. Travel day salaries count toward the 5% uplift to and from the zone (when flying). When driving, the uplift begins out of the zone and ends upon return to the LA zone. It is not a principal photography day out of the zone unless the company has filmed the first scene of the day out of the zone.
- Q:** If a below-the-line crew member is traveling to and from outside the zone, will his or her travel labor for out of the zone and back home qualify for the uplift?
- A:** Yes, wages for a qualified crew member who travels to and from an out of zone location qualifies for the uplift. For instance, the hours in which a grip traveled to and from the out of zone location would be labeled QW/ZW.
- Q:** Our project is shooting outside of the LA zone for several days. Do we need to fill out a community expenditure report? If so, do I tag my camera package from LA which will be used out of the zone as an out of zone expenditure?
- A:** If a production is spending over \$100,000 in a county, a form should be filled out. Do not include items purchased and/or rented in L.A. County. For all out of Los Angeles county purchases and/or rentals, the county where the vendor is located must be noted. 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. so as to report the spend for each county. Exact spend is not crucial; estimates are acceptable.
- Q:** What is the definition of the LA studio zone?
- A:** The studio zone is a 30 mile radius used by union film projects to determine per diem rates and driving distances for cast and crew members. Per the statute, "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.
- Q:** If I am filming in Palm Springs and I purchase items in Palm Springs but I use them in another location outside of LA zone (let's say Vallejo) will the purchase I made in Palm Springs still count towards the 5% uplift?
- A:** Yes, if you purchase an item outside the zone and use it outside the zone, regardless if it is a different OZ location then it will count towards the 5% uplift. However, if you purchase items in Palm Springs, use them in Palm Springs, and are also shooting in the LA studio zone, only a portion of the purchased item from Palm Springs counts towards the 5% uplift. In this case, the purchase will be pro-rated based on the number of principal photography days out of zone in relationship to the number of out of zone days.

# FREQUENTLY ASKED QUESTIONS

## NON-INDEPENDENT PROJECTS

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### FACILITIES

- Q:** Do we need to shoot all day at a facility for it to be considered a facility day?
- A:** First unit crew must utilize a production facility for 6 hours or more for the day to be considered a production facility day.
- Q:** If we start the day shooting at location #1 and move to a facility, what time does the 6 hours begin?
- A:** The six hours begins when the script supervisor arrives at the facility. The script supervisor must be advised to note in the script supervisor's report what time s/he arrived and what time s/he left the facility. This information must also be included on the production report.
- Q:** On two separate episodes, can we double-up days when using production facility to qualify for the facility day credit?
- A:** No. The number of production facility days entered into the application should reflect the number of facility days on the production calendar. If the production later adds "double up" days to their schedule, and if the added days occurs at the production facility on the same day that is already counted towards a production facility day (from the originally scheduled episode,) the day at the production facility cannot be *double* counted.
- Q:** We are shooting on a studio lot and want to shoot in the studio's Parking Structure across the street. Is this considered a facility day?
- A:** No. For it to qualify as a facility day, you must shoot at the facility proper within the confines of the lot. Since the structure's primary purpose is parking and not filming, it does not qualify.

### LABOR

- Q:** Do productions have to be signatories to Unions, IA, Teamsters, SAG, DGA, and WGA?
- A:** No, there are no Union or Guild requirements.
- Q:** Does the crew have to be California residents?
- A:** No. There is no residency requirement.
- Q:** The line producer is also the UPM. Will his/her wages qualify?
- A:** Producer hyphenates (ATL/BTL functions) are allowed a maximum of \$100,000 exclusive of fringes, box rental, etc. in the UPM category; **vacation and holiday paid as salary must be included in the \$100K maximum or it is excluded.** The rest of his/her salary is not a qualified expenditure. With respect to ATL/BTL positions in other departments, the BTL salary and rentals must be commensurate with that of other department heads at the project's budget level. The BTL function must be credited for the BTL salary to qualify.
- Q:** Is a box rental or car allowance eligible for producers?
- A:** If qualified hyphenate, e.g. Producer/UPM, the rate equal to other department heads would be eligible. Otherwise, it would not qualify.

# FREQUENTLY ASKED QUESTIONS

## NON-INDEPENDENT PROJECTS

May 2019

### LABOR (continued)

- Q:** If we outsource set construction to a company that breaks out labor versus materials, does the labor qualify as labor or expenditure?
- A:** In order for an expenditure to be considered qualified wage, the wage must be paid directly by the production company or its payroll company. Wages paid by a vendor are qualified non-wage.
- Q:** Are dancers considered qualified labor?
- A:** Yes, if they are paid as extras; if they are paid under a SAG/AFTRA talent contract, they are considered performers and do not qualify.
- Q:** If a qualified individual is being paid via invoice and not payroll, are their wages considered a QW?
- A:** Yes, the payment is qualified as long as the funds are being paid by the production company via accounts payable to the person or his/her personal services company.
- Q:** Are casting fees qualified labor or qualified non-labor?
- A:** If you hire an extras casting service to cast your extras, this is considered qualified non-labor since you are hiring a vendor (a service). If you hire a casting director or casting associate, they are typically hired directly and are considered qualified labor. Please refer to the [non-indie in-zone qualified expenditure chart](#) for more details on how to tag these fees.
- Q:** I am hiring our musicians and I am curious as to how much of their salary will qualify.
- A:** We allow musicians to be paid via a payroll service and be considered QW, along as their occupation is clear. Musicians who invoice individually can also be considered QW, again, with clear information on their occupation. Any company that invoices for a group of musicians (more than 1) would result in the musicians considered QE.

### TRAVEL

- Q:** I understand that airfare outside of California does not qualify. What about travel day salary payments to qualified crew?
- A:** Travel day payments to crew flying out of or into California are not considered qualified expenditures.
- Q:** For intrastate airfare, for example Burbank to Sacramento, do we need to purchase through a California travel agent for it to qualify or can we simply purchase a ticket from the airline, Southwest for example?
- A:** Airfare, ancillary charges, and agency fees qualify when purchased from a California travel agency for intrastate travel. Adversely, if you purchase a flight from an airline's website, this cost would not qualify.
- Q:** If a crew member receives a living allowance, does that living allowance get tagged as a QW?
- A:** Yes, if the living allowance is paid to the qualified individual directly (or via payroll) then it is considered a QW.

# FREQUENTLY ASKED QUESTIONS

## NON-INDEPENDENT PROJECTS

May 2019

### BUDGET/TAGGING/AUDIT

- Q:** The Application form says to submit a budget of qualifying expenditures. What's that?
- A:** The budget of qualifying expenditures is a budget in industry-standard format which includes only those line items which the state of California considers qualified wages and expenditures (see expenditure charts for your type of project.) Please also refer to the Expenditure Tracking Tips 2.0 for a full explanation as to how to create a qualified budget.
- Q:** Do I have to use the same Chart of Accounts (template) as the CFC qualified expenditure charts?
- A:** No, but please refer to the chart applicable to your production so as to be clear what are qualified expenditures.
- Q:** What if the director also performs a key BTL function, such as DP or editor? Would the salary qualify?
- A:** The BTL salary would be considered a qualified expenditure within the bounds of either industry standard rates or on par with other key crew members on your production, whichever is the lesser of the two.
- Q:** Do preview costs qualify?
- A:** No. Items such as preview travel, screening room rentals, projectionist, audience recruitment costs, focus group costs and any additional labor (outside of the normal picture and sound editorial crew) do not qualify.
- Q:** The production paid \$10,000 to the bank lender toward legal fees. Is this qualified?
- A:** No. Legal fees related to financing, distribution, litigation, or marketing are not qualified. However, all other production-related legal fees paid to a CA based attorney are qualified.
- Q:** Are internet purchases permitted?
- A:** Yes, with qualified back-up receipts verifying the item was purchased in California from an in-state California vendor and shipped from a California location.
- Q:** In regards to vendors that have a presence in California, like Staples, but their billing comes from another state, will they qualify for the California tax credits?
- A:** Yes. The definition of an in-state vendor "...is a vendor or supplier which has an office or other place of business in California and is registered or qualified with the California secretary of state or is required to file a return with the California Franchise Tax Board under Parts 10 or 11 of the Revenue and Taxation Code." Visit the [Secretary of State website](#) to check if a company is registered. Here are the guidelines:
1. Goods purchased or rented from an out of California business that is registered to do business in California qualify, as long as those goods are rented or purchased in California.
  2. Internet purchases from on-line 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).
  3. Goods purchased on-line that are shipped from a California fulfillment center (e.g., Amazon) would not qualify, as a fulfillment center is considered a "pass through business".



# FREQUENTLY ASKED QUESTIONS NON-INDEPENDENT PROJECTS

May 2019

## BUDGET/TAGGING/AUDIT (continued)

- Q:** The California Healthy Workplace Family Act, requires employers to provide paid sick leave to employees. Will those days be considered as qualified wages?
- A:** Yes. The sick days taken must be indicated on the time card as well as listed on the daily production report to qualify. Sick day pay is not, however, allowed when applying for the tax credit since it may not be paid. Please bear in mind that this requirement only goes into effect after the employee has worked at least 90 days on the production.
- Q:** Are Promo Dubs eligible?
- A:** No. Publicity related costs do not qualify.
- Q:** Does the contingency have to be included in the budget or can we add 10% of the QW/QE to the application only?
- A:** If an applicant wants to include a contingency to the direct budgeted amount, the applicant must include a contingency of no more than 10% of qualified spend as a contractual charge in the budget (not a line item). The budget total must match the total entered into application portal.
- Q:** We will be broadcasting our show live. How do we deal with the final element date and letter requirement?
- A:** Since your final element will be created at the time of the live broadcast, the date of airing will be the date used for final element creation. A letter from the producer stating that the final element was created during the broadcast will suffice; the letter must include the initial airdate.
- Q:** We are purchasing a vehicle for our project and we will be destroying it during the course of the production. Do we need to obtain a certain form from the DMV proving that it was destroyed?
- A:** The CPA performing your AUP will need to verify that the car has been destroyed and has no residual value. That might be accomplished by showing the CPA footage or photographs of the car before and after, as well as receipts and/or pictures from the scrap metal company that they have received the car as scrap. There is no formal requirement to register the destroyed vehicle with the DMV but certainly such a form would be definitive proof. Check with the CPA performing your AUP to make sure that whatever evidence you have will be deemed sufficient.



# FREQUENTLY ASKED QUESTIONS

## NON-INDEPENDENT PROJECTS

May 2019

### TAX CREDIT USAGE/TRANSFER

**Q:** Can the tax credit be used by a company with the same ownership as the production company?

**A:** Affiliated companies may utilize the tax credits.

**Q:** If we have an LLC taxed as a partnership or disregarded entity, can the tax credit be passed through to the individual tax return of the members of the LLC?

**A:** Members of LLCs **can** utilize the credit against their tax liability. Please refer to the language provided by the CA Franchise Tax Board regarding LLCs:

*Qualified taxpayer means a taxpayer who has paid or incurred qualified expenditures and has been issued a credit certificate by the CFC. In the case of any pass-through entity, the determination of whether a taxpayer is a qualified taxpayer is made at the entity level. No amount of credit is allowed to the pass-through entity. The credit is passed-through to the partners, members, or shareholders. Pass-through entity means any entity taxed as a partnership or "S" corporation. If the LLC chooses to be treated for tax purposes as a corporation they would not be a Pass through and would use the credit against their own taxes.*

### CAREER READINESS

**Q:** How do we find interns, instructors, or schools which want to participate in the Career Readiness requirement?

**A:** Please contact the CFC to discuss your career readiness options. The CFC has compiled a database to help match productions with nearby schools, teachers, and students. Producers can also call the CFC to inquire if we have a contact for schools in the area in which the production is based. If necessary, the CFC will refer you directly to either high school, community college and/or workforce programs that will fulfill this requirement.

**Q:** Our production wants to make a financial contribution – how do we do that?

**A:** The Career Readiness website has a section for financial contributions which includes forms and copies of W9 forms for both the high school and community college funds that will be receiving the contributions. Be sure to go to the individual websites for either the high schools or community colleges for more detailed information. The filled out form and check should be mailed to one of the funds listed. The check should indicate the contribution is for the Career Readiness program and receipt requested for submittal to the CPA performing the Agreed Upon Procedures.

**Q:** We would like to hire interns for a craft position (grip, electric, sound, camera, etc.). Is it necessary to notify the unions?

**A:** Yes, when hiring interns in these categories, productions must contact the prevailing union to inform them of the names and dates when interns will be on set. Union crew members may not understand the situation and notify their unions that non-union workers are on set.