



DATE: April 7, 2016

Production Alert: Information About Governing Regulations For Program 2.0

The California Film Commission (CFC) began Program 2.0 operating under Emergency Regulations, which were re-adopted **October 15, 2015** with no changes. The Emergency Regulations were re-adopted for a second time on **January 7, 2016**. The 2nd re-adoption regulations contained some revisions from the original emergency regulations. The CFC anticipates the approval of the Permanent Regulations by mid-April, 2016.

Which Regulations apply for my project? Regulations are not retroactive. Projects which received their CAL in 2015 are operating under the [emergency regulations](#), whereas projects that received their CAL in February and March 2016 are operating under the [2nd re-adoption emergency regulations](#). Projects that receive their CAL beginning July 1, 2016 will be operating under the [permanent regulations](#).

Key changes between the original regulations, the 2nd re-adoption regulations, and the permanent regulations:

1. **Pick up orders** were originally required for new or renewed television series. Beginning with the 2nd re-adoption regulations and continuing, pilots must also have a pick up order in order to apply for a tax incentive.
2. **Independent Film:** In the Permanent Regulations, an "Independent Film" is clearly defined as *a motion picture produced by a company not owned more than 25% by a publicly traded company and with a running time of at least 75 minutes*. An "independent film" cannot be a TV series.
3. The program allows additional tax credits ("uplifts") for expenditures **Out of the L.A. Zone (OZ) for non-independent productions (excluding relocating series in their first year)**. Under the Emergency Regulations, the calculation of out of zone non-wage expenditures involved subtracting post production, insurance and legal expenditures (tagged "PST") from the total qualified non-wage spend. This figure is pro-rated by OZ Principal Photography (PP) days in relationship to total PP days to reach the amount which will qualify for the additional 5% tax credit.
With input from our stakeholders, the CFC changed this methodology in the Permanent Regulations. Applicants will now "tag" out of zone non-wage expenditures (ZE – zone expenditures) when budgeting and during the Applicable Period (prep/shoot/strike out of the zone). This amount will be prorated as described previously. OZ wages continue to be tagged and tracked as before (ZW).

The [Qualified Expenditure Charts](#) and [Tracking Tips](#) are differentiated between Program 2.0 Year 1 and subsequent program years to avoid confusion due to these changes in the regulations.

4. The [Career Readiness Initiative](#) originally had a flat fee financial contribution option based on whether a project was non-independent or independent. In the Permanent Regulations, the financial contribution is now based on .25 percent of the estimated tax credit reservation, with a floor of \$5K and a ceiling of \$12K (more can be contributed if desired).

5. [Production facility day](#) and an [Out of zone principal photography day](#) is further clarified in the 2nd re-adoption and Permanent Regulations. A production facility day must be a minimum of 6 hours and an out of zone day must shoot the 1st scene of the day OZ.
6. [The Jobs Ratio bonus points](#) have been modified under the Permanent Regulations. The revised percentage point ranges affect two areas: Visual Effects (VFX) and Principal Photography (PP) days outside the LA zone. During Program year 1, increased VFX spending in California reduced the jobs ratio and therefore discouraged VFX spend in the state. An increase in the VFX bonus point range from 1-10 to **1-15** offsets this problem. The amount of bonus points for filming outside the LA zone was also increased from 1-8 points to **1-10** points, in an effort to further encourage film production throughout the state. The points for filming in a production facility did not change. These updated bonus points are incorporated into the on-line application portal for projects applying beginning in May 2016. The new [bonus point chart](#) and [Jobs Ratio Calculator](#) tool are available on the website under [Jobs Ratio Ranking](#).
7. The [Approved Production Facility](#) definition has changed for applicants that receive a CAL under the 2nd re-adoption regulations and the Permanent Regulations. The new definition includes movie ranches and facilities whose primary use is film production even if they may not meet the city and county fire authority approval as a “certified facility”. If the facility or ranch does not have fire authority certification, the applicant must request approval from the CFC prior to principal photography in order to utilize bonus points. For a list of facilities approved by the fire authority having jurisdiction [click here](#).

Program Year 1 Forms

- Productions under the [Emergency and 2nd re-adoption Emergency Regulations](#) (Program 2.0 Year 1) will be utilizing Expenditure Summary Reports (Forms FF-1 & FF-2) dated 10-27-15, that indicate Program Year 1. These forms can be obtained from the CPA performing the Agreed Upon Procedures.
- CPAs will be utilizing Agreed Upon Procedures and Exhibits A-1, A-2 and A-3 dated 10-27-15, also indicated for Program Year 1.
- Appendix A is dated 2-1-15 and Appendix B is dated 10-27-15.

Program Years 2-5 Forms

- Productions which receive a CAL on or after July 1, 2016 will utilize Expenditure Summary Reports (Forms FF-1 & FF-2) dated Jan. 25, 2016. Upon approval, these forms can be obtained from the CPA performing the AUP.
- CPAs will be utilizing Agreed Upon Procedures and Exhibits dated Jan. 25, 2016. Appendix A and Appendix B have not changed.

Phase 4 – Tax Credit Certificate Process

Approved Applicants who have completed production and enter phase 4 – request for a tax credit certificate – must contact the CFC to gain access to the on-line portal. The applicant will also be able to provide on-line portal access to their CPA performing Agreed Upon Procedures to review application materials and utilize Exhibit B – Jobs Ratio Calculator – which will be pre-populated with the applicant’s approved adjusted Jobs Ratio figures.

The CFC website has compiled program resource documents for both Program Years 1 and 2 projects. Utilizing the blue tabs on the left side of the Incentives webpage, links to the [Budget Tracking and Tagging Tips](#), [Jobs Ratio Ranking](#), [Production Facilities](#), [Program Guidelines](#), [Qualified Expenditure Charts](#), and [Regulations](#) are categorized for both Year 1 and Year 2 applicants.

The California Film Commission greatly appreciates all stakeholders who have provided invaluable suggestions and feedback during this initial year of Program 2.0. We are continually updating the [FAQs](#) on the website with answers to frequently asked questions. However, please do not hesitate to contact us should you need questions answered or policies clarified that you cannot find in our program documents.