

**State of California
Office of Administrative Law**

In re:
California Film Commission

Regulatory Action:

Title 10, California Code of Regulations

Adopt sections:

Amend sections: 5530, 5531, 5532, 5533,
5534, 5535, 5536, 5537,
5538, 5539, 5540, 5541

Repeal sections:

**NOTICE OF APPROVAL OF EMERGENCY
REGULATORY ACTION**

**Government Code Sections 11346.1 and
11349.6**

OAL Matter Number: 2023-0808-01

OAL Matter Type: Emergency (E)

This emergency rulemaking action by the California Film Commission amends regulations that implement a tax credit for qualified expenditures by a qualified motion picture produced in California at a certified studio construction project as provided for in Revenue and Taxation Code sections 17053.98(k) and 23698(k).

OAL approves this emergency regulatory action pursuant to sections 11346.1 and 11349.6 of the Government Code.

This emergency regulatory action is effective on 8/18/2023 and will expire on 2/15/2024. The Certificate of Compliance for this action is due no later than 2/14/2024.

Date: August 18, 2023



Kevin D. Hull
Senior Attorney

For: Kenneth J. Pogue
Director

Original: Colleen Bell, Executive
Director

Copy: Hedvig Marx

EMERGENCY

For use by Secretary of State only

2:04 PM

OAL FILE NUMBERS	NOTICE FILE NUMBER Z-	REGULATORY ACTION NUMBER 2023-0808-01E	EMERGENCY NUMBER
For use by Office of Administrative Law (OAL) only		OFFICE OF ADMIN. LAW 2023 AUG 8 AM 11:06	
AGENCY WITH RULEMAKING AUTHORITY CALIFORNIA FILM COMMISSION		AGENCY FILE NUMBER (If any)	

ENDORSED - FILED
in the office of the Secretary of State
of the State of California

AUG 18 2023

A. PUBLICATION OF NOTICE (Complete for publication in Notice Register)

1. SUBJECT OF NOTICE	TITLE(S)	FIRST SECTION AFFECTED	2. REQUESTED PUBLICATION DATE
3. NOTICE TYPE <input type="checkbox"/> Notice re Proposed Regulatory Action <input type="checkbox"/> Other	4. AGENCY CONTACT PERSON	TELEPHONE NUMBER	FAX NUMBER (Optional)
OAL USE ONLY ACTION ON PROPOSED NOTICE <input type="checkbox"/> Approved as Submitted <input type="checkbox"/> Approved as Modified <input type="checkbox"/> Disapproved/Withdrawn	NOTICE REGISTER NUMBER	PUBLICATION DATE	

B. SUBMISSION OF REGULATIONS (Complete when submitting regulations)

1a. SUBJECT OF REGULATION(S) California Soundstage Filming Tax Credit Program	1b. ALL PREVIOUS RELATED OAL REGULATORY ACTION NUMBER(S)
2. SPECIFY CALIFORNIA CODE OF REGULATIONS TITLE(S) AND SECTION(S) (Including title 26, if toxics related)	
SECTION(S) AFFECTED (List all section number(s) individually. Attach additional sheet if needed.)	ADOPT
	AMEND 5530, 5531, 5532, 5533, 5534, 5535, 5536, 5537, 5538, 5539, 5540, 5541
TITLE(S) 10	REPEAL

3. TYPE OF FILING

<input type="checkbox"/> Regular Rulemaking (Gov. Code §11346)	<input type="checkbox"/> Certificate of Compliance: The agency officer named below certifies that this agency complied with the provisions of Gov. Code §§11346.2-11347.3 either before the emergency regulation was adopted or within the time period required by statute.	<input type="checkbox"/> Emergency Readopt (Gov. Code, §11346.1(h))	<input type="checkbox"/> Changes Without Regulatory Effect (Cal. Code Regs., title 1, §100)
<input type="checkbox"/> Resubmission of disapproved or withdrawn nonemergency filing (Gov. Code §§11349.3, 11349.4)	<input type="checkbox"/> Resubmission of disapproved or withdrawn emergency filing (Gov. Code, §11346.1)	<input type="checkbox"/> File & Print	<input type="checkbox"/> Print Only
<input checked="" type="checkbox"/> Emergency (Gov. Code, §11346.1(b))		<input type="checkbox"/> Other (Specify)	

4. ALL BEGINNING AND ENDING DATES OF AVAILABILITY OF MODIFIED REGULATIONS AND/OR MATERIAL ADDED TO THE RULEMAKING FILE (Cal. Code Regs. title 1, §44 and Gov. Code §11347.1)

5. EFFECTIVE DATE OF CHANGES (Gov. Code, §§ 11343.4, 11346.1(d); Cal. Code Regs., title 1, §100)

Effective January 1, April 1, July 1, or October 1 (Gov. Code §11343.4(a)) Effective on filing with Secretary of State \$100 Changes Without Regulatory Effect Effective other (Specify)

PER AGENCY REQUEST KDH

6. CHECK IF THESE REGULATIONS REQUIRE NOTICE TO, OR REVIEW, CONSULTATION, APPROVAL OR CONCURRENCE BY, ANOTHER AGENCY OR ENTITY

Department of Finance (Form STD. 399) (SAM §6660) Fair Political Practices Commission State Fire Marshal

Other (Specify) *Governor's Office of Business and Economic Development.*

7. CONTACT PERSON

Hedvig Marx	TELEPHONE NUMBER (323) 817-4115	FAX NUMBER (Optional)	E-MAIL ADDRESS (Optional) hedvig.marx@film.ca.gov
-------------	------------------------------------	-----------------------	--

8. I certify that the attached copy of the regulation(s) is a true and correct copy of the regulation(s) identified on this form, that the information specified on this form is true and correct, and that I am the head of the agency taking this action, or a designee of the head of the agency, and am authorized to make this certification.

For use by Office of Administrative Law (OAL) only

ENDORSED APPROVED

AUG 18 2023

Office of Administrative Law

SIGNATURE OF AGENCY HEAD OR DESIGNEE <i>Colleen Bell</i>	DATE 07/28/2023
TYPED NAME AND TITLE OF SIGNATORY Colleen Bell, Executive Director, California Film Commission	

PROPOSED AMENDMENTS TO THE CALIFORNIA CODE OF REGULATIONS

Title 10

Chapter 7.75

CALIFORNIA FILM COMMISSION

Article 4.

California Soundstage Filming Tax Credit Program

§ 5530. Definitions

(a) - (b) (Continued)

(c) A "soundstage," as included in the definition of "certified studio construction project" in sections 17053.98(k)(2)(A) and 23698(k)(2)(A) of the Revenue and Taxation Code, means a building that is purpose-built, renovated, or converted for film, television and/or media production in California and has a minimum of 10,000 square feet of floor space, incorporates a permanent grid, as defined in subdivision (i), and is ~~column-free~~column-free, as defined in subdivision (e), with a clear height of at least 20 feet under the permanent grid. Ancillary buildings purpose-built, renovated, or converted including, but not limited to, accompanying production office space, mill space, workshops, and property or wardrobe storage, will be deemed part of the soundstage as long as at least one soundstage, as defined above, is also built, renovated, or converted, the space is production-related, and the ancillary buildings are on contiguous property to the soundstage.

(1) - (3) (Continued)

(d) "Certified soundstage" means a soundstage that has been certified by the California Film Commission (CFC) as having met the conditions specified in section 5532 as part of a certified studio construction project and ~~meets the conditions in section 5538, as applicable, applicable, through the end of production of any approved Phase B-qualified motion picture project that films on the soundstage during the period of certification.~~

(e) "Column-free" means an open space entirely free of columns if used for a traditional soundstage, or an open space free of columns to such a degree that a stationary LED volume large enough for feature film and television production fits in the part of the space that is column-free, if used for an LED volume soundstage.

(f) "Documentary" means a film or television project dealing with factual events, that are photographed in actual occurrence or depicted through techniques including, but not limited to partial reenactment, stock footage, stills, animation, or stop-motion.

(g) "Limited series" shall be understood to have the same meaning as "miniseries," as defined in section 5520(m) of this chapter, and the terms may be used interchangeably for purposes of the California Soundstage Filming Tax Credit Program.

(e)(h) (Continued)

(i) "Permanent grid" means a grid which is installed and functional for long-term, non-temporary use in soundstage production and shall include a smart grid which is adaptable to the circumstances of production.

(j) "Reality television program" means a program depicting real events and non-actors through actual footage which presents persons in purportedly unscripted or partially scripted situations.

(k) "Scripted series" means a fictional episodic television series based upon scripted materials.

(f)(l) (Continued)

(g)(m) (Continued)

NOTE: Authority cited: Sections 17053.98(k)(10), 23698(k)(10), Revenue and Taxation Code; and Section 11152, Government Code. Reference: Sections 17053.98(k)(2), 17053.98(b), 23698(k)(2), 23698(b), Revenue and Taxation Code; and Section 14998.1, Government Code.

§ 5531. Eligibility Determination

(a) (Continued)

(b) (Continued)

(1) (Continued)

(2) Phase B applications, except for recurring television series, will be accepted on a first come, first served basis until all funds have been allocated.

(A) A motion picture may still be eligible for a tax credit under the California Film and Television Tax Credit Program 3.0 or its successor programs once all California Soundstage Filming Tax Credit Program funds have been allocated or if the motion picture is no longer eligible for the Soundstage Filming Tax Credit Program, if the motion picture meets the criteria specified in section 5539(h).

(3) Phase B applications for recurring television series that received a CAL for the first season of that television series in the California Soundstage Filming Tax Credit Program will be accepted on a first come, first served basis for the lifetime of such a television series.

(c) – (d) (Continued)

(e) The qualified motion picture must be produced by an applicant, as defined in section ~~5530(b)~~, 5530(b)(2), who is also a qualified taxpayer that meets the requirements in sections 17053.98(k)(2)(B)(iii) and 23698(k)(2)(B)(iii) of the Revenue and Taxation Code.

(f) – (k) (Continued)

(l) A feature film or a season of a series may not be allocated more than ~~twelve million dollars (\$12,000,000)~~ under this Program, the cap sum specified in sections 17053.98(k)(8)(B) and 23698(k)(8)(B) of the Revenue and Taxation Code. Recurring television series that previously received an allocation under this Program for a season shall not be allocated more than ~~twelve million dollars (\$12,000,000)~~ that cap sum for subsequent seasons that qualify for this Program.

(m) (Continued)

(n) Any television series, relocated television series and any television series based on a pilot that has been approved and issued a Credit Allocation Letter under the California Soundstage Filming Tax Credit Program, shall be given first priority for a credit allocation as a recurring television series in each subsequent year in the life of that series for as long as credits are available. When credits are no longer available for the California Soundstage Filming Tax Credit Program, a recurring television series initially allocated tax credits from this Program and seeking an allocation of credits for a subsequent season shall receive an allocation of credits from the California Film and Television Tax Credit Program 3.0 or its successor programs, pursuant to sections 17053.98(k)(8)(E), 17053.98(k)(8)(G)(ii), 23698(k)(8)(E) and 23698(k)(8)(G)(ii) of the Revenue and Taxation Code.

(1) Each recurring television series shall submit a new application and pick-up order, if available, for each season. The application should reflect the estimated qualified expenditures, but the allocation will not exceed the amount approved in the previous season's credit allocation letter(s). The narrative statement requirement as set forth in sections 17053.98(g)(2)(A)(viii) and 23698(g)(2)(A)(viii) of the Revenue and Taxation Code for all projects shall be deemed as met for recurring television series with the statement submitted by that series when it was accepted into this Program as a pilot, new or relocating television series.

(2) The allocation amount requested by a relocating television series applying for tax credits in subsequent fiscal years as a recurring television series shall not exceed the amount approved in the previous season's credit allocation letter(s).

NOTE: Authority cited: Sections 17053.98(k)(10), 23698(k)(10), Revenue and Taxation Code; and Section 11152, Government Code. Reference: Sections 17053.98(k)(2)(B), 17053.98(k)(3), 17053.98(k)(4), 17053.98(k)(8), 17053.98(k)(9), 17053.98(k)(12)-(13), 17053.98(a), 17053.98(b), 17053.98(g), 23698(k)(2)(B), 23698(k)(3), 23698(k)(4), 23698(k)(8), 23698(k)(9), 23698(k)(12)-(13), 23698(a), 23698(b), 23698(g), Revenue and Taxation Code; and Section 14998.1, Government Code.

§ 5532. Studio Construction Project Certification – Phase A

(a) (Continued)

(1) – (3) (Continued)

(4) (Continued)

(A) – (B) (Continued)

(C) The public accounting firm performing the Certified Studio Construction Project Verification Report for an applicant may also perform the annual soundstage workforce certification required pursuant to section 5538 for that applicant. However, the same public accounting firm is not permitted to perform the report based on the California Soundstage Filming Tax Credit Program Agreed Upon Procedures, Soundstage AUP, (August 12, 2022, July 28, 2023), hereby incorporated by reference, required pursuant to section 5540 for a Phase B applicant filming on a soundstage or soundstages approved as part of a certified studio construction project for which the public accounting firm is providing or has provided services related to Phase A.

(5) (Continued)

(b) (Continued)

(c) Pursuant to sections 17053.98(k)(2)(A) and 23698(k)(2)(A) of the Revenue and Taxation Code, the period of certification for a soundstage or soundstages that are part of a certified studio construction project shall be five (5) years.

(1) A once certified soundstage for which the period of certification has expired may still be utilized by a project applying for an allocation of credits under the California Film and Television Tax Credit Program 3.0 or its successor programs pursuant to and in accordance with sections 17053.98(k)(8)(D) and 23698(k)(8)(D) of the Revenue and Taxation Code and as outlined in subdivision (h) of section 5539 of this article.

(2) A Phase A applicant may apply for an extension of the period of certification for a soundstage that is part of its certified studio construction project by submitting a written request to the CFC to pause the period of certification due to a Force Majeure event, as defined in subdivision (h) of section 5520 of this chapter.

(A) A Force Majeure extension request substantiated in accordance with subparagraph (B) below may be granted for either:

1. An indirect cause, which is a cause that prevents a qualified motion picture project intending to utilize the soundstage and applying for an allocation of credits under the California Soundstage Filming Tax Credit Program from moving forward with its planned application and use of the soundstage, such as, but not limited to, delays caused by breach by the motion picture director or a principal cast member or a labor disruption; or,

2. A direct cause, which is a cause that prevents the use of the soundstage by any entity for any film and television production purpose, such as, but not limited to, damage caused by fire, flood, earthquake, storm, hurricane, or other natural disaster.

(B) The CFC will review the written request to pause the period of certification and any supporting documentation and grant the request if the applicant provides evidence of a Force Majeure disruption in accordance with paragraph (2) above or deny the request if the applicant fails to provide evidence of a Force Majeure disruption in accordance with paragraph (2) above.

1. For purposes of this subdivision, to "pause the period of certification" means to tally the time during which a Force Majeure disruption impacting a soundstage with an approved request is in effect and extend the original period of certification by that amount of time.

(i) A Force Majeure extension request that has been granted for an indirect cause, as defined in clause 1. of subparagraph (A) above, will be in effect from the date of approval until the end-date of the Force Majeure disruption, or until the date the soundstage is in use, whichever comes first. The Phase A applicant must notify the CFC whenever a certified soundstage that was granted a Force Majeure extension for indirect cause is in use.

(ii) A Force Majeure extension request that has been granted for a direct cause, as defined in clause 2. of subparagraph (A) above, will be in effect from the date of approval until the soundstage is considered safe for use. The Phase A applicant must notify the CFC whenever a certified soundstage that was granted a Force Majeure extension for direct cause is safe for use, whether it is in use or not.

NOTE: Authority cited: Sections 17053.98(k)(10), 23698(k)(10), Revenue and Taxation Code; and Section 11152, Government Code. Reference: Sections 17053.98(k)(1), 17053.98(k)(2), 17053.98(k)(10), 17053.98(k)(12), 17053.99, 23698(k)(1), 23698(k)(2), 23698(k)(10), 23698(k)(12), Revenue and Taxation Code; and Sections 12096.6, 14998.1, Government Code.

§ 5533. Proposed Motion Picture Production Application – Phase B

(a) (Continued)

(b) (1) If the Phase A applicant and the Phase B applicant are the same entity, the applicant shall initiate the online application process for Phase B with the same login credentials used for their Phase A application. ~~by signing into their application portal from Phase A, which will auto-populate the applicant's information provided during the Phase A application process into the Phase B application process.~~ An applicant may adjust the auto-populated information for the applicant information and contact information if necessary, such as if a contact has changed. The applicant will be able required to input the unique identifier for the soundstage or soundstages, certified as part of the applicant's certified studio construction project, upon which the motion picture will be filmed.

(2) If the Phase A applicant and the Phase B applicant are different entities, the Phase B applicant must create an account in the online portal. In both cases, the Phase B application must also include the information set forth below:

(A) - (E) (Continued)

(c) (Continued)

(d) (Continued)

(1) (Continued)

(A) (Continued)

(B) The applicant must provide the production title, date submitted, production category, principal photography start date, post-production end date, soundstage identifiers, estimated tax credit. Estimated tax credit must be based on qualified expenditure estimates, regardless of the \$12,000,000 cap. cap sum specified in sections 17053.98(k)(8)(B) and 23698(k)(8)(B) of the Revenue and Taxation Code, and must not exceed that cap sum.

(2) (Continued)

(3) (Continued)

(A) If it is a new television series indicate if TV Pilot was initially accepted in the program, number of episodes, and confirm over forty (40) minutes of running time per episode exclusive of commercials. If it is a relocating television series indicate previous location, number of episodes previously shot and number of episodes included in this season. Indicate if the previous season was filmed in California and if so, the number of principal photography days inside California and outside California. If it is a miniseries, indicate the number of episodes and confirm over forty (40) minutes of running time per episode exclusive of commercials.

(B) – (D) (Continued)

(4) (Continued)

(A) Principal photography (PP) Days. Note that to qualify for this Program, a motion picture must be produced by the qualified taxpayer and at least 50 percent of the qualified motion picture's principal photography stage shooting days must be on the soundstage or soundstages certified as a certified studio construction project, for which certification was issued by the CFC within the prior 36 months. An applicant shall utilize the certified studio construction project soundstage(s) for six hours or more for the day to be considered a principal photography stage shooting day.

1. Enter the requested data for PP Days. The online application will automatically calculate the totals.

(i) - (vi) (Continued)

(B) (Continued)

(C) Enter the data for PP days on soundstages.

1. Indicate the overall total number of PP stage shooting days, separated into taxable years for which a tax credit will be claimed. This number must include PP stage shooting days on certified soundstages as well as PP stage shooting days on non-certified soundstages.

2. Indicate the total number of PP stage shooting days on a certified soundstage or soundstages, per taxable year for which a tax credit will be claimed. Input the unique identifier for each certified soundstage used.

3. Percentage of PP stage shooting days on the soundstage or soundstages certified as the certified studio construction project equals (4)(C)2. divided by (4)(C)1. and multiplied by 100. The online application will automatically calculate the percentage of stage shooting days on certified stages per taxable year; a qualified motion picture must film 50% of stage shooting days on certified stages in each taxable year for which a tax credit will be claimed during the production period.

(5) (Continued)

(A) (Continued)

1. – 3. (Continued)

4. By checking the box, Applicant acknowledges the following required documentation will be submitted if and when the Applicant applies for a tax credit certificate, Form SM (August 12, 2022), hereby incorporated by reference: Subject to self-reported voluntary information, include separate listings regarding the ethnicity and gender statistics of all individuals who received qualified wages (excluding stand-ins and background performers) and all individuals who received non-qualified wages.

(B) – (C) (Continued)

(6) (Continued)

(A) (Continued)

(B) Local Hire Labor Uplift: Total of out of zone local hire labor eligible for additional tax credits (includes independent films and relocating TV series).

1. The applicant is responsible for collecting proof of identity and proof of domicile for local hire labor at the time of hire and for providing copies to the CPA performing the Soundstage AUP (July 28, 2023), hereby incorporated by reference. Without proof of identity and proof of domicile for a crewmember the Local Hire Labor Uplift shall not be applied for that individual.

(i) Acceptable proof of identity is a California Driver's License, a State ID Card, or a Passport.

(ii) Acceptable proof of domicile is a recent utility bill, current home or apartment rental agreement, mortgage statement, internet or phone provider bill, renter's or homeowner's insurance bill, or equivalent document.

(C) - (D) (Continued)

(E) Total Additional Tax Credit: ~~The online application will automatically calculate~~ Enter the following: The total out of zone amount (non-independent films only) and total California VFX amount and total local hire labor amount (includes independent films and relocating TV series) which is eligible for an additional tax credit.

1. – 4. (Continued)

(7) (Continued)

(A) - (B) (Continued)

(C) If applicable, enter total contingency, which can be no more than 10% of qualified expenditures. The contingency cannot be included as a line-item within the body of the budget.

(D) If applicable, enter total completion bond fee, which can be no more than 2% of qualified expenditures. The completion bond fee cannot be included as a line-item in the body of the budget. Completion bond costs for any filming outside of California must be excluded proportionately.

(E) – (I) (Continued)

(8) (Continued)

(A) (Continued)

1. – 2. (Continued)

3. (Continued)

i. Television series applicants submitting more than one budget shall submit only the pattern and amortization budgets; no additional budgets or budget versions will be accepted.

4. (Continued)

5. No motion picture may be allocated more than twelve million dollars (\$12,000,000) ~~the cap sum specified in sections 17053.98(k)(8)(B) and 23698(k)(8)(B) of the Revenue and Taxation Code~~ under this Program, regardless of additional tax credit allowances achieved through uplifts or any other mechanism.

(B) – (E) (Continued)

(F) Pick-up order. A pilot, new television series, recurring television series, or relocating television series shall submit evidence, in PDF or equivalent non-proprietary document format, that the pilot or series is scheduled for photography, e.g., a pick-up order, when applying for a credit allocation. The number of episodes indicated on the pick-up order must match the number of episodes in the application.

(G) Narrative statement pursuant to sections ~~17053.98 (g)(2)(A)(x) and 23698(g)(2)(A)(x)~~ 17053.98(g)(2)(A)(viii) and 23698(g)(2)(A)(viii) of the Revenue and Taxation Code. Recurring television series in their second or subsequent seasons are not required to submit a narrative statement if the statement is already in the applicant's online submission portal.

(H) Relocating statement. Applicant certifies that the credit provided is the primary reason for relocation to California (if applicable). The Applicant must state that at least 75 percent of principal photography days of its most recent season was filmed outside of California. The submitted budgets must be no less than one million dollars (\$1,000,000) per episode. If submitting a relocating statement, the detailed narrative statement as per Revenue and Taxation Code sections ~~17053.98 (g)(2)(A)(x) and 23698(g)(2)(A)(x)~~ 17053.98 (g)(2)(A)(viii) and 23698(g)(2)(A)(viii) is not required. The certification shall be submitted in PDF or equivalent non-proprietary document format.

(I) Unlawful harassment policy. Applicant shall submit company's written policy against unlawful harassment as set forth in section ~~17053.98(g)(2)(A)(xi) and 23698(g)(2)(A)(xi)~~ 17053.98(g)(2)(A)(ix) and 23698(g)(2)(A)(ix) of the Revenue and Taxation Code.

(J) ~~A summary of the applicant's~~ Applicants that administer voluntary programs to increase the representation of women and minorities ~~minorities, or have access to such programs, shall submit a summary of those programs~~ including a description of what the program is designed to accomplish and information about how the programs are publicized to interested parties as set forth in sections ~~17053.98(g)(2)(A)(xiii) and 23698(g)(2)(A)(xiii)~~ 17053.98(g)(2)(A)(xi) and 23698(g)(2)(A)(xi) of the Revenue and Taxation Code.

(K) Company and financial information, if available and as applicable, as required by sections ~~17053.98(g)(2)(A)(v), (vi), (vii) and 23698(g)(2)(A)(v), (vi), (vii)~~ 17053.98(g)(2)(A)(v) and 23698(g)(2)(A)(v) of the Revenue and Taxation Code.

(L) (Continued)

(9) (Continued)

(e) Upon approval of an applicant's Phase B submission, a CAL, Form SD (August 12, 2022), hereby incorporated by reference, shall be issued to the applicant indicating the amount of

tax credits allocated. The amount of tax credits allocated may be reduced prior to issuance of the final tax credit certificate based on the Soundstage AUP (August 12, 2022), hereby incorporated by reference, and the applicant's submissions following completion of the qualified motion picture and CFC verification of such submissions as compared to the criteria for the Program. The applicant may never receive more tax credits than as provided on the CAL and in no event more than the cap sum specified in sections 17053.98(k)(8)(B) and 23698(k)(8)(B) of the Revenue and Taxation Code, the \$12,000,000 cap.

(1) Each CAL is issued to the specific project described and outlined in the synopsis, script, schedule, and budget that were submitted with the application. Exchanging the approved project for a different project is prohibited and will result in revocation of the CAL.

(2) A qualified motion picture project that is taken over by an entity other than the applicant entity and wishes to retain the project's allocation of tax credits must comply with the following:

(A) The original applicant entity must submit a statement on company letterhead declaring that they no longer retain the project and specify the business entity that will take over the project, including that business entity's taxpayer ID.

(B) The applicant entity taking over the project must submit:

1. Applicant contact, production company contact, and budget contact.

2. Documentation required pursuant to paragraph (2) and subparagraphs (E) and (K) of paragraph (8) of subdivision (d) of this section.

3. An updated production schedule, required pursuant to subparagraph (B) of paragraph (3) of subdivision (d) of this section.

(C) A qualified motion picture project described in paragraph (2) above can only be transferred to a different business entity prior to the start of principal photography.

(f) An applicant that begins principal photography in California prior to receiving a CAL shall be disqualified from receiving such letter for that particular production.

(g) An applicant shall not submit a duplicate application for a project. Submittal of duplicate applications will disqualify an applicant from the tax credit program.

(1) Submitting an application for an allocation of credits under the California Film and Television Tax Credit Program 3.0 or its successor programs simultaneously with an application for an allocation of tax credits under the California Soundstage Filming Tax Credit Program shall constitute a "duplicate application."

(2) Submitting an application for an allocation of credits under the California Soundstage Filming Tax Credit Program for a project that has applied for but has confirmation that it is not receiving credits under the California Film and Television Tax Credit Program 3.0 or its successor programs for the project shall not constitute a "duplicate application."

(h) An applicant, including any affiliated entities, that has been issued a tax credit allocation for a particular production that begins but does not complete principal photography of that production, shall not be eligible to reapply for a tax credit allocation for that particular production.

(i) Any expenditures for services, wages, or goods incurred prior to the date of CAL issuance shall not be considered qualified expenditures with the exception of production facility, office rentals, completion bonds and insurance premiums, which may be prorated to include the expenditures which are incurred on or after CAL issuance.

(j) An applicant of a television series shall submit one application for a season of that television series. A television series with an order for additional episodes for the same season may submit an additional application for the additional episodes, however, the season as a whole shall be subject to the credit allocation cap.

(k) Within thirty (30) business days of receipt of the completed application and all supporting documents required pursuant to this section and section 5534, the Director of the CFC, or their designee, will notify the applicant whether its Phase B submission is approved or rejected.

(1) If revisions to the diversity workplan required pursuant to section 5534 are required, the re-submission of the amended document pursuant to subdivision (c) of section 5534, will count as the application date for purposes of the timeframe specified in subdivision (k) above and for purposes of determining the order of applications received by the CFC.

NOTE: Authority cited: Sections 17053.98(k)(10), 23698(k)(10), Revenue and Taxation Code; and Section 11152, Government Code. Reference: Sections 17053.98(k)(1)-(5), 17053.98(k)(8), 17053.98(k)(10), 17053.98(a), 17053.98(b), 17053.98(g), 23698(k)(1)-(5), 23698(k)(8), 23698(k)(10), 23698(a), 23698(b), 23698(g), Revenue and Taxation Code; and Section 14998.1, Government Code.

§ 5534. Diversity Workplan

(a) The applicant shall submit its diversity workplan in PDF or equivalent non-proprietary document format to the CFC via the online application portal, user portal, which will be accessible once the applicant signs into its online portal for the Program and after the applicant has received approval for its Phase A submission.

(b) (Continued)

(1) (Continued)

(A) Goals to ensure qualified wage parity among all races, ethnicities, and genders, employees, regardless of race, ethnicity, gender, and disability status, considering factors such as level of experience and competency.

(B) – (D) (Continued)

(2) (Continued)

(A) Goals to ensure qualified wage parity among all races, ethnicities, and gender employees, regardless of race, ethnicity, gender, and disability status, considering factors such as level of experience and competency.

(B) – (D) (Continued)

(3) – (4) (Continued)

(5) For subdivisions (b)(1)-(3), a description of how goals stated in the workplan may help achieve outcomes that are broadly reflective of California's population, in terms of factors such as race, ethnicity, and gender, gender, and disability status.

(6) (Continued)

(7) Nothing in this section shall be construed to require or encourage theThe CFC will reject any submitted diversity workplan to include that includes quotas or other numeric goals regarding protected classifications, including race, ethnicity, and gender, gender, and disability status.

(c) (Continued)

NOTE: Authority cited: Sections 17053.98(k)(10), 23698(k)(10), Revenue and Taxation Code; and Section 11152, Government Code. Reference: Sections 17053.98(k)(1)-(4), 23698(k)(1)-(4), Revenue and Taxation Code; and Section 14998.1, Government Code.

§ 5535. Qualified Expenditures

(a) – (b) (Continued)

(c) (Continued)

(1) (Continued)

(2) The production company pays or incurs qualified wages for services performed outside the Los Angeles zone during the applicable period relating to original photography outside the Los Angeles zone by individuals who reside within the Los Angeles zone. The foregoing amounts shall be substantiated by documentation including, but not limited to, timesheets and payroll records as requested by the CFC and/or the CPA performing the Soundstage AUP (~~August 12, 2022~~ July 28, 2023), hereby incorporated by reference, required pursuant to section 5540.

(3) (Continued)

(d) – (e) (Continued)

NOTE: Authority cited: Sections 17053.98(k)(10), 23698(k)(10), Revenue and Taxation Code; and Section 11152, Government Code. Reference: Sections 17053.98(k)(1)-(4), 17053.98(k)(8), 17053.98(a), 17053.98(b), 23698(k)(1)-(4), 23698(k)(8), 23698(a), 23698(b), Revenue and Taxation Code; and Section 14998.1, Government Code.

§ 5536. Approved Applicant Responsibilities – Phase B

(a) (Continued)

(1) Principal photography in California shall commence no later than one hundred eighty (180) calendar days after the CAL is issued. Qualified motion pictures with qualified expenditures of at least one hundred million dollars (\$100,000,000) must begin principal photography (as defined in section 5520(s)) no later than two hundred and forty (240) calendar days after CAL issuance. If the production does not begin principal photography prior to the 180- or 240-day deadline, the tax credit allocation shall be revoked, unless a Force Majeure event has occurred which directly prevented the production from commencing within the deadline, as described in sections ~~17053.98(b)(18)(B)(iv) and 23698(b)(18)(B)(iv)~~ 17053.98(a)(18)(B)(iv) and 23698(a)(18)(B)(iv) of the Revenue and Taxation Code. With submission of documentation verifying such event, the CFC shall grant an extension. If a production implements a hiatus during the principal photography period, any hiatus period(s)

may be no longer than one hundred twenty (120) calendar days in aggregate for the entire duration of the production.

(2) – (5) (Continued)

(6) Participation in career-based learning and training programs and public service opportunities approved by the CFC in consultation with the California Department of Education (CDE) and/or California Community College Chancellor's Office (CCCCO) aimed at exposing career-based learning program, high school, school and community college, and California State University students to careers in the entertainment industry. To demonstrate compliance with this requirement the applicant must submit the applicable form for Soundstage Career Readiness verification, Form SCR1, SCR2, SCR3, SCR4, or SCR5 (March 11, 2022), hereby incorporated by reference, to the CFC as soon as the qualifying event has concluded. To meet the requirements of this section, the applicant may do any of the following:

- (A) Provide to students enrolled within the past twelve months in an accredited California high school, school or community college, California State University, or career-based learning program three (3) paid internship positions for a minimum of one hundred (100) hours each or a combination of internships or internship with a minimum of one hundred (100) hours per student and three hundred (300) hours in total. Interns must be 18 years of age or older. Internship experience must include working with professionals in the film industry and hands-on work assignments; or
- (B) Provide to students enrolled within the past twelve months in an accredited California high school, school or community college, California State University, or career-based learning program classroom workshops, panels, or demonstrations on aspects of the film industry, which may include but is not limited to set operations, post-production and specific technical crafts conducted by entertainment industry professionals; or
- (C) Provide to students enrolled within the past twelve months in an accredited California high school, school or community college, California State University, or career-based learning program a minimum of eight (8) hours of professional skills tours, which may include visits to observe set operations, set construction, wardrobe department, art department and editorial department; or

(D) – (F) (Continued)

(7) (Continued)

(A) (Continued)

(B) The contribution shall be submitted to the CFC with the career pathways program form, Form SCPP (July 28, 2023), hereby incorporated by reference, no later than thirty (30) business days after the CAL date; failure to submit the contribution within this time frame may will result in revocation of the CAL.

1. The CFC may grant an extension of up to ten (10) business days for an applicant facing a technical or funds-related barrier to meeting the

deadline, if the applicant requests such an extension prior to the expiration of the timeframe specified in subparagraph (B) above and provides supporting documentation.

(C) (Continued)

(D) A qualified motion picture that receives an increase in allocated tax credits, causing an additional contribution sum to become due, shall make a payment of that additional sum within thirty (30) business days of notification of that increase in allocation.

(E) The contribution must be made by business or personal check. No other payment options will be accepted.

NOTE: Authority cited: Sections 17053.98(k)(10), 23698(k)(10), Revenue and Taxation Code; and Section 11152, Government Code. Reference: Sections 17053.95(e), 17053.98(k)(1), 17053.98(k)(4), 17053.98(k)(10), 17053.98(b), 17053.98(e), 23695(e), 23698(k)(1), 23698(k)(4), 23698(k)(10), 23698(b), 23695(e), Revenue and Taxation Code; and Section 14998.1, Government Code.

§ 5537. Diversity Reporting and Audit, Credit Percentage Increase

(a) After an applicant's Phase A and B submissions are approved by the CFC, and the qualified motion picture has been produced and the final element has been created, the applicant may proceed to submit the following described diversity report to the CFC for review. The diversity report required pursuant to this section must be submitted to the CFC and approved before the applicant can proceed to submit along with the documentation described in section 5540-5540 and seek tax credit certification.

(b) (Continued)

(1) -- (3) (Continued)

(4) Nothing in this section shall be construed to require or encourage the final diversity report to include numeric reporting regarding protected classifications, including race, ethnicity, and gender, gender, and disability status as evidence of whether goals were met.

(c) Within approximately forty-five (45) business days of receipt of the final diversity report, report and all documentation required pursuant to section 5540, the Director of the CFC, or their designee, will notify the applicant whether the report meets the requirements under subdivision (b) of this section and is approved or does not meet the requirements under subdivision (b) of this section and is rejected, or if the CFC decides an audit of the final diversity report is necessary. If rejected, the CFC will provide feedback and an applicant may revise and re-submit its final diversity report.

(d) Should the CFC decide an audit of the applicant's final diversity report is necessary to determine if the diversity goals set forth in the applicant's diversity workplan for the motion picture were achieved, the applicant must provide requested documentation to the CFC. The CFC may direct the applicant to work with the CPA performing the Soundstage AUP (~~August 12, 2022~~ July 28, 2023), hereby incorporated by reference, described in section 5540, to verify the content of the final diversity report. Documentation or other information requested may include redactions, be aggregated, or otherwise protected to ensure

confidentiality of sensitive personal or other information. The applicant is responsible for all costs associated with this additional requirement. Within thirty (30) business days of receipt of the requested documentation from the applicant or the CPA's report, the Director of the CFC, or their designee, will notify the applicant whether the report is approved or rejected.

(e) (Continued)

NOTE: Authority cited: Sections 17053.98(k)(10), 23698(k)(10), Revenue and Taxation Code; and Section 11152, Government Code. Reference: Sections 17053.98(k)(1), 17053.98(k)(3), 23698(k)(1), 23698(k)(3), Revenue and Taxation Code; and Section 14998.1, Government Code.

§ 5538. Approved Applicant Responsibilities – Phase A

(a) (Continued)

(b)(1) To certify that every ~~soundstage~~ the soundstages that ~~is~~ are part of a certified studio construction project ~~meets~~ meet the requirements set forth in Revenue and Taxation Code sections 17053.98(k)(13) and 23698(k)(13), the applicant must annually provide ~~one or several~~ one or several third-party Soundstage Workforce ReportReports, as specified in paragraph (2) of this subdivision, performed by an approved CPA firm, which meets the requirements specified in subparagraph (A) of paragraph (1) of this subdivision, documenting compliance with the requirements of the California Soundstage Filming Tax Credit Program.

(A) (Continued)

(2) The applicant must provide one annual report for each Phase B qualified motion picture project filming on the soundstage or soundstages that make up the certified studio construction project during the year under review. The report for one Phase B qualified motion picture project must include all soundstages utilized by that project during the year in question.

(A) The required information for a soundstage that is in use by more than one Phase B project shall be included in all relevant workforce reports and count toward the total sums of all the individual reports in which it is included.

(B) If the certified studio construction project includes one or more certified soundstages that have not been in use by any Phase B qualified motion picture project allocated tax credits under the California Soundstage Filming Tax Credit Program during the year in question, those unused soundstages shall be grouped together in one report.

~~(2)~~(3) Each annual report must evidence that the applicant met its statutory obligations through the date for which the Phase B applicant applies for their final tax credit certificate, Form SM (August 12, 2022), hereby incorporated by reference, including the percentages as stipulated in sections 17053.98(k)(13)(C) and 23698(k)(13)(C) of the Revenue and Taxation Code.

(A) ~~The Each~~ report shall include:

1. – 2. (Continued)

(B) If the percentage paid to workers employed directly or through a motion picture payroll services company, as described in 5538(a)(1)(A), is certified to be 90 percent or more of the total amount listed pursuant to 5538(b)(2)(A), 5538(b)(3)(A)1, the Phase B applicant shall be entitled to 100 percent of the applicable credit issued for the period.

- (C) If the percentage paid to workers employed directly or through a motion picture payroll services company, as described in 5538(a)(1)(A), is certified to be less than 90 percent of the total amount listed pursuant to ~~5538(b)(2)(A), 5538(b)(3)(A)~~¹, but greater than or equal to 75 percent of that amount, the Phase B applicant shall be entitled to 50 percent of the applicable credit issued for the period.
- (D) If the percentage paid to workers employed directly or through a motion picture payroll services company, as described in 5538(a)(1)(A), is certified to be less than 75 percent of the total amount listed pursuant to ~~5538(b)(2)(A), 5538(b)(3)(A)~~¹, the Phase B applicant shall not be entitled to any credit issued for the period.
- ~~(3) A studio construction project may include the construction or renovation of more than one soundstage located in the state. Applicants may provide separate reports for each soundstage construction or renovation project or a comprehensive report for all soundstage construction or renovation projects that make up one studio construction project for which soundstage workforce certification is sought.~~
- (4) Annual reports are required:
- (A) Throughout the certified studio construction project's period of certification; or,
(B) Until the total amount of credits authorized under Revenue and Taxation Code sections 17053.98(k) and 23698(k) has been allocated by the CFC, if that occurs prior to the timeframe outlined in paragraph (A) above; or,
(C) Throughout the production period of any Phase B project allocated credits under the California Soundstage Filming Tax Credit Program and filming on a certified soundstage or soundstages that is part of the certified studio construction project, if that extends beyond the timeframes outlined in paragraph (A) or paragraph (B) above.
- (5) Each annual Soundstage Workforce Report must be submitted to the California Film Commission no more than thirty (30) calendar days after the anniversary date of the issued Soundstage Certification Letter or Letters, Form SCL (August 12, 2022), hereby incorporated by reference, for the soundstage or soundstages included in the report.
(A) Applicants shall submit the report or reports electronically to SoundstageIncentive@film.ca.gov.
- (6) A Phase A applicant who leases a certified studio construction project in its entirety and for the duration of the period of certification to a producer of qualified motion pictures and who has delegated all operation, maintenance, and repairs of the soundstages in the certified studio construction project to that producer may also delegate the responsibility of submitting the annual Soundstage Workforce Report to that same entity.
(A) The declaration of delegated responsibility must be made by the Phase A applicant in writing on company letterhead and submitted to the CFC.
(B) The declaration of delegated responsibility must include as an attachment a statement of accepted responsibility, on company letterhead, signed by a representative of the entity to which the responsibility is delegated.
(C) The declaration of delegated responsibility and statement of accepted responsibility must be submitted within ninety (90) calendar days following certification of the studio construction project.

(c) – (d) (Continued)

NOTE: Authority cited: Sections 17053.98(k)(10), 23698(k)(10), Revenue and Taxation Code; and Section 11152, Government Code. Reference: Sections 17053.98(k)(1), 17053.98(k)(13),

17053.99(b), 23698(k)(1), 23698(k)(13), Revenue and Taxation Code; and Section 14998.1, Government Code.

§ 5539. Tax Credit Allocation

(a) – (d) (Continued)

(e) Notwithstanding subdivision (d), no certified motion picture will be allocated more than the cap sum specified in sections 17053.98(k)(8)(B) and 23698(k)(8)(B) of the Revenue and Taxation Code, ~~twelve million dollars (\$12,000,000)~~ under this Program. Recurring television series that previously received an allocation under this Program for a season shall not be allocated more than the cap sum specified in sections 17053.98(k)(8)(B) and 23698(k)(8)(B) of the Revenue and Taxation Code, ~~twelve million dollars (\$12,000,000)~~ for subsequent seasons that qualify for this Program.

(f) – (g) (Continued)

(h) The relationship between the California Soundstage Filming Tax Credit Program and the California Film and Television Tax Credit Program 3.0 and its successor programs ~~and the transition for a motion picture from the Soundstage Program to Program 3.0~~ is defined and shall occur as follows:

- (1) A qualified motion picture, other than a recurring television series, that satisfies the criteria of the California Soundstage Filming Tax Credit Program but that does not receive a credit allocation under this program because the total amount of credits has been allocated or because the period of certification for the soundstage or soundstages where the project is filming has expired, may apply for a credit allocation under the California Film and Television Tax Credit Program 3.0 or its successor programs subject to a jobs ratio enhancement of 133 percent, pursuant to sections 17053.98(g)(2)(D)(iv)(II) and 23698(g)(2)(D)(iv)(II) of the Revenue and Taxation Code. ~~If the first year of production of a qualified motion picture, or if production of a subsequent season of a qualified motion picture which is a recurring television series occurs in the fourth year after the studio construction project is certified by the CFG or if the total amount of credits authorized under Revenue and Taxation Code sections 17053.98(k) and 23698(k) has been allocated by the CFG, the qualified motion picture shall submit an application subject to the annual cap and the allocated credit amounts based on categories described in sections 17053.98(i) and 23698(i) of the Revenue and Taxation Code, subject to a jobs ratio calculated pursuant to sections 17053.98(b)(7) and 23698(b)(7) of the Revenue and Taxation Code and multiplied by 133 percent, as applicable and in accordance with sections 17053.98(k)(9)(B)(ii) and 23698(k)(9)(B)(ii) of the Revenue and Taxation Code. Notwithstanding the foregoing, a qualified motion picture must meet the requirements of a "qualified motion picture" under Revenue and Taxation Code sections 17053.98(k)(2)(B) and 23698(k)(2)(B) in order to receive an allocation of credits under Revenue and Taxation Code sections 17053.98(a)(j) and 23698(a)(j), inclusive, and will be limited to an allocation of no more than twelve million dollars.~~

~~(A) A Phase B applicant may fulfill the ownership or tenant requirement of sections 17053.98(k)(2)(B)(iii) or 23698(k)(2)(B)(iii) of the Revenue and Taxation Code~~

~~with a certified studio construction project for which more than three years have elapsed since certification for purposes of being eligible to apply for an allocation of tax credits for a qualified motion picture under Program 3.0, or its successor programs, as described in 5539(h)(1) above, when the reason for ineligibility under the Soundstage Filming Tax Credit Program is that the certified studio construction project has reached the fourth year after being certified by the CFC.~~

- (2) A recurring television series that satisfies the criteria of the California Soundstage Filming Tax Credit program but is no longer eligible for a credit allocation under this program because the total amount of credits has been allocated or because the period of certification for the soundstage or soundstages where the project is filming has expired shall receive a credit allocation under the California Film and Television Tax Credit Program 3.0 or its successor programs, pursuant to sections 17053.98(g)(2)(D)(v) and 23698(g)(2)(D)(v) of the Revenue and Taxation Code.
- (3) A qualified motion picture may fulfill the ownership or tenant requirement of sections 17053.98(k)(2)(B)(iii) or 23698(k)(2)(B)(iii) of the Revenue and Taxation Code with a certified studio construction project for which the period of certification has expired for purposes of being eligible to apply for or receive an allocation of tax credits under the California Film and Television Tax Credit Program 3.0 or its successor programs, as described in paragraphs (1) and (2) above, when a reason for ineligibility under the California Soundstage Filming Tax Credit Program is that the period of certification for the certified studio construction project has expired.

NOTE: Authority cited: Sections 17053.98(k)(10), 23698(k)(10), Revenue and Taxation Code; and Section 11152, Government Code. Reference: Sections 17039, 17053.98(i)(4), 17053.98(k)(1)-(4), 17053.98(k)(8)-(9), 17053.98(k)(11), 17053.98(a), 23036, 23698(i)(4), 23698(k)(1)-(4), 23698(k)(8)-(9), 23698(k)(11), 23698(a), Revenue and Taxation Code; and Section 14998.1, Government Code.

§ 5540. Credit Certificate Issuance Process – Phase C

- (a)(1) Within 48 months of the date of the 30-month completion deadline for the qualified motion picture, as specified in subdivision (c), every applicant allocated tax credits under the California Soundstage Filming Tax Credit Program shall do one of the following:
- (A) Submit the documents specified in this section, in an electronic format and/or hardcopy, as directed by the CFC; or,
 - (B) Submit a written notice to the CFC stating that they will not be requesting certification for the allocated credits; or,
 - (C) For an applicant with insufficient tax liability to initiate the process at the timeframe set in paragraph (1) above, request an extension in writing.
 - 1. The CFC may approve one or more extensions of up to twelve (12) months for an applicant that requests such an extension and submits a statement of insufficient tax liability to initiate use of the allocated tax credits.
 - 2. The applicant shall request an extension no less than thirty (30) business days prior to the expiration of the timeline specified in paragraph (1) above or prior to

the expiration of a previously approved extension for the request to be considered by the CFC.

(D) Failing to comply with the requirements of this paragraph shall constitute forfeiture of an applicant's allocated tax credits.

(a)(2) Within the timeframe specified in paragraph (1) above, Afterafter an applicant's Phase A and B submissions are approved by the CFC, and the qualified motion picture has been produced and the final element has been created, the applicant may proceed to submit the documentation described in this section along with the diversity report described in section ~~5537-5537~~ and the CFC's approval or rejection of that report. The CFC shall not certify any tax credit until it has received a final diversity report from the Phase B applicant and has determined that the Phase A applicant that owns the certified soundstage or soundstages on which the qualified motion picture project is filmed has complied with the annual workforce certification requirements in section 5538-5538 for that soundstage or soundstages.

(b) The applicant shall be required to submit the following documents upon completion of the qualified motion ~~picture:picture, in an electronic format and/or hard copy, as directed by the CFC:~~

(1) – (2) (Continued)

(3) List of all Cast and Crew for the ~~project.project with Social Security numbers redacted, if applicable.~~

(4) (Continued)

(5) Expenditure Summary Report as set forth on the CFC website. The applicant shall ~~revise any contact information changes in the application portion of the CFC website including the CPA firm performing the Soundstage AUP (August 12, 2022), hereby incorporated by reference.~~ ensure that all contact information provided is correct and up to date.

(A) Section 1. Applicant Information.Information, including the applicant entity, type of entity, taxpayer ID, address(es), phone number(s), contact person(s) and their title(s), parent company information (if applicable), CPA information. ~~The on-line application will automatically generate the applicant information.~~ Input copyright registration number and seller's permit number, if applicable.

(B) Section 2. Contact Information.~~The on-line application will automatically generate the contact information.~~Information for parent company and CPA firm.

(C) (Continued)

(D) Section 4. Production Shoot Days and Locations. Provide production shooting days inside and outside the Los Angeles zone, counties outside the LA zone, other states or countries; and provide Soundstage Local Community Expenditure Report Form (~~March 11, 2022~~ July 28, 2023), hereby incorporated by reference, for each county outside of Los Angeles County if applicable. Provide PP stage shooting days in total and PP stage shooting days on the soundstage or soundstages certified as part of the certified studio construction project from Phase A.

(E) – (F) (Continued)

(G) Section 5H5D. Subject to self-reported voluntary information, include separate listings regarding the ethnicity and gender statistics of all individuals that received qualified wages (excluding stand-ins and background performers) and all individuals that received non-qualified wages.

(H) (Continued)

1. (Continued)

2. Verification of payment of 0.5 percent of the approved credit amount to the Career Pathways Training Program with date paid and amount. amount, utilizing required Form SPPP (July 28, 2023), hereby incorporated by reference.

(I) (Continued)

1. (Continued)

(i) – (iii) (Continued)

(iv) ~~Total~~ Calculate total out of Los Angeles zone uplift amount, amount is calculated.

2. – 3. (Continued)

4. Total additional tax credit: ~~The online application will automatically calculate~~ Calculate the following: The total out of Los Angeles zone amount (non-independent films only) and total California VFX amount and total local hire labor amount which is eligible for an additional tax credit.

(i) – (iii) (Continued)

(iv) ~~(Total~~ Calculate total additional amount of (i) + (ii) + (iii) above) above calculated automatically)

5. Total Diversity Goals Potential Increase: ~~Select~~ Calculate based on the CFC-approved percentage point increase, up to four percent for meeting or making a good faith effort to meet the diversity goals in the applicant's diversity workplan, as evidenced by the applicant's CFC-approved diversity report.

(J) Section 8. Credit Amount. As per the findings of the CPA performing the Soundstage AUP report, provide the Total Qualified Wages; Total Qualified Non-Wages; and completion bond fee, if applicable. Total Qualified Expenditures, Tax Credit Amount, Uplifts tax credit amount, and Total Adjusted Credit Amount ~~will be automatically calculated by the on-line application.~~ Amount, subject to verification and to the cap sum specified in sections 17053.98(k)(8)(B) and 23698(k)(8)(B) of the Revenue and Taxation Code.

(K) Section 10. Signature certification. ~~Print the Expenditure Summary Report.~~ By signing the Report, the applicant acknowledges, agrees and certifies that the applicant has read and reviewed the summary, and that the content provided is true and accurate to the best of their knowledge or at least the knowledge of what would be expected of a reasonable person in the same capacity. ~~Submit to the CPA performing the Soundstage AUP.~~

(6) - (10) (Continued)

(11) A listing of other jurisdictions in which any member of the applicants combined reporting group has produced a qualified motion picture in the preceding year pursuant to Section 17053.98(g)(3)(C)(i)(I) of the Revenue and Tax Code. Updated information as per Section ~~5533(f)(44)~~5533(d)(8)(K) is also required.

(12) (Continued)

(c) – (f) (Continued)

NOTE: Authority cited: Sections 17053.98(k)(10), 23698(k)(10), Revenue and Taxation Code; and Section 11152, Government Code. Reference: Sections 17053.98(k)(1)-(5), 17053.98(k)(8), 17053.98(k)(10), 17053.98(k)(13), 17053.98(b), 17053.98(c), 17053.98(d), 17053.98(e), 17053.98(g), 17053.98(i), ~~23695(e)~~, 23698(k)(1)-(5), 23698(k)(8), 23698(k)(10), 23698(k)(13), 23698(b), 23698(c), 23698(d), 23698(e), 23698(g), 23698(i), Revenue and Taxation Code; and Section 14998.1, Government Code.

§ 5541. On Screen Credit and Promotional Requirements

(a) (Continued)

(1) Provide an on-screen acknowledgement ~~to~~ to THE STATE OF CALIFORNIA, CALIFORNIA AND THE CALIFORNIA FILM COMMISSION COMMISSION, and THE CALIFORNIA SOUNDSTAGE FILMING TAX CREDIT PROGRAM, PROGRAM, and include the California Film Commission Logo, to be provided by the CFC to the applicant, except where that acknowledgement may be prohibited by the Children's Television Act or any other local, state, or federal government policy. ~~Such acknowledgement and logo shall appear on every episode of a television series except where prohibited as above.~~

(A) The acknowledgement must include a five-second long static logo in the end credits before the below-the-line crew crawl for the life of the project.

(B) Such acknowledgement and logo shall appear on every episode of a television series except where prohibited as specified in paragraph (1) above.

(C) The applicant may choose the wording of the acknowledgement and the placement of the required entities within that wording, but all three entities specified in paragraph (1) above must be named.

(2) (Continued)

NOTE: Authority cited: Sections 17053.98(k)(10), 23698(k)(10), Revenue and Taxation Code; and Section 11152, Government Code. Reference: Sections 17053.98(k)(10), 23698(k)(10), Revenue and Taxation Code; and Section 14998.1, Government Code.

CALIFORNIA



Film Commission

California Film & Television Soundstage Filming Tax Credit Program

AGREED UPON PROCEDURES

I. Introduction

The Soundstage Filming Program provides tax credits for qualified expenditures incurred when producing qualified motion pictures on California Film Commission certified soundstages. The tax credits can be used to offset either California personal or corporate income taxes or sales and use taxes. A production company requesting a tax credit must submit an Independent Certified Public Accountant's Report on Applying Agreed-Upon Procedures (the 'Report') to demonstrate compliance with the program's requirements.

II. Statutory and Regulatory References

California Revenue and Taxation Code sections:

1. 6902.5 (sales and use tax)
2. 17053.98 (personal income tax)
3. 23698 (corporate income tax)
4. California Code of Regulations, Title 10, Chapter 7.75, sections 5520 and 5530 - 5541

III. General

The following Agreed Upon Procedures (AUP) are to be performed by a certified public accountant (CPA) with an active California license to perform attest services. The CPA cannot provide production accounting services and AUP services to the same production company as per Rule 101 of the American Institute of Certified Public Accountants Code of Professional Conduct and its interpretations and rulings. The CPA shall have successfully completed a California Film & Television Tax Credit Program 3.0 Orientation or a Soundstage Filming Program Orientation for CPAs. The accounting firm performing attest services must provide a letter from the board of review in the state in which the firm resides, evidencing the firm has actively participated in a peer review program for CPA firms performing AUPs within the past 3 years from date services are rendered and has received a "pass" on said review. If the firm performing attest services is newly formed, the firm must provide evidence it is registered with the board of review in the state in which the firm resides for a peer review in the future.

The selected CPA must have sufficient knowledge of accounting principles and practices generally recognized in the film and television production industry. The CPA shall read the statute, regulations, guidelines, Qualified Expenditure Charts, Budget Tagging and Tracking Tips, and other Soundstage Filming Program materials posted on the California Film Commission website. The appendices and/or exhibit numbers noted in red are included with this Report.

The following codes for expenses which are used to "tag" expenses by the production company are as follows: **ZC** – Out of Zone Consumables, **ZE** – Out of Zone Non-Wage Expenditures, **QW** – Qualified Wages, **QE** – Qualified Non-Wage Expenditures, **MW** – Music Wage Expenditures, **VU** – Visual Effects Expenditures, **OZ** – Out of Los Angeles Zone, **ZW** – Out of Los Angeles Zone Qualified Wages, **LW** – Local Hire Labor Qualified Wages, **NQ** – Non-Qualified Expenditures, **XX** – Non-qualified expenditures purchased/rented outside of CA, **CS** – Certified Stage PP day, **SF** – Non-certified soundstage PP day, **SW** – Soundstage Qualified Wages (must be double-tagged with QW tag).

1. The Report shall be prepared for the use of the following specified parties:
 - a. The production company (Company); and
 - b. The California Film Commission (CFC)
2. The Report should include the California CPA license number or proof of a valid out-of-state accounting firm registration for the firm performing attest services.
3. The name of the production, the category (Feature Film, Independent Film \$10-Million and under, Independent Film over \$10 million, Miniseries, Television Series, Relocating Television Series, Pilot), Queue number, certified stage identifier number and its Credit Allocation Number must also appear on the Report.
4. The Report must be dated as of the last day of the performance of all procedures.
5. The Company's cost reports must be presented in U.S. dollars.
6. The Company must provide documentation of all funds expended on the production both within and outside of California including pre-production, production and post-production periods.
7. Include CPA name and contact information for the CPA responsible for the review and final sign off of the Report.
8. If, in connection with the application of the AUPs, matters come to the CPA's attention by other means that significantly contradict the subject matter of the Report or assertions of the Company, the CPA should contact the CFC.

AGREED UPON PROCEDURES

The CPA shall perform the following procedures. Any exceptions are to be listed as a finding in the CPA's report on applying agreed-upon procedures.

IV. Eligibility

1. Obtain the detailed cost ledger (e.g., Bible) of California Qualified Expenditures and Total Production Expenditures.
2. Obtain access to Applicant's on-line Application and submitted materials from the Company, including the CFC-approved Qualified Expenditure Budget.
3. Obtain and read the Company's Credit Allocation Letter (CAL). Indicate in the Report the CFC certified stage identifier number or numbers as stated on the Credit Allocation Letter. Note in the Report the amount of tax credits reserved.
4. Obtain and inspect post-production documents (e.g., facility invoices) evidencing the date the final elements (e.g., final composite answer print, domestic air master, or digital cinema files) were created (foreign language or archival element creation does not apply). Determine and document in the Report the Qualified Period of the production, which begins as of the date of the CAL and ends 30 days after creation of the final element. Verify that the Qualified Production Period does not exceed 30 months after the date on which the CFC issued the CAL. Include Final Element Creation Letter as attachment **Exhibit A**.
5. Obtain and inspect documentation (e.g., call sheets and/or production reports, shooting schedules) for all principal photography days for the production in order to determine the following:
 - a. Based upon the inspection of the documentation, state the percentage of total California principal photography days as a percentage of the total principal photography days during the qualified period. (The total principal photography days in California ratio can be obtained by dividing the number of days of principal photography in California by the total number of principal photography days).
 - b. State the number of principal photography days outside the Los Angeles zone (OZ). As per Revenue and Taxation Code section 17053.98(a)(4)(D)(i)(II)(ib) and section 23698(a)(4)(D)(i)(II)(ib); only include in the day count OZ principal photography days in which the first scene of the day was photographed outside the Los Angeles zone. Note amount of OZ days in the Report and state the percentage of principal photography days outside the Los Angeles zone.
 - c. Based upon inspection of the documentation, state the total number of principal photography days on soundstages (tagged CS and SF) for each taxable year for which a tax credit is claimed; only include principal photography days in which the company utilized the stage for a minimum of 6 hours. State the number of principal photography days on a certified stage (tagged CS) ~~for each taxable year for which a tax credit is claimed~~ during the production period; Note the total principal photography days on soundstages and state the percentage of principal photography days on certified stage(s), ~~divided by taxable year for which a tax~~

~~credit is claimed.~~ If the production did not shoot at minimum 50% of its principal photography stage days on a certified stage or stages, ~~per each taxable year for which a tax credit is claimed,~~ there is no need to continue with the AUP. Notify the Company's management to inform the CFC that they are ineligible.

- d. Obtain the payroll report from the payroll company. Based on findings in above procedure with respect to principal photography days on certified stage(s), confirm that qualified wages for labor performed on certified stage(s) and in ancillary buildings approved as part of a certified studio construction project during the production period is at minimum ~~\$5,000,000~~, ~~\$7,500,000~~; inclusive of qualified fringes, ~~per each taxable year for which a tax credit is claimed.~~ Soundstage wages should be double tagged QW, SW in the production budget. If the total amount of qualified soundstage wages is less than ~~\$5,000,000~~, ~~\$7,500,000~~ ~~per each taxable year for which a tax credit is claimed~~ there is no need to continue with the AUP. Notify the Company's management to inform the CFC that they are ineligible.
6. If the production did not meet or exceed 75% per the procedure in section 5(a) above, perform the following procedures:
 - a. Obtain a detailed cost ledger of Total California Expenditures (including qualified and non-qualified expenditures) and the Total Production Expenditures. State the ratio of Total California Expenditures to the Total Production Expenditures.
 - b. Select a sample of expenditures from the Total California Expenditure population (including qualified and non-qualified expenditures) according to the sampling methodology noted in Appendix A2.
 - c. For each expenditure item selected, obtain and inspect invoices, proof of payment (e.g., bank statements, check images, credit card statement and reimbursement checks, if applicable) or other equivalent documentation. Verify that the expenditure amount agrees with the invoice and was incurred and paid for services and goods in California. The full value of all assets may be taken when determining eligibility if assets were rented or purchased and used in California. Adjust for known errors and recalculate Total California Expenditures and determine if 75% of Total Production Expenditures were spent in California.
 7. Inspect the detailed cost ledger of Total Production Expenditures to determine that the Total Production Expenditures meet the minimum thresholds for Feature Films, Independent Films, Miniseries, Pilots, Relocating Television Series and Television Series per the statute.
 8. Career Readiness requirement: Obtain appropriate verification form (SCR1-SCR5) from the Company issued by the designated representative of a California high school, community college, California State University or career-based learning and training program approved by the CFC which states that the Company has satisfied all the Career Readiness requirements. This form is a requirement to be eligible for the issuance of the tax credit certificate. If the Company made a financial contribution, verify contribution of .25% of estimated tax credit (minimum contribution of \$5,000, maximum contribution of \$12,000) and include proof of payment and a copy of the Career Readiness Verification form with the Report, **Exhibit B**.

9. Pilot Skills Training Program: Obtain verification and copy of the receipt from the Company issued by the Pilot Skills Training program fiscal agent that a contribution of no less than 0.5% of the estimated tax credit (per the CAL) was paid. A portion may be refundable if the tax credit amount is significantly reduced due to reasonable cause (contact the CFC if reasonable cause may be a factor). Include proof as attachment **Exhibit C**.
10. If Company has not met eligibility standards as noted above, there is no need to continue with the AUP. Notify the Company's management to inform the CFC that they are ineligible for the tax credit program.

V. Qualified Non-Wage Expenditures (QE) - Inside and Outside the Los Angeles Zone

1. Inspect the detailed cost ledger and verify that all QE are qualified as defined in California Revenue and Taxation Code sections 17053.98(b)(16) and 23698(b)(16) and do not include Non-Qualified Expenditures (NQ) as defined in section 17053.98(b)(21)(B)(i)-(iv) or 23698(b)(21)(B)(i)-(iv). Adjust QE for any NQ noted, such as insurance premiums which may not have been prorated for out of state work and box/car/computer rentals for out of state qualified individuals which do not qualify unless purchased or rented and used in the state. Remove any findings from the population to be sampled below.
2. Select the non-payroll samples from the detailed cost ledger according to the sampling methodology noted in Appendix A2. For Television Series, the CPA must sample items from each episode, including amortization costs. For each expenditure item selected in the samples perform the following procedures:
 - a. Inspect invoices, proof of payment (e.g., bank statements, check images, credit card statement and reimbursement checks, if applicable) or other equivalent documentation. Verify that expenditure amount is correct, incurred and paid for services incurred and goods purchased or rented and used in QE must be purchased or rented from a California In-State Vendor as defined in section 5520(d) in the Regulations. If purchased from an internet source, verify item was purchased from entity registered to do business in California and shipped from a California location to a California location.
 - b. Verify that the expenditure was not associated with activities specifically excluded by the statute.
 - c. Verify that the expenditure was allowable as defined by sections 17053.98(b)(16) and (b)(18)(B)(i)-(iv) and sections 23698(b)(16) and (b)(18)(B)(i)-(iv) of the Revenue and Taxation Code. In particular, inspect travel costs, insurance premiums which may not have been prorated for out of state work, and box/car/computer rentals for out of state qualified individuals, which do not qualify unless purchased or rented and used in the state.
 - d. Verify that the expenditure was not for in-kind services.

-
- e. Verify that the expenditure was recorded net of any refunds, insurance claims, credit notes received for discounts, rebates, invoicing errors, and purchase returns, as recorded in the cost report.
 - f. Verify that the expenditure was recorded net of proceeds from any sale of the production assets.
 - g. Verify that the expenditures purchased and/or rented in California are prorated to reflect any usage out of the state.
 - h. If applicable, and expenditure is determined to be an electronic asset with a purchase price of \$250 or more or an asset with a purchase price of \$10,000 or more, verify the asset is included in the correct asset listing. If it is not included, include in asset listing, **Exhibit D**.
 - i. Verify that the expenditure (regardless of when paid) was not incurred prior to the date on which the CAL was issued. For insurance premiums, stage rentals, completion bond, or office rent payments made prior to the issuance of the CAL, confirm that these costs are prorated by the number of pre-production, production and post-production weeks and that only the prorated costs after the CAL date are included in QE. With the exception of insurance premiums, stage rentals, completion bond and/or office rental, prorations are not allowed; if a proration has been made in error, make adjustment and include in the Report.
 - j. Verify that the expenditure (regardless of when paid) was not incurred more than 30 days after creation of the final element.
3. For exceptions noted in the QE testing in procedure 2 above:
 - a. For the sample identified in the Top Stratum of Appendix A2 (Non-Payroll), adjust QE for known errors noted during your testing.
 - b. For the samples identified in Appendix A2 (Non-Payroll) as Stratum 1 and Stratum 2, adjust QE for known errors noted during your testing and project the misstatement results of the samples to all items from which the samples were selected. For purposes of calculating the projected misstatement, divide the monetary amount of misstatement of the exceptions identified by the sample population total amount (rate of misstatement). Multiply this rate of misstatement to the total expenditure population from which the Stratum 1 and Stratum 2 samples were selected (refer to Appendix B for a misstatement example). Perform the following procedures based upon the results of the calculation of the projected misstatement:
 - (1) If the projected misstatement does not exceed 2% of Qualified California Production Expenditures (non-payroll), document the projected misstatement in **Exhibit E**, the list of noted non-payroll exceptions. Do not make any adjustment to QE for a projected misstatement.
 - (2) If the projected misstatement exceeds 2% of Qualified California non-payroll Production Expenditures, select a second additional sample according to the sampling methodology noted in Appendix A2 (Non-Payroll) for Stratum 1 and
-

Stratum 2. Recalculate the projected misstatement for the second additional samples. If the projected misstatement for the second additional samples does not exceed 2%, document the projected misstatement in the Report. Do not make an adjustment to QE for a projected misstatement; however, do adjust QE for noted known errors in the second samples. If the projected misstatement from the second samples exceeds 2% of QE, adjust QE for the average of the two projected misstatements to QE population not sampled.

- c. Attach a listing of any known exceptions noted in the QE tests in procedures 2. and 3.b. above in **Exhibit E**. The listing should include amount, vendor/person, and nature of discrepancy.
4. Obtain from the Company a statement, either separately or within the representation letter, that all outstanding purchase orders and all invoices for qualified expenditures have been paid and attach as **Exhibit F**. If applicable, for any invoices or purchases orders that have not been paid, deduct expenditures from total QE.
5. Sort the detailed cost ledger by invoice/ledger posting dates. Inspect the descriptions in the ledger for invoice/ledger posting dates which are prior to the Qualified Period and 14 days after issuance of the CAL. After final element creation, inspect the detailed cost ledger 14 days after element creation and thereafter. Based on this description determine if expenditures were incurred within the Qualified Period. Summarize and inquire with client those expenditures which appear to be outside the Qualified Period. Based on your inspection and the inquiries with Company, adjust QE for any amounts outside the Qualified Period.
6. For the qualified items listed which required full or partial payment, such as insurance premiums, stage rentals, completion bond, or office rent (if not reviewed in procedure V.2.i.), made prior to the issuance of the CAL, confirm that these costs are prorated by the number of pre-production, production and post-production weeks or obtain a statement of allocation from the California based broker and/or completion bond company. Confirm only the prorated costs after the CAL date and no more than 30 days after creation of the final element are included in QE.
7. Obtain fixed asset listings from the Company of all assets used in the production as follows: (1) all electronic equipment with a purchase price equal to or greater than \$250; and (2) all other assets not considered electronic equipment with an original purchase price equal or over \$10,000. The listings should indicate the status of the assets (e.g., destroyed, sold, donated, being held for future productions, given to cast or crew, etc.). Attach a copy of both asset listings as **Exhibit D**. For all assets on the listings perform the following procedures:
 - a. For all electronic assets (Include electronic assets purchased for set dressing and/or prop purposes) including but not limited to computers, hardware and relevant components, printers, copiers, etc. with a purchase price equal to or greater than \$250, verify that the QE is the lesser of the net costs of the asset after sales proceeds (if assets sold) or 20% of the original cost. If asset was given to a non-qualifying cast or crew member or sold to a non-qualifying cast or crew member for less than 20% of original purchase price, verify that the cost of such asset is not included in the QE.

-
- b. For all assets equal or over \$10,000 not including electronic equipment, verify the following: (1) If the asset is sold, verify that the QE is the lesser of the net costs of the asset after sales proceeds or 50% of the original cost of such asset; (2) If the asset is retained, verify that the QE is 50% of the original cost of such asset; (3) If the asset is destroyed during the process of production, verify that the production company maintains documentation to support the destruction of the asset (e.g., call sheets, production reports, still photographs, video footage, etc.) and allow 100% of that asset; and (4) If the asset is given to a non-qualifying cast or crew member or sold to a non-qualifying cast or crew member for less than 50% of original purchase price, verify that the cost of such asset is not included in the QE.
 - c. Based on description in the detailed cost ledger, search the detailed cost ledger for primary electronic assets by description name, including cameras, copiers, printers, computers, televisions and monitors. Inspect QE found for any purchased electronic assets equal or over \$250.00 not included on electronic asset list and include in electronic asset listing.
 - d. For exceptions noted in procedures a., b., and c. above, adjust QE for known errors noted and include the listing of those errors in **Exhibit D**.
8. Obtain a listing of customized leased or rented items which are manufactured, assembled, or fabricated to specification with lease payments aggregating \$10,000 or more. Verify that these items are included on the asset listing noted above (Expenditures, procedure 7.) if they meet any one of the following four conditions:
- a. If the term of the lease exceeds 75% of the life of the asset;*
 - b. If there is a transfer of ownership to the lessee at the end of the lease term;
 - c. If there is an option to purchase the asset for substantially less than fair market value ("Bargain price") at the end of the lease term;*
 - d. 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 above standards for a capital lease will be considered a purchase and subject to the 50% limitation for purposes of determining QE as per above expenditure procedure 7.b.

*If the asset value or asset life is not explicit, please contact the CFC to discuss.

9. Verify with the Company the names of any and all visual effects, digital effects, postproduction, sound and/or title companies which worked on the production whose costs are being claimed as QE. Verify that all listed parties have provided the Company with documentation (e.g., letter on letterhead signed by managerial level personnel with knowledge of the project, with contact information including address and phone number) indicating the dollar amount of work which was performed in the state. If applicable, the letter must state the names of any subcontractors and indicate the dollar amount of work that was performed in the state through those subcontracted vendors. Verify that only the amount of work performed within the state of California is included in the total QE. Adjust QE for any work which was not performed in California.

Applicant must include vendor letters and list of such vendors in **Exhibit G**, the verification letters.

10. Verify with the Company that any insurance claims related to QE have been properly credited in the cost report and obtain a signed letter from a Company representative (or as part of the representation letter) stating that the applicant (indicated in the CAL) has properly disclosed all insurance claims whose costs are being claimed as QE. Verify that completion bond expenditures, if applicable, are reported net after rebate and include in **Exhibit F**.

VI. Qualified Wage Expenditures (QW) – Inside and Outside the Los Angeles Zone

1. Obtain documentation (e.g., email or letter on letterhead signed by authorized representative) from the payroll service verifying that there are no outstanding invoices pending for work incurred up to 30 days after the creation of the final element. Adjust QW (and QE if applicable) for any non-paid invoices. Applicant must include a payroll representative letter or email with documentation submitted as **Exhibit H**.
2. Inspect the detailed cost ledger and verify that it only contains account codes entered for qualified individuals as defined in California Revenue and Taxation Code section 17053.98(b)(17)(A) and (B)(i-ii) or 23698(b)(17)(A) and (B)(i-ii), and that all wages are qualified as defined in section 17053.98(b)(21)(A)(i)-(iv) or 23698(b)(21)(A)(i)-(iv). Adjust QW for any non-qualified individuals or misclassified wages. Verify that any box/car/cell phone allowances classified as wage but rented from out-of-state workers are reclassified as non-qualified expenditures. In your review, include non-qualified payroll that may have been mis-tagged and should be qualified. Remove findings from population in the next procedure.
3. Select a sample of employees from the Qualified Wages in the detailed cost ledger according to the sampling methodology noted in Appendix A2 (Payroll). For a Television Series, the CPA must sample from each episode, including amortization costs. For each employee selected in the sample perform the following procedures:
 - a. Compare the amount of the QW in the detailed cost ledger for the individual with the payroll register from payroll company which incorporates payroll with week ending dates within the Qualified Period. For any variances determine if the cause is due to vacation pay, holiday pay or equivalent reconciling items. Disqualify all salaries, wages, and fees included in the detailed cost ledger that are not included in the payroll register or unknown variances.
 - b. Inspect timecards, production reports, call sheets or other equivalent documentation. Verify that wage amount is incurred for services performed in California.
 - c. Inspect invoices from "qualified entities". Verify the date the expenditure was incurred, and that the loan out company name and the amount of the expenditure agrees with supporting payroll records. Verify that the expenditure was incurred in California.

-
- d. Verify that the QW only include those expenses listed in Revenue and Taxation Code section 17053.98(b)(21)(A)(i)-(iv) or section 23698(b)(21)(A)(i)-(iv) and do not include any of the expenses listed in section 17053.98(b)(21)(B)(i)-(iv) or section 23698(b)(21)(B)(i)-(iv).
 - e. Determine that only "qualified individuals," as defined in Revenue and Taxation Code section 17053.98(b)(17) or 23698(b)(17), received QW.
 - f. Verify that all QW do not include compensation for any work incurred out of the state.
 - g. Verify that the QW (regardless of when paid) was not incurred prior to the date on which the CAL was issued.
 - h. Verify that QW (regardless of when paid) was not incurred more than 30 days after creation of the final elements.
 - i. Verify that the QW are paid by the Company or its payroll service and only include those items indicated as QW on the Qualified Expenditure Charts. If the payroll entity has a different federal ID for signatory purposes, contact the CFC.
4. For exceptions noted in the QW test in procedure 3 above:
- a. For the sample identified in the Top Stratum of Appendix A2 (Payroll), adjust QW for known errors noted during your testing.
 - b. For exceptions noted in the QW test in procedure 3.a. through i. above, for the sample identified in Stratum 1 in Appendix A2 (Payroll), adjust QW for known errors noted during your testing and project the misstatement results of the sample to all items from which the sample was selected. For purposes of calculating the projected misstatement, divide the monetary amount of misstatement of the exceptions identified by the sample population total amount (rate of misstatement). Multiply this rate of misstatement to the total QW population from which the Stratum 1 sample was selected. Perform the following procedures based upon the results of the calculation of the projected misstatement:
 - (1) If the projected misstatement does not exceed 2% of QW, document the projected misstatement in the Report. Do not make adjustments to QW for the projected misstatement.
 - (2) If the projected misstatement exceeds 2% of QW, select a second additional sample according to the sampling methodology noted in Appendix A2 (Payroll) for Stratum 1. Recalculate the projected misstatement for the second sample. If the projected misstatement for the second sample does not exceed 2%, document the projected misstatement in the Report. Do not make adjustments to QW for a projected misstatement; however, do adjust QW for noted known errors in this second sample. If the projected misstatement from the second sample selection exceeds 2% of QW, adjust QW for the average of the two projected misstatements to the QW population not sampled.

- c. Attach a listing in **Exhibit J** of any payroll exceptions noted in the QW tests in procedures 3. and 4.b. above. The listing should include amount, person or entity, and nature of discrepancy.
- ~~11.~~ 5. Sort the detailed cost ledger by invoice/ledger posting dates. Inspect the descriptions in the ledger for invoice/ledger posting dates which are prior to the Qualified Period and 14 days after issuance of the CAL. After the final element creation, inspect the detailed cost ledger 14 days after element creation and thereafter. Based on this description, determine if QW including qualified fringes were incurred within the Qualified Period. Summarize and inquire with client those QW which appear to be outside the Qualified Period. Based on your inspection and the inquiries with Company, adjust the QW for any amounts outside the Qualified Period.
- ~~12.~~ 6. Obtain the final "galley" or "checker" or electronic version of the main (if applicable) and end title credits for the production.
- a. For those individuals receiving both above the line (ATL) and below the line (BTL) credits (Dual Role Employees), please note the names, qualified compensation, and end title credits received and attach in **Exhibit K**.
- b. For any Dual Role Employee whose BTL wages are not within industry standards or equivalent with other crew in similar positions, adjust QW. Additionally, verify that QW for DGA Unit Production Managers and/or Assistant Directors with ATL credits have no more than \$100,000 in wages (exclusive of guild or union or other qualified taxes, fees, or fringes, if applicable). If determination cannot be reached, contact the CFC to discuss.
- c. For any Dual Role Employees that were tagged as NQ, but received qualified credits, adjust the NQ to QW. Additionally, verify that QW for DGA Unit Production Managers and/or Assistant Directors with ATL credits have no more than \$100,000 in wages (exclusive of guild or union or other qualified taxes, fees, or fringes, if applicable). If determination cannot be reached, contact the CFC to discuss. Box rentals and qualified fringes are not part of the \$100,000 cap.
- d. Inspect the main and end title credits for all individuals working in non-qualified positions (e.g., performers, producers, directors, composer, etc.). Perform a search in QW to ensure their individual wages are not included. Verify that all non-qualified individuals receiving only an ATL credit have no qualified wages included in QW. Adjust the QW for known errors and note such findings in **Exhibit K**.
- e. Inspect end credits and note in the Report if CFC acknowledgement and logo are included or not included. For a television series or miniseries, the acknowledgement and logo are required on each episode.
- ~~13.~~ 7. Verify with the Company that any insurance claims related to QW have been properly credited in the cost report and obtain a signed letter from a Company representative stating that the applicant (indicated in the CAL) has properly disclosed all insurance claims whose costs are being claimed as QW. The information in this letter can be incorporated into the representation letter, **Exhibit F**.

- ~~14.~~ 8. Based on findings above, verify that for each taxable year for which a tax credit will be claimed by the qualified motion picture, at least seven million five hundred thousand dollars (~~\$7,500,000~~) five million dollars (\$5,000,000) in qualified wages for filming on a certified soundstage or soundstages during the production period were incurred (soundstage wages, SW). This includes project-specific wages incurred on soundstages and in ancillary buildings approved as part of the certified studio construction project.
- Verify that all wages tagged SW are qualified wages and have been double tagged QW, SW.
 - Inspect timecards, production reports, call sheets or other equivalent documentation, ~~divided into taxable years for which a tax credit will be claimed.~~ Verify that SW amounts have been incurred during the production period, as defined in sections 17053.98(b)(14) and 23698(b)(14) of the Revenue and Taxation Code.
 - Inspect timecards, production reports, call sheets or other equivalent documentation, ~~divided into taxable years for which a tax credit will be claimed.~~ Verify that SW amounts have been incurred only for services performed on soundstages or in ancillary buildings approved as part of a certified studio construction project. Wages for maintenance or repairs on the soundstages or ancillary buildings do not count as soundstage wages. Wages for work performed on soundstages or in ancillary buildings that are not certified, or in other locations, do not count as soundstage wages.
 - If the threshold for qualified soundstage wages has not been met for each ~~taxable year for which a tax credit will be claimed,~~ with wages incurred within the production period, there is no need to continue with the AUP. Notify the management of the production to inform the CFC that they are ineligible.
- ~~15.~~ 9. Out of Los Angeles Zone Qualified Wages Excluding Local Hire Labor (ZW) (Excluding Independent Productions and Relocating TV Series).
- Select the top 15 highest paid employees from the detailed cost ledger indicated as ZW. If the percentage of principal photography days outside the Los Angeles zone is over 50% per Eligibility procedure 5.b. above, select the top 30 ZW employees.
 - Inspect time cards and/or individual weekly payroll summary reports and note the dates in which OZ location is indicated. Time cards may designate "bus-to" for a nearby location outside the Los Angeles Zone and should include county.
 - Confirm OZ location is defined as an OZ location as per Revenue and Taxation Code section 17053.98(a)(4)(II)(ib) or section 23698(a)(4)(II)(ib).
 - Inspect shooting schedule, call sheets and production reports to determine that ZW was incurred at the OZ location during the Applicable Period (as defined in section 5520(a) of the Regulations).
 - Obtain daily payroll report by individual or other relevant payroll report and reconcile the OZ wages identified in the ledger with the OZ wages in the daily payroll reports by individual.
- ~~16.~~ 10. For exceptions noted in ZW testing in procedure 9. above:

- a. Adjust ZW for known errors noted during your testing.
- b. Project the misstatement results of the sample to the ZW from which the sample was selected. For purposes of calculating the projected misstatement, divide the monetary amount of misstatement of the exceptions identified by the sample population total amount (rate of misstatement). Multiply this rate of misstatement to the total ZW population from which the sample was selected. If the known errors noted during testing result in an adjustment to NQ, rather than an adjustment to QW, do not include these errors when calculating the rate of misstatement.
- c. If the projected misstatement does not exceed 2% of ZW, document the projected misstatement in the Report. Do not make adjustments to ZW for the projected misstatement.
- d. If the projected misstatement exceeds 2%, adjust ZW for the projected misstatement amount to the ZW population that was not sampled and reclassify errors to QW.
- e. Attach known errors and projected misstatement (if applicable) from the above ZW procedures 8. and 9. as **Exhibit L**, the summary of wage exceptions related to uplift and bonus points.

17.11. Local Hire Labor Qualified Wages (LW)

- a. Select the top 15 highest paid employees from the detailed cost ledger indicated as LW. If the percentage of principal photography days outside the Los Angeles zone is over 50% per Eligibility procedure 5.b. above, select the top 30 LW employees.
- b. Inspect documentation provided by production accountant and/or payroll service in accordance with section 5533(d)(6)(B)1. of the regulations and verify employee address is outside the Los Angeles zone. Payroll reports should indicate employees by zip code to help identify individuals residing outside the Los Angeles zone (as per section d. below). If address is not outside the Los Angeles zone, reclassify as QW or ZW, as applicable.
- c. Verify that Box/car/cell phone allowances from qualified individuals who live in the Los Angeles zone but are working outside the LA zone do not receive a local wage uplift, as the items were not purchased or rented out of the zone. If required documents are not readily available and completed, the wages will not qualify for the LW uplift.
- d. Inspect time cards and/or individual weekly payroll summary reports and note the dates in which OZ location is indicated. Time cards may designate "bus-to" for a nearby location outside the Los Angeles Zone and should include county.
- e. Confirm OZ location is defined as an OZ location as per Revenue and Taxation Code section 17053.98(a)(4)(11)(ib) or section 23698(a)(4)(11)(ib).

- f. Inspect shooting schedule, call sheets and production reports to determine that the qualified Local Hire Wages were incurred outside the Los Angeles zone during the applicable period (as defined in section 5520(a) of the Regulations).
- g. Obtain daily payroll report by individual or other relevant payroll report and reconcile LW identified in the ledger with the qualified Local Hire wages in the daily payroll reports by individual.

18. 12. For exceptions noted in the LW testing in procedure 11 above:

- a. Adjust LW for known errors noted during your testing.
- b. Project the misstatement results of the sample to the LW from which the sample was selected. For purposes of calculating the projected misstatement, divide the monetary amount of misstatement of the exceptions identified by the sample population total amount (rate of misstatement). Multiply this rate of misstatement to the total LW population from which the sample was selected. If the known errors noted during testing result in an adjustment to NQ, rather than an adjustment to QW or ZW, do not include these errors when calculating the rate of misstatement.
- c. If the projected misstatement does not exceed 2% of LW, document the projected misstatement in **Exhibit L**. Do not make adjustments to LW for the projected misstatement.
- d. If the projected misstatement exceeds 2%, adjust LW for the projected misstatement amount to the LW population that was not sampled. Reclassify the projected misstatement amount proportionally to QW and ZW, as applicable.

VIII. Non-Qualified Expenditure Testing (Non-Payroll)

1. Select a sample of NQ (other than payroll) from the detailed cost ledger which includes all items \$25,000 or over and haphazardly select an additional 15 items.
2. For each expenditure item, inspect invoices, proof of payment or other equivalent documentation. Verify that the expenditure was not qualified as per Revenue and Taxation Code section 17053.98(b)(21)(B)(i-iv) or 23698(b)(21)(B)(i-iv) and was not purchased or rented and used in California during the applicable period.
3. For exceptions noted in the prior procedure, adjust for known errors and as per findings, reclassify as QE or QW. ~~Utilize these additional findings, if applicable, when calculating Jobs Ratio and tax credit amount.~~ Attach findings and state error rate in **Exhibit M**, the list of noted NQ reclassifications.

IX. Related Parties & Other Affiliations

1. Obtain from the Company a schedule listing of all related party transactions (including parties with a 5% or greater ownership in or affiliation with the Company) for which the Company is including the transactions in the California Qualified Expenditures. The listing should note the type of relationship between the related party and the Company and the nature and amount of the transactions.

-
2. Obtain a signed letter from a Company representative stating that the applicant (indicated in the CAL) has properly disclosed all related parties and related party transactions and that the schedules produced in accordance with item number 1 above are complete and accurate. This statement may be included in the applicant representation letter, **Exhibit F**.
 3. From the schedule obtained in item number 1, select a sample of related party transactions for testing. Select all transactions greater than \$25,000; if related party issues were addressed, it is not necessary to retest items tested in QE procedure V.2. and/or procedure QW procedure VI.3.. For the transactions less than \$25,000, haphazardly select 15 transactions for testing. Perform the following procedures for each related party transaction selection:
 - a. For selected QE paid to related parties:
 - (1) Inspect studio rate cards or comparison bids obtained by the Company to determine that related party transactions did not exceed the highest rate/bid. In addition, inspect pass-through vendor invoices to determine no markup was added. Any expenditures above the highest rate/bid and/or which were marked up when passed through the related party must be noted and explained on the related party transaction listing attachment, see procedure #4.
 - (2) Verify that the expenditure is allowable as per QE procedure V.2.
 - b. For selected QW paid to related parties:
 - (1) Verify that any amounts paid to individuals as defined in Revenue and Taxation Code sections 17053.98 (b)(17)(B)(i-ii) and 23698(b)(17)(B)(i-ii) are not included in QW.
 - (2) Verify that the wage is allowable as per QW procedure VI(3).
 - (3) Compare rate of pay with applicable union rate or industry standard for position. If industry standard wages for type of position in relation to production type and budget levels are not explicit, contact the CFC.
 - (4) For any qualified wages paid by a related party, verify that the wages paid by the related party are by the same entity (same federal ID #) in which the Applicant is paying wages. If not, expenditure must be considered non-wage. (If paying entity has a different federal ID for signatory purposes, contact the CFC.)
 - a) Request documentation from related party to verify that employee of related party worked on the production (e.g., time card, crew list, production report, screen credit).
 - b) For studio personnel whose wages are prorated based on work on other studio productions, request documentation to verify proration is accurate, based on comparing salary with payments on other studio productions.

- (5) Attach an electronic listing as **Exhibit N** of all related party transactions obtained in procedure 1 above. Note and explain any sampled transactions that did not have comparison bids, were above the higher rate/bid, and/or were marked up when passed through the related party.

X. Non-Independent Productions: Additional tax credit calculation (Uplifts)

Note: This procedure is not applicable to Relocating Series in their first season in California.

1. Visual Effects

- a. Obtain from the Company a detailed listing of all worldwide visual effects (VFX) expenditures from the detailed cost ledger and cross reference amounts from VFX vendor letters in QE procedure V.9. with inspection of invoices, ledgers, etc. (**Exhibit G**). Determine if the production spent either a minimum of \$10 million dollars or 75% of their total worldwide VFX expenditures on qualified VFX in California. If so, note percentages and amount in the Report.
- b. Obtain a signed letter from a Company representative stating that the applicant (indicated in the CAL) has properly disclosed all visual effects expenditures worldwide. Include as part of the representation letter **Exhibit F**.
- c. Select a sample from the detailed cost ledger items identified as qualified for the visual effects uplift (VU) containing the top 5 highest costs and 5 additional haphazardly selected costs.
 - d. Verify the sampled costs were incurred in California and qualify for the additional 5% tax credit (VU Uplift) for VFX, as defined in section 5520(cc) of the Regulations, by reviewing VFX categories indicated in green on the applicable Qualified Expenditure Chart (QEC). Adjust VU for expenditures which do not qualify for VU Uplift and include in attachment **Exhibit O**, visual effects adjustment and reclassification. If the sampled VU costs represent Outside Contract Bids / VFX Vendor costs, verify that the costs are prorated 70% QW and 30% QE as per Revenue and Tax Code sections 17053.98(b)(7) and 23698(b)(7). Reclassify between QW and QE as necessary, based upon the errors noted. (**Exhibit O**). If production does not meet the uplift threshold for visual effects, any verified vendor contract should be reclassified 70% QW and 30% QE.

2. Out of Zone Expenditures:

- a. Non-wages – Out of Zone Consumables Expenditures (ZC)
 - (1) Select top 15 ZC expenditures and haphazardly select an additional 10 items labeled ZC and verify that the expenditures were purchased or rented from an out of the zone vendor and meet the definition of a consumable as defined in section ~~5535(c)(3)(B)~~ ~~5524(e)(3)(B)~~ in of the Regulations. In particular, scrutinize equipment and/or box rentals from non-local personnel, as they do not qualify as ZC.

- (2) Perform procedures in QE section V.2. unless previously tested .
- (3) For exceptions noted above, adjust ZC for known errors and project the misstatement results of the sample to all items from which the sample was selected.
- (4) If the projected misstatement does not exceed 2% of ZC, document the projected misstatement in attachment **Exhibit P**, summary of OZ nonwages. Do not make adjustments to ZC for the projected misstatement.
- (5) If the projected misstatement exceeds 2%, adjust ZC for the projected misstatement amount to the ZC population that was not sampled and include findings in **Exhibit P**.
- (6) Utilizing findings from above procedures and calculate total amount of ZC eligible for additional 5% tax credit. Note in attachment **Exhibit Q** and in **Exhibit 1A**.

b. Non-wages – Out of Zone Non-Wage Expenditures (ZE)

- (1) Select top 15 ZE expenditures and haphazardly select an additional 10 items labeled ZE and verify that the expenditures were purchased or rented from an out of zone vendor.
- (2) Perform procedures in QE section V.2. unless previously tested.
- (3) For exceptions, adjust ZE for known errors and project the misstatement results of the sample to all items from which the sample was selected. If the projected misstatement does not exceed 2% of ZE, document the projected misstatement in the Report. Do not make adjustments to ZE for the projected misstatement. If the projected misstatement exceeds 2%, adjust ZE for the projected misstatement to the out of zone ZE population that was not sampled and attach findings in **Exhibit P**.
- (4) Utilize findings in Eligibility section IV.5.b. to prorate the sum from procedure above by utilizing the percentage of principal photography OZ days in relation to total California principal photography days to calculate total amount of ZE eligible for additional 5% tax credit. Note in attachment **Exhibit Q** and **Exhibit 1A**.

c. Out of Zone Wages

- (1) Utilize population in the ledger tagged as ZW incorporating findings in QW procedures VI.8. and 9. to determine amount of ZW eligible for additional 5% tax credit during the Applicable Period. Include findings in **Exhibit Q**.
- (2) Utilize population in the ledger tagged as LW incorporating findings in QW procedures VI.10. and 11. to determine amount of LW eligible for additional 10% tax credit during the Applicable Period. Include findings in **Exhibit Q**.

d. Diversity Goals

- (1) Total Diversity Goals Potential Increase: The applicant may achieve up to a four-percentage point increase in its credit percentage if it meets or makes a good faith effort to meet the diversity goals in its diversity workplan, as described in sections 17053.98(k)(3) and 23698(k)(3) of the Revenue and Taxation Code. Inspect documentation from the CFC to the production company to verify if the production company met or made a good faith effort to meet its diversity goals. If acknowledged by the CFC, determine if the production company's project qualifies for a 2%, 4% or 0% uplift.

- e. Note uplift findings in **Exhibit Q**.

XI: Independent Films and Relocating TV Series: Additional tax credit calculation (Uplifts)

1. Local Hire Labor Qualified Wages (LW)

- a. Utilize findings from section VI.10. and 11. to calculate LW uplift (5%) for Independent Films and Relocating TV Series, if applicable, and note findings in **Exhibit Q** and in **Exhibit 1B**.

2. Visual Effects

- a. For Independent Films with qualified expenditures \$10 million or over, and Relocating TV Series, utilize findings in QE procedure V.9. and if applicable, verify that top 5 highest cost and 5 haphazardly chosen expenditures tagged VU were incurred in California. ~~Verify that sampled Outside Contract Bids / VFX Vendor costs are prorated 70% QW and 30% QE as per Revenue and Taxation Code sections 17053.98(b)(7) and 23698(b)(7) and reclassify between QW and QE as necessary, based upon the errors noted.~~ Include findings in attachment **Exhibit O**.

3. Diversity Goals

- a. Total Diversity Goals Potential Increase: The applicant may achieve up to a four-percentage point increase in its credit percentage if it meets or makes a good faith effort to meet the diversity goals in its diversity workplan, as described in sections 17053.98(k)(3) and 23698(k)(3) of the Revenue and Taxation Code. Inspect documentation from the CFC to the production company to verify if the production company met or made a good faith effort to meet its diversity goals. If acknowledged by the CFC, determine if the production company's project qualifies for a 2%, 4% or 0% uplift. Note uplift findings in **Exhibit Q**.

XII. Wrap-up Procedures

1. As applicable, verify and note that the Independent Film did not exceed a maximum of \$2.5 million dollars in tax credits (the \$10 million-dollar qualified expenditure threshold exclusive of uplifts) or the non-independent project did not exceed the statutory cap sum specified in sections 17053.98(k)(8)(B) and 23698(k)(8)(B) of the Revenue and Taxation Code. ~~\$12 million dollars in tax credits (the qualified expenditure threshold~~

- ~~inclusive of uplifts~~. Verify that uplift amounts do not exceed the maximum allowable as per section ~~5531(k)~~ and ~~(l)~~ 5531(l) and (m) of the Regulations.
2. If applicable (if the production does not meet the 75% principal photography threshold in section IV Eligibility procedure 5), recalculate the 75% spend test (e.g., Eligibility procedure 6) after accounting records are revised for findings in QE and QW procedures. Confirm that 75% of Total Production Expenditures were spent for California Expenditures.
 3. Recalculate the ~~\$7,500,000~~ \$5,000,000 minimum threshold required for qualified soundstage wages inclusive of qualified fringes incurred on certified stage(s) or in certified ancillary buildings during the production period ~~in each taxable year for which a tax credit is claimed~~ after accounting records are revised for findings in QW procedures. Verify that the threshold has been met. If the threshold has not been met, the project is not eligible. Inform the management of the production to inform the CFC that the project does not qualify.
 4. If completion bond costs are included in qualified spend, obtain total completion bond costs and recalculate as a percentage of qualified expenditures not to exceed 2%. If cost exceeds 2%, reduce completion bond fee to no more than 2% of qualified spend.
 5. Complete and attach **Exhibit 1A** or **1B** as applicable, based on findings in **Exhibit 2**.

Appendix A2

California Film & Television Tax Credit Soundstage Filming Program
Sampling Chart

Feature Films/Independent Films/Miniseries/Pilots/Television Series*

	Payroll		Non-Payroll*		
	Top Stratum	Stratum 1	Stratum	Stratum 1	Stratum 2
	Employees with top 10 total qualified wages	Employees with qualified wages under top 10	Items \$25,000 and over	Items over \$500 and under \$25,000	Items \$500 and less
Total Qualified Expenditures					
0 - \$500,000	All Items	10	All Items	50	25
\$500,001 - \$1,000,000	All Items	20	All Items	50	25
\$1,000,001 - \$5,000,000	All Items	25	All Items	50	25
\$5,000,001 - \$10,000,000	All Items	25	All Items	60	25
\$10,000,001 - \$25,000,000	All Items	25	All Items	75	25
\$25,000,001 - 50,000,000	All Items	25	All Items	100	25
\$50,000,001 +	All Items	25	All Items	100	25

*For a Television Series, excluding payroll, the sampling should be based upon aggregating all episode and amortization costs together from a series for purposes of determining the total qualified expenditures above. Once a sample size is determined, the CPA must sample items from each episode, including amortization costs.

AUP Appendix B
2% calculation

Test #1

Total Non-Payroll Population	1,500,000	A
Less Top Stratum Tested	(100,000)	B
Population for Stratum 1 and 2	<u>1,400,000</u>	C = A+B
Sample for Stratum 1 and 2	500,000	D
Test #1 Findings	15,000	E
Rate of Misstatement in Sample	3.00%	F = E/D
Projected Misstatement of Sampled Population	42,000	G = F x C
Projected Misstatement % in Total Population (if below 2% no additional test needed)	2.80%	H = G / A

Test #2

Total Non-Payroll Population	1,500,000	A
Less Top Stratum Tested	(100,000)	B
Population for Stratum 1 and 2	<u>1,600,000</u>	C = A+B
Less Stratum 1 and 2 from Test #1	(500,000)	D
Population for Stratum 1 and 2 Test #2	<u>1,100,000</u>	I = C+D
Sample for Stratum 1 and 2 Test #2	250,000	J
Test #2 Findings	6,000	K
Rate of Misstatement in Sample	2.40%	L = J / K
Projected Misstatement of Sampled Population	38,400	M = C x L
Projected Misstatement % in Total Population	2.56%	N = M / A

Average of Two Projected Misstatements (if both over 2%) 2.68% P = Average (H,N)

Total Non-Payroll Population	1,500,000	A
Less Top Stratum Tested	(100,000)	B
Less Tested in Sample for Test #1	(500,000)	D
Less Tested in Sample for Test #2	(250,000)	J
Total Population Not Tested	<u>650,000</u>	Q = A+B+D+J
Projected Misstatement in Population Not Tested	17,420	R = P x Q

Total Non-Payroll Population Unadjusted	1,500,000	A
Less Actual Findings Top Stratum	-	
Less Actual Findings Test #1	(15,000)	E
Less Actual Findings Test #2	(6,000)	K
Less Projected Findings Avg of Tests	(17,420)	R
Total Adjusted Non-Payroll Qualified Costs	<u>1,461,580</u>	S = A+B+F+L+R

Test #1		
Total Non-Payroll Population	3,500,000	A
Less Top Stratum Tested	(1,500,000)	B
Population for Stratum 1	2,000,000	C = A+B
Sample for Stratum 1	1,200,000	D
Test #1 Findings	15,000	E
Rate of Misstatement in Sample	1.25%	F = E/D
Projected Misstatement in Population	25,000	G = F x C
Projected Misstatement % in Population	0.71%	H = G / A
(if below 2% no additional test)		

Test #2		
Total Non-Payroll Population	3,500,000	A
Less Top Stratum Tested	(1,500,000)	B
Population for Stratum 1	2,000,000	C = A+B
Less Stratum 1 from Test #1	(1,200,000)	D
Population for Stratum 1 Test #2	800,000	I = C+D
Sample for Stratum 1 Test #2	400,000	J
Test #2 Findings	15,000	K
Rate of Misstatement in Sample	3.75%	L = K / J
Projected Misstatement in Population	30,000	M = L x I
Projected Misstatement % in Population	0.86%	N = M / A
Average of Test #1 and Test #2 Findings	30,000	O = E + K
Average of Test #1 and Test #2 Rates	2.5%	P = F + L
Average of Test #1 and Test #2 Rates	0.9%	Q = O / A
(if both over 2%)		

Total Non-Payroll Population	3,500,000	A
Less Top Stratum Tested	(1,500,000)	B
Less Sample for Test #1	(1,200,000)	D
Less Test #2 in Sample for Test #1	-	J
Total Population Not Tested	800,000	Q = A+B+D+J
Projected Misstatement in Population	15,000	R = P x Q

Total Non-Payroll Population Unaudited	3,500,000	A
Less Actual Findings Top Stratum	-	
Less Actual Findings Test #1	(15,000)	E
Less Actual Findings Test #2	-	K
Less Projected Findings	-	R
Total Adjusted Non-Payroll Unaudited Costs	485,000	S = A+B+F+L+R

REMOVE THIS PAGE

CALIFORNIA

Film Commission

California Soundstage Filming Tax Credit Program

LOCAL COMMUNITY EXPENDITURE REPORT

In an effort to report the significant impact a production has on the local economy, the CFC requests an estimate of local expenditures and wages for each county (excluding L.A. county) where filming occurs. Please fill out one form for each county where your production filmed incurring local expenditures, hired local cast, crew, and/or background performers.

Instructions for Accountants: For all out of Los Angeles eCounty 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. eCounty. 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.

Production Title _____ Queue # _____

County _____ Total Shoot Days for Entire Project _____

Shoot Dates _____ Total # of Shoot Days in County _____

_____ Total # of Hotel Rooms _____

LOCAL HIRE PAYROLL		LOCAL VENDORS	
Local Hired Cast	\$ _____	Hotel Cost	_____
	# of Cast _____		
Local Hired BG Performers	\$ _____	Location Fees and Permits	_____
	# of Background Performers _____		
Local Hired Crew	\$ _____	All Other Local Rentals & Purchases	_____
	# of Crew _____		
Total Local Payroll	\$ _____	Total Local Vendor Spend	_____
Total Spend in County		\$ _____	

List any community support, events, and sponsorships which the production company provided in the county, if applicable.

This report was prepared by:

Primary Contact Name: _____ Title: _____

Email: _____ Phone: _____ Date: _____

CALIFORNIA

Film Commission

Soundstage Filming Tax Credit program

PILOT CAREER PATHWAYS TRAINING PROGRAM

The Pilot Career Pathways Training Program is a requirement under Senate Bill 144 targeting underserved communities for entry into film and television industry jobs. These efforts, which can be applied, replicated or scaled to create broader impact and access to employment, should result in job opportunities and placement. Per the statute, approved applicants are required to fund the Pilot Skills Training Program, with the amount of .5% of the estimated tax credit on the Credit Allocation Letter (CAL). Payment must be made within 30 business days from the date of the CAL, or the CAL will be revoked. Applicants who face barriers to meeting the deadline must request an extension from the CFC prior to expiration of the 30-day deadline (see section 5536(a)(7)(B)1. of Title 10 of the California Code of Regulations).

INSTRUCTIONS

1. Fill out the form below and sign. Please make sure to include the name of the person or entity issuing the check and their relationship to the project in the designated fields below for verification purposes.
2. Make the check out to **IATSE Training Trust Fund**
3. Indicate on the memo line the title of your project and "CFC Pilot Skills Fund."
4. Submit this form along with your check to: CALIFORNIA FILM COMMISSION Attention: Tax Credit Program
7080 Hollywood Boulevard Suite 900 Hollywood, California 90028

Production Title	_____	Queue #	_____
Production Type	_____	CAL Date	_____
CAL Amount	_____	Payment Deadline	_____
Name/Entity on Check	_____	Relationship to Project	_____
Fund Amount	<input type="text"/>	Date on Check	_____

Approved Project's Contact Information

Applicant / Company	_____	Taxpayer ID #	_____
Parent / Studio	_____		
Contact Name	_____	Job Title	_____
Email Address	_____	Phone	_____
Mailing Address	_____		
Signature	_____	Date	_____

PAYMENT CONFIRMATION

Dear Applicant:
Thank you for your contribution; this email / form verifies that you are in compliance with the Pilot Skills Training Program Requirement.

Soundstage Filming Tax Credit Program	_____	Date	_____
Submitted Check to IATSE TTF	_____	Initials	_____
USPS Tracking No.	_____		

REFUND INFORMATION (If applicable.)

Notified Fiscal Agent _____

Withdrawn, full amount due: _____

Reduction due to reasonable cause; balance due: _____

Career Readiness Requirement

Verification Form: **PAID INTERNSHIP**



PRODUCTION COMPANY INFORMATION

Date _____ Queue # _____

Project Title _____

Primary Contact Name _____

Email Address _____

Office Phone _____ Cell Phone _____

SCHOOL / ORGANIZATION & INTERNSHIP INFORMATION

School OR Career Based Learning Program _____

Program Type / Degrees Offered Associate Certificate H.S. Diploma Other _____ N/A

Intern's Name _____ Email _____

Area of Interest _____ Cell Phone _____

INTERNSHIP REQUIREMENT VERIFICATION

Start Date _____ End Date _____

Department _____ Total # of Hours _____

Internship Duties Description: _____

- Reviewed timecards and payroll records. Verified intern is at least 18 years of age.
- Verified intern is from CA High School, Community College, or approved career-based learning program.
- Survey completed by intern. Video testimonial submitted. (Optional) Yes No
- Submitted images of intern at work, if available. Yes No

I acknowledge and certify that the information provided above is accurate to the best of my knowledge or at least what would be expected of a reasonable person in the same capacity.

Primary Contact Name _____ Date _____

Career Readiness Requirement
Verification Form: **PROFESSIONAL SKILLS TOUR**

PRODUCTION COMPANY INFORMATION

Date _____ Queue # _____
Project Title _____
Primary Contact Name _____
Email Address _____
Office Phone _____ Cell Phone _____

SCHOOL OR ORGANIZATION INFORMATION

School OR Career Based Learning Program _____
Program Type / Degrees Offered Associate Certificate H.S. Diploma Other _____ N/A
Classes Participating _____ # of Students Participating _____
School/Organization Contact Name _____
Position _____ Email _____

EXTERNSHIP REQUIREMENT VERIFICATION

Tour Date(s) _____ Total # of Hours _____
Production Department Tour Location _____
Brief Description of Tour Activities and Focus _____

Survey completed by participants. Video testimonial submitted. (Optional) Yes No
 Submitted images of professional skills tour, if available. Yes No

I acknowledge and certify that the information provided above is accurate to the best of my knowledge or at least what would be expected of a reasonable person in the same capacity.
Primary Contact Name _____ Date _____

Career Readiness Requirement

Verification Form: **FACULTY EXTERNSHIP / CONTINUING EDUCATION**

PRODUCTION COMPANY INFORMATION

Date _____ Queue # _____

Project Title _____

Primary Contact Name _____

Email Address _____

Office Phone _____ Cell Phone _____

EDUCATOR AND SCHOOL INFORMATION

Education Institution _____

Program Type / Degrees Offered Associate Certificate H.S. Diploma Other _____ N/A

Name _____ Title _____

Email _____ Phone _____

Courses Taught _____

EXTERNSHIP REQUIREMENT VERIFICATION

Externship Date(s) _____ Total # of Hours _____

Production Department Externship Location _____

Brief Description of Externship Duties _____

Survey completed by educator. Video testimonial submitted. (Optional) Yes No

Submitted images of educator at work, if available. Yes No

I acknowledge and certify that the information provided above is accurate to the best of my knowledge or at least what would be expected of a reasonable person in the same capacity.

Primary Contact Name _____ Date _____

Career Readiness Requirement
Verification Form: **CLASSROOM WORKSHOP**



PRODUCTION COMPANY INFORMATION

Date _____ Queue # _____
Project Title _____
Primary Contact Name _____
Email Address _____
Office Phone _____ Cell Phone _____

SCHOOL / ORGANIZATION PRESENTATION INFORMATION

School OR Career Based Learning Program _____
Program Type / Degrees Offered Associate Certificate H.S. Diploma Other _____ N/A
Classes Participating _____ # of Students Participating _____
School/Organization Contact Name _____
Position _____ Email _____

CLASSROOM WORKSHOP / PANEL / PRESENTATION VERIFICATION

Presentation Date _____ Total # of Hours _____
Workshop / Event Topics _____

Presentation, Workshop, or Panel Presenters			
Name	Title	Name	Title
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____

Survey completed by participants. Video testimonial submitted. (Optional) Yes No
Submitted video and images of event, if available. Yes No

I acknowledge and certify that the information provided above is accurate to the best of my knowledge or at least what would be expected of a reasonable person in the same capacity.

Primary Contact Name _____ Date _____

Career Readiness Requirement
Verification Form: **FINANCIAL CONTRIBUTION**



PRODUCTION COMPANY INFORMATION

Date _____ Queue # _____
Project Title _____
Primary Contact Name _____
Email Address _____
Office Phone _____ Cell Phone _____

FINANCIAL CONTRIBUTION RECIPIENT

Organization / Fund _____
Amount of Contribution _____

The Production Company may contribute to California Department of Education (CDE) or Foundation of California Community Colleges (FCCC). The contribution must be of .25% of the estimated tax credit with a minimum of \$5,000 and a maximum of \$12,000. To verify financial contribution, a receipt obtained from CDE or FCCC must be submitted along with this form to the California Film Commission.

California Department of Education

Write check to *Californians Dedicated to Education Foundation*, with a note on the memo line - *Career Readiness Program*.

- Teacher Professional Development & Externships
- Curriculum Development
- Equipment, Materials, Facilities
- Program Promotion
- Convening Industry Partners
- Student Leadership
- Other _____
- No Preference

Foundation of California Community Colleges

Write check to *Foundation of California Community Colleges*, with a note on the memo line - *Non-Profit Internship Fund*.

- Non-Profit Internship Fund

I acknowledge and certify that the information provided above is accurate to the best of my knowledge or at least what would be expected of a reasonable person in the same capacity.

Primary Contact Name _____ Date _____