

Soundstage Filming Tax Credit Program

CPA Verification Checklist

Annual Soundstage Workforce Report

To certify that the soundstages that are part of a certified studio construction project meet the requirements set forth in Revenue and Taxation Code sections 17053.98(k)(13) and 23698(k)(13), the Phase A applicant must annually provide one or several third-party Soundstage Workforce Reports performed by an approved CPA firm. The CPA firm must meet the requirements specified in 10 CCR § 5538(b)(1)(A).

The Phase A applicant must provide one report for each Phase B project filming on the soundstage or soundstages that make up the certified studio construction project and include all soundstages utilized by the Phase B project in question in that report. A soundstage that is in use by more than one Phase B project should be included in all relevant workforce reports.

If the certified studio construction project includes one or more certified soundstages that have not been in use by any CA Soundstage Filming Tax Credit Program Phase B project during the year in question, those unused soundstages may all be grouped together in one report.

The following is a checklist of items to be evaluated and verified by the CPA firm for each Annual Soundstage Workforce Report.

- 1) Obtain documentation and confirm that after completion, the certified soundstage or soundstages in use by the Phase B project in question have been continuously operated, maintained, and repaired by either:
 - a. A workforce that is employed, directly or through a motion picture payroll services company, by the owner of the soundstage or its affiliates or by the Phase B applicant leasing the soundstage. If so, the workforce must be paid “at least the general prevailing rate of per diem wages for the type of work and geographic area,” as referenced in sections 17053.98(k)(13)(A)(i) or 23698(k)(13)(A)(i) of the Revenue and Taxation Code (10 CCR § 5538(a)(1)(A)).
 - b. A workforce that is employed by, and whose services are provided through a third-party vendor. If so, the workforce must be a “skilled and trained workforce” as defined in Chapter 2.9 (beginning with section 2600) of the Public Contract Code (10 CCR § 5538(a)(1)(B)).
- 2) Obtain documentation and confirm the amount of wages paid to a directly employed workforce outlined in 1)a. above, and the amount of payments made to a third-party workforce outlined in 1)b.

above, for operation, maintenance, and repair of the certified soundstage(s) included in each report. List your findings. (Separate totals for each workforce.)

- 3) Obtain documentation and confirm the combined total amount of wages paid to a directly employed workforce, as outlined in 1)a. above, *and* payments to third-party vendors, as outlined in 1)b. above, for operation, maintenance, and repair of the certified soundstage(s) included in each report. List your findings. (The overall wages and payments paid to both workforces, combined.)
- 4) Obtain documentation and confirm the percentage of the total amount, of wages paid to a directly employed workforce, as outlined in 1)a. above, and of payments to third-party vendors, as outlined in 1)b. above, for operation, maintenance, and repair of the certified soundstage(s) included in each report. List your findings. (The respective percentage of the overall total wages or payments, for each workforce.)

If the percentage paid to workers employed directly or through a motion picture payroll services company is certified to be less than 90 percent of the total amount of wages paid for operation, maintenance, and repair of the certified soundstage(s) included in each report, this will negatively impact the credit allocation sum for the Phase B applicant filming on the soundstage(s).

NOTE: Pursuant to 10 CCR § 5538(d), the Phase A applicant is required to furnish the Phase B applicant with any certified studio construction project information that may impact the application process or the tax credit certification process for the Phase B applicant.