

CALIFORNIA FILM COMMISSION
California Soundstage Filming Tax Credit Program

Title 10, Chapter 7.75
Article 4, Sections 5530, 5531, and 5539

NOTICE OF PROPOSED RULEMAKING

April 4, 2025

Notice is hereby given that the California Film Commission (CFC) proposes to amend the regulations described below after considering all comments, objections and recommendations regarding the proposed action.

Proposed Regulatory Action

The CFC proposes to amend sections 5530, 5531, and 5539 in Article 4 of Chapter 7.75 of Title 10 of the California Code of Regulations in order to implement, interpret and make specific Revenue and Taxation Code sections 17053.98 and 23698 relating to a film and television tax credit program.

No public hearing is scheduled; however, any interested person or their duly authorized representative may request a public hearing no later than fifteen (15) days prior to the close of the public comment period.

Written Comment Period

Any interested person, or their authorized representative, may submit written comments relevant to the proposed regulatory action to the Agency. Written comments will be accepted by the Agency through May 19, 2025. Submit comments to:

Name: Leah Medrano
Address: California Film Commission, 7080 Hollywood Boulevard,
Hollywood, CA 90028
Email: SoundstageIncentive@film.ca.gov

Authority and Reference

The proposed regulation will be adopted under the authority of Government Code section 11152, and Revenue and Taxation Code sections 17053.98(e) and 23698(e). The proposed regulation implements, interprets, and makes specific Revenue and Taxation Code sections 17053.98 and 23698.

INFORMATIVE DIGEST/POLICY STATEMENT OVERVIEW

The California Film Commission (CFC) proposes to amend sections 5530, 5531, and 5539 in Article 4 of Chapter 7.75 of Title 10 of the California Code of Regulations. The sections contain requirements related to motion picture production infrastructure and the procedure for certifying studio construction projects for use in the motion picture industry. The proposed amendments will enable applicants to apply for this certification during a longer time span and will also enable applicants to more accurately fulfil expenditure thresholds for large projects.

Summary of Related Existing Laws and Regulations:

In 2021, the Legislature and Administration approved SB 144 (Ch. 114, Stat. 2021), as modified by AB 176 (Ch. 256, Stat. 2021), which among other things, created the new California Soundstage Filming Tax Credit Program (Soundstage Filming Program), applicable to taxable years beginning on or after January 1, 2022, and before January 1, 2032. Permanent regulations for the California Soundstage Filming Tax Credit Program were first adopted on February 15, 2023. On July 10, 2023, the Legislature and Administration approved SB 132 (Ch. 56, Stat. 2023), which contained modifications to the Program. Through the rulemaking process, the permanent regulations of the Soundstage Filming Program were amended as Emergency Regulations as of August 18, 2023, and made permanent as of February 8, 2024. Additional amendments to section 5541, related to end credits and collective bargaining agreements, became effective on June 12, 2024. These promulgated regulations provide a program to the motion picture industry allocating tax credits for qualified motion pictures and incentivizing construction of soundstages in California.

After the adoption of the amended regulations, the CFC was made aware that larger projects may struggle to meet a threshold in current regulations, which stipulates that at least 70% of the construction and renovation expenditures must be spent on the soundstage component(s) of a Phase A applicant's studio construction project. Because the per-square-foot construction cost for soundstages is comparatively low, given that it is in essence a large open space, this presents a challenge for comprehensive studio construction projects that are also building office, and mill space, for example – spaces that are more cost intensive per square foot. The 70% threshold was put in place in regulations under the CFC's rulemaking authority and is not mandated by statute. For this reason, the CFC is proposing to amend the regulations to allow studio construction projects over \$100M to meet a lower soundstage spend percentage threshold. In addition, current regulations stipulate that the CFC stop certifying soundstages within a certain time after all Soundstage Program funds have been allocated to Phase B projects. However, as of SB 132 (Ch.

56, Stat. 2023), there is a provision in the law to allow projects filming on certified stages to also qualify for any successor programs to Program 3.0, and therefore it is not necessary to maintain the correlation between Phase B funding availability and Phase A certification. The CFC is proposing to amend the regulations to allow for certification of Phase A projects throughout the entirety of the Soundstage Program (2022-2032).

Broad Objectives and Anticipated Benefits of the Proposed Regulations:

The Soundstage Filming Program encourages production companies regardless of distribution outlet to film in California instead of other states, provinces, and countries offering incentives. The Program is structured to encourage job creation and training opportunities for disadvantaged youth, and to increase and retain, as well as to encourage and support infrastructure growth for motion picture production in California. The proposed amendments to the previously adopted Soundstage Filming Program regulations will increase access to the Program, enabling the state to successfully operate it and realize its benefits. The objective of CFC's proposed amendments is to enable the California Soundstage Filming Program to fulfill the intent of the statute to stimulate infrastructure growth and ensure as many applicants as possible are able to benefit from the Program.

Consistency And Compatibility with Existing State Regulations:

During the process of developing these regulations, the CFC has conducted a search of any similar regulations on this topic and has concluded that these regulations are neither inconsistent nor incompatible with existing state regulations. The CFC has endeavored to ensure that these regulatory amendments comply with the non-duplication standard found in Title 1, California Code of Regulations.

ESTIMATES OF ECONOMIC IMPACT

The California Film Commission has made the following determinations:

- Mandate on local agencies and school districts: None.
- Cost or savings to any state agency: None.
- Cost to any local agency or school district which must be reimbursed in accordance with Government Code sections 17500 through 17630: None.
- Other nondiscretionary cost or savings imposed on local agencies: None.
- Cost or savings in federal funding to the state: None.
- Significant effect on housing costs: None.
- Significant statewide adverse economic impact directly affecting business, including the ability of California businesses to compete with businesses in other states: None.

- Potential cost impact on representative person or businesses: The agency is not aware of any cost impacts that a representative private person or business would necessarily incur in reasonable compliance with the proposed action.

EFFECT ON SMALL BUSINESS

The California Film Commission has determined that the proposed regulations will not directly affect small businesses. The businesses that may elect to participate in the Program and in such cases will be complying with these regulations are film production companies and/or construction or developer entities, and are as such not small businesses, as defined in section 11342.610 of the Government Code. Small businesses in California may, however, provide goods and services to the businesses electing to comply with these regulations and thus benefit from the additional filming in California.

RESULTS OF THE ECONOMIC IMPACT ASSESSMENT

Pursuant to paragraph (3) of subdivision (e) and clause (iii) of subparagraph (C) of paragraph (10) of subdivision (k) of Sections 17053.98 and 23698 of the Revenue and Taxation Code the CFC is not required to provide an economic impact analysis. Due to the nature of tax credit incentives in relation to economic impact, the CFC has been exempted from the economic impact analysis throughout the existence of the California Film and Television Tax Credit Programs in all iterations; this exemption is consistent with previous practice.

REASONABLE ALTERNATIVES CONSIDERED

The California Film Commission must determine that no reasonable alternative considered by the Commission or that has otherwise been identified and brought to the attention of the Board would be more effective in carrying out the purpose for which the action is proposed or would be as effective as and less burdensome to affected private persons than the proposed action, or would be more cost effective to affected private persons and equally effective in implementing the statutory policy or other provision of law.

CONTACT PERSON

Inquiries concerning the proposed action may be directed to:

Name: Leah Medrano, Deputy Director
Email: soundstageincentive@film.ca.gov
Phone No.: (323) 860-2960

The backup contact person for these inquiries is:

Name: Charlie Savage, Program Assistant

Email: soundstageincentive@film.ca.gov

Phone No.: (323) 817-4101

Questions on the substance of the proposed regulations may be directed to:

Name: Leah Medrano, Deputy Director

Email: soundstageincentive@film.ca.gov

Phone No.: (323) 860-2960

AVAILABILITY OF CHANGED OR MODIFIED TEXT

After the close of the forty-five (45) day public comment period, the CFC may adopt the proposed regulation. As a result of public comments, either oral or written, that are received by the CFC regarding this proposal, the CFC may determine that changes to the proposed regulation are appropriate. If the CFC makes modifications that are sufficiently related to the originally proposed text, it will make the modified text (with the changes clearly indicated) available to the public for at least 15 days before the CFC adopts the regulations as revised. The CFC will provide notification of any such modifications to all persons whose comments were received during the public comment period, all persons whose comments (written or oral) were received at the public hearing (if one is held) and all persons who requested notice of such modifications. Otherwise, please send requests for copies of any modified regulations to the attention of the contact person at the above email address. The CFC will accept written comments on the modified regulations for 15 days after the date on which they are made available.

AVAILABILITY OF INITIAL STATEMENT OF REASONS, RULEMAKING FILE AND EXPRESS TERMS OF THE PROPOSED REGULATIONS

The CFC has established a rulemaking file for this regulatory action, which contains those items required by law. The file is available for inspection at the California Film Commission, 7080 Hollywood Boulevard, Suite 900, Hollywood, California during normal business working hours (9 am–5 pm). Please reach out to the designated Contact Person at the above email address to arrange a date and time to inspect the files. As of the date this Notice is published in the Notice Register, the rulemaking file consists of this Notice, the Initial Statement of Reasons and the proposed text of the regulations. Copies of these items are available, upon request, from the Contact Person designated in this Notice.

AVAILABILITY OF FINAL STATEMENT OF REASONS

The CFC is required to prepare a Final Statement of Reasons. Once the CFC has prepared a Final Statement of Reasons, a copy will be made available to anyone who requests a copy. Requests for copies should be addressed to the Contact Person identified in this Notice.

OFFICE INTERNET WEBSITE

The Office maintains an Internet website for the electronic publication and distribution of written material. Copies of the Notice of Proposed Action, the Initial Statement of Reasons and the text of the regulations can be accessed through our website at: www.film.ca.gov

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, 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) Construction on renovated and converted soundstages must be for capital improvements to the property, not repairs or maintenance.

(2) Minimum expenditures for capital improvement costs must be no less than \$750,000 for a soundstage or if renovating more than one soundstage, average no less than \$500,000 per soundstage.

(3) Actual construction or renovation expenditures for soundstages, not including ancillary buildings, shall ~~be at~~ be:

(A) At least 70% of the total spend for the certified studio construction project, project for construction projects with actual construction or renovation expenditures of no less than twenty-five million dollars (\$25,000,000) and no more than one hundred million dollars (\$100,000,000).

(B) At least 50% of the total spend for the certified studio construction project for construction projects with actual construction or renovation expenditures of more than one hundred million dollars (\$100,000,000).

(d) – (m) (Continued)

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

§ 5531. Eligibility Determination.

(a) (Continued)

(b) Application Acceptance and Eligibility:

(1) Phase A applications will be accepted throughout the Program on a first come, first served ~~basis, basis until thirty (30) days after issuance of the production alert, required pursuant to section 5539(c), announcing that 75% of all funds have been allocated.~~

(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) – (n) (Continued)

Note: Authority cited: Sections 17053.98(k)(10) and 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), 17053.98.1(g)(2)(D)(iii)(II), 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(b)~~ and 23698(g), and 23698.1(g)(2)(D)(iii)(II), Revenue and Taxation Code; and Section 14998.1, Government Code.

§ 5539. Tax Credit Allocation

(a) - (b) (Continued)

(c) Once approximately seventy-five percent (75%) of the Program's available credit funding has been reserved, the CFC will issue a production alert and post on its website that the Program is nearing reservation of its full funding. ~~funding and will cease to accept applications for Phase A on the date that is 30 business days after issuance of the production alert and website post (the "designated date").~~ Phase A applications will only be accepted ~~after the designated date~~ for soundstage construction or renovation projects ~~that were~~ issued a foundation permit or a structural building permit ~~after July 21, 2021 as per Revenue and Taxation Code sections 17053.98(k)(2)(A)(iv) and 23698(k)(2)(A)(iv) and through the end of the Program designated date. No other Phase A applications will be accepted unless and until the Program receives additional funding.~~

(d) – (h) (Continued)

Note: Authority cited: Sections 17053.98(k)(10) and 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), 17053.98.1(g)(2)(D)(iii)(II), 23036, 23698(i)(4), 23698(k)(1)-(4), 23698(k)(8)-(9), 23698(k)(11), ~~23698(k)(11)~~ and 23698(a), and 23698.1(g)(2)(D)(iii)(II), Revenue and Taxation Code; and Section 14998.1, Government Code.

INITIAL STATEMENT OF REASONS

OVERVIEW

In 2021, the Legislature and Administration approved SB 144 (Ch. 114, Stat. 2021), as modified by AB 176 (Ch. 256, Stat. 2021), which among other things, created the new California Soundstage Filming Tax Credit Program (Soundstage Filming Program), applicable to taxable years beginning on or after January 1, 2022, and before January 1, 2032. Permanent regulations for the California Soundstage Filming Tax Credit Program were first adopted on February 15, 2023. On July 10, 2023, the Legislature and Administration approved SB 132 (Ch. 56, Stat. 2023), which contained modifications to the Program. Through the rulemaking process, the permanent regulations of the Soundstage Filming Program were amended as Emergency Regulations as of August 18, 2023, and made permanent as of February 8, 2024. Additional amendments to section 5541, related to end credits and collective bargaining agreements, became effective on June 12, 2024. These promulgated regulations provide a program to the motion picture industry allocating tax credits for qualified motion pictures and incentivizing construction of soundstages in California.

After the adoption of the amended regulations, the CFC was made aware that larger projects may struggle to meet a threshold in current regulations, which stipulates that at least 70% of the construction and renovation expenditures must be spent on the soundstage component(s) of a studio construction project. Because the per-square-foot construction cost for soundstages is comparatively low, this presents a challenge for comprehensive studio construction projects. In addition, current regulations stipulate that the CFC stop certifying soundstages within a certain time after all Soundstage Program tax credits have been allocated. However, through SB 132, a provision in the law allows projects filming on certified stages to also qualify for the California Film and Television Tax Credit Program 4.0 through filming on certified soundstages and meeting Soundstage Filming Program requirements, and therefore it is not necessary to maintain the correlation between Program tax credit availability and certification. The CFC is proposing to amend the regulations to allow certification throughout the entirety of the Soundstage Program (2022-2032).

The Soundstage Filming Program encourages production companies regardless of distribution outlet to film in California instead of other states, provinces, and countries offering incentives. The Program is structured to encourage job creation and training opportunities for disadvantaged youth, and to increase and retain, as well as to encourage and support infrastructure growth for motion picture production in California. The proposed amendments to the previously adopted Soundstage Filming Program regulations will increase access to the Program, enabling the state to successfully operate it and realize its benefits. The objective of CFC's proposed amendments is to enable the California Soundstage Filming Program to fulfill the intent of the statute to stimulate infrastructure growth and ensure as many applicants as possible are able to benefit from the Program. The CFC has discussed the proposed amendments with stakeholders representing motion picture production studios and independent infrastructure developers.

SPECIFIC PURPOSE FOR EACH REGULATION AND FACTUAL BASIS FOR DETERMINING THAT EACH REGULATION IS NECESSARY

5530

Paragraph 5530(c)(3), subparagraphs (c)(3)(A), and (B)

Specific purpose:

The amendments to paragraph 5530(c)(3) are proposed to correct an unintended consequence of the original program regulations. The 70% spend threshold that was instated was put in place to ensure that studio construction projects seeking certifications were foremost focused on building

infrastructure for film and television production, however, the fact that soundstages are large warehouse-like spaces that have a relatively low construction cost per square foot of space was not fully taken into account. In conversation with stakeholders, the CFC has been made aware that for an entity that builds both soundstages and film and television production-related ancillary space, such as production offices, mill space, postproduction space, etc., those spaces with a relatively high construction cost per square foot, will easily balloon past the permitted 30% in instances when large soundstage campuses are being constructed. This effect is contrary to the intent of the California Soundstage Filming Tax Credit Program. The CFC is eager to ensure that applicants working in the spirit of the bill to increase California production infrastructure are able to participate in the program and therefore suggests amendments to the original regulations to lower the required threshold to 50% for projects with actual construction or renovation expenditures over \$100 million.

Factual basis:

As set forth in, and consistent with, sections 17053.98(k)(1) and 23698(k)(1) of the Revenue and Taxation Code, the CFC is authorized under the Soundstage Filming Tax Credit Program to allocate tax credits to a qualified motion picture produced in the state at a certified studio construction project; paragraph 5530(c)(3), inclusive, specifies the parameters for certification. The proposed amendments ensure that large film and television industry infrastructure development projects can reasonably meet Program thresholds within the unique construction factors that apply to soundstage construction and are consistent with the authority provided in Revenue and Taxation Code sections 17053.98(k)(10)(A) and 23698(k)(10)(A).

The amended regulations meet the "necessity," "clarity," and "consistency" standards of the APA, Section 11349 of the Government Code, subsections (a), (c), and (d). The regulation is also consistent with the requirements of style pursuant to Section 11343.1 of the Government Code and the principles of "plain English" rule drafting.

5531 and 5539

Section 5531, paragraph (b)(1)

Section 5539, subdivision (c)

Specific purpose:

The amendments to paragraph 5531(b)(1) and subdivision 5539(c) are proposed to align the timeframe an applicant applying for certification of their studio construction project with the statutory provisions that allow an applicant to utilize certified soundstages to qualify for the California Film and Television Tax Credit Program 3.0 and 4.0 and successor Programs after all Soundstage Filming Program tax credits have been allocated or the active period of certification for a soundstage has expired. Instead of limiting the certification to a timeframe which correlates to tax credit funding for Soundstage Filming Program motion picture production projects, these amendments allow for Phase A applications to continue throughout the full scope of the Program. This will ensure that as many Phase A projects as possible are able to benefit from Program participation and ensure that the California Soundstage Filming Tax Credit Program continues to fulfill its purpose of stimulating film and television production industry infrastructure growth.

Factual basis:

As set forth in, and consistent with, sections 17053.98(k)(1) and 23698(k)(1) of the Revenue and Taxation Code, the CFC is authorized under the Soundstage Filming Tax Credit Program to allocate tax credits to a qualified motion picture produced in the state at a certified studio construction project; paragraph 5531(b)(1) and subdivision 5539(c) specify the timeframes for certification of studio construction projects. The proposed amendments enable film and television industry infrastructure development projects to continue to seek certification and benefit from the Program throughout the full scope of its timeframe, pursuant to and consistent with Revenue and Taxation Code sections 17053.98(k)(8), 23698(k)(8), 17053.98.1(g)(2)(D)(iii)(II), and 23698.1(g)(2)(D)(iii)(II),

and the authority provided in Revenue and Taxation Code sections 17053.98(k)(10)(A) and 23698(k)(10)(A).

The amended regulations meet the "necessity," "clarity," and "consistency" standards of the APA, Section 11349 of the Government Code, subsections (a), (c), and (d). The regulation is also consistent with the requirements of style pursuant to Section 11343.1 of the Government Code and the principles of "plain English" rule drafting.

FORMS INCORPORATED BY REFERENCE

None.

TECHNICAL, THEORETICAL, AND/OR EMPIRICAL STUDIES, REPORTS, OR DOCUMENTS RELIED UPON

None.

REASONABLE ALTERNATIVES TO THE REGULATION AND THE OFFICE'S REASON FOR REJECTING THOSE ALTERNATIVES

No other alternatives were presented to or considered by the CFC. The CFC determined that it would not be reasonable to keep the regulations as is to effectuate the purpose of the statute. These regulations implement Revenue and Taxation Code sections 17053.98 and 23698.

REASONABLE ALTERNATIVES TO THE PROPOSED REGULATORY ACTION THAT WOULD LESSEN ANY ADVERSE IMPACT ON SMALL BUSINESS

The CFC has not identified any alternatives that would lessen any adverse impact on small business. The California Soundstage Filming Tax Credit Program provides more opportunities for small business as it affords more production companies the opportunity to film in California, and the proposed amendments to Program regulations will make the Program easier to comply with for applicants.

EVIDENCE SUPPORTING FINDING OF NO SIGNIFICANT ADVERSE ECONOMIC IMPACT ON ANY BUSINESS

The CFC has determined that the proposed regulations would not have a significant adverse economic impact on businesses. The California Soundstage Filming Tax Credit Program provides for an increase in revenues and employment in California by bringing more filming business into California. The proposed amendments to Program regulations will make the Program easier to navigate for applicants.

SPECIFIC TECHNOLOGY OR EQUIPMENT

These proposed regulations do not mandate the use of specific technologies or equipment.

CONSULTATION WITH THE GOVERNOR'S OFFICE OF BUSINESS AND ECONOMIC DEVELOPMENT (GO-Biz)

The CFC has worked in close consultation with GO-Biz in the development of the proposed amendments to these regulations, as required pursuant to Section 17053.98(e) and 23698(e) of the Revenue and Taxation Code. GO-Biz has reviewed and approved the regulations in their entirety prior to public notice.

JOINTLY PRESCRIBED APPLICATION WITH THE FRANCHISE TAX BOARD (FTB)

The CFC is required to jointly prescribe the application for tax credit allocation under the California Soundstage Filming Tax Credit Program with the FTB, pursuant to Section 17053.98(g)(2)(A) and 23698(g)(2)(A) of the Revenue and Taxation Code. As the amendments in this rulemaking action do not affect the content or process for the application for tax credit allocation within the Program and is solely concerned with the pre-allocation certification process for Phase A participants, FTB input and approval is therefore not required and has not been sought.

STATEMENT OF GOOD CAUSE FOR IMMEDIATE EFFECTIVE DATE

The amendments proposed through this rulemaking action are intended to ensure the requirements and processes of the California Soundstage Filming Tax Credit Program are unambiguous and consistent; they were designed to aid applicants in the Program in complying with the Program requirements and thereby being able to gain access to the benefits this Program offers. These amendments do not place any additional burden on applicants, rather, they will enable more potential applicants to meet requirements and benefit from the Program. Delaying the effective date of these amendments to the next quarterly date would provide no benefit to applicants, rather it would be a barrier to Program participation.