CALIFORNIA

Film Commission

Program Guidelines 4.0

California Film and Television Tax Credit Program 4.0

January 1, 2026

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TABLE OF CONTENTS Note: Click on each section to jump to the corresponding page.

I. INTRODUCTION

The mission of the **California Film Commission** (CFC) is to support the film, television, and commercial industries to retain, attract, and grow production-related jobs and the many ancillary businesses that benefit from increased production activity in California.

The CFC prepared these Program Guidelines to assist production companies and taxpayers with the California Film & Television Tax Credit Program 4.0. The material below contains information from statute AB 1138 in a readable, organized format. It may bring clarity to certain provisions of the statute and contain new and additional administrative requirements.

Applicants should read and understand the requirements of Sections 17053.98.1 and 23698.1 of the Revenue and Taxation Code and Program Regulations and are also strongly advised to consult with their legal and financial advisors. Applicants are also encouraged to consult with their diversity representatives, as applicable, to ensure they are complying with the Diversity, Equity, Inclusion, and Accessibility (DEIA) provisions to maximize tax credit. All the information and cited documents contained in this document pertain to productions with Credit Allocation Letters dated on or after July 1, 2025.

A GLOSSARY of terms for all text in **bold** throughout this document can be found at the end of the document.

II. PROJECT ELIGIBILITY AND PROGRAM FUNDING

The California Film & Television Tax Credit Program 4.0 provides a reservation of tax credits based on **qualified expenditures** for qualified productions that are filmed in California. The five-year program began on July 1, 2025, and will continue through fiscal year 2029-2030. The California fiscal year runs from July 1 through June 30. The program allocates $750 million of tax credits each fiscal year.

A. PROJECT ELIGIBILITY

1. A qualified motion picture (television series, pilot, limited series, independent, and non-independent feature films) must meet one of the conditions below in order to be an eligible applicant.
    a. A minimum of 75% of the **production budget** must be utilized for goods, services, and/or wages within California.
    b. A minimum of 75% of total **principal photography** days must occur wholly in California. Principal photography days in California do not include the filming of primary backgrounds, plates, action and/or crowd scenes by a Second Unit,

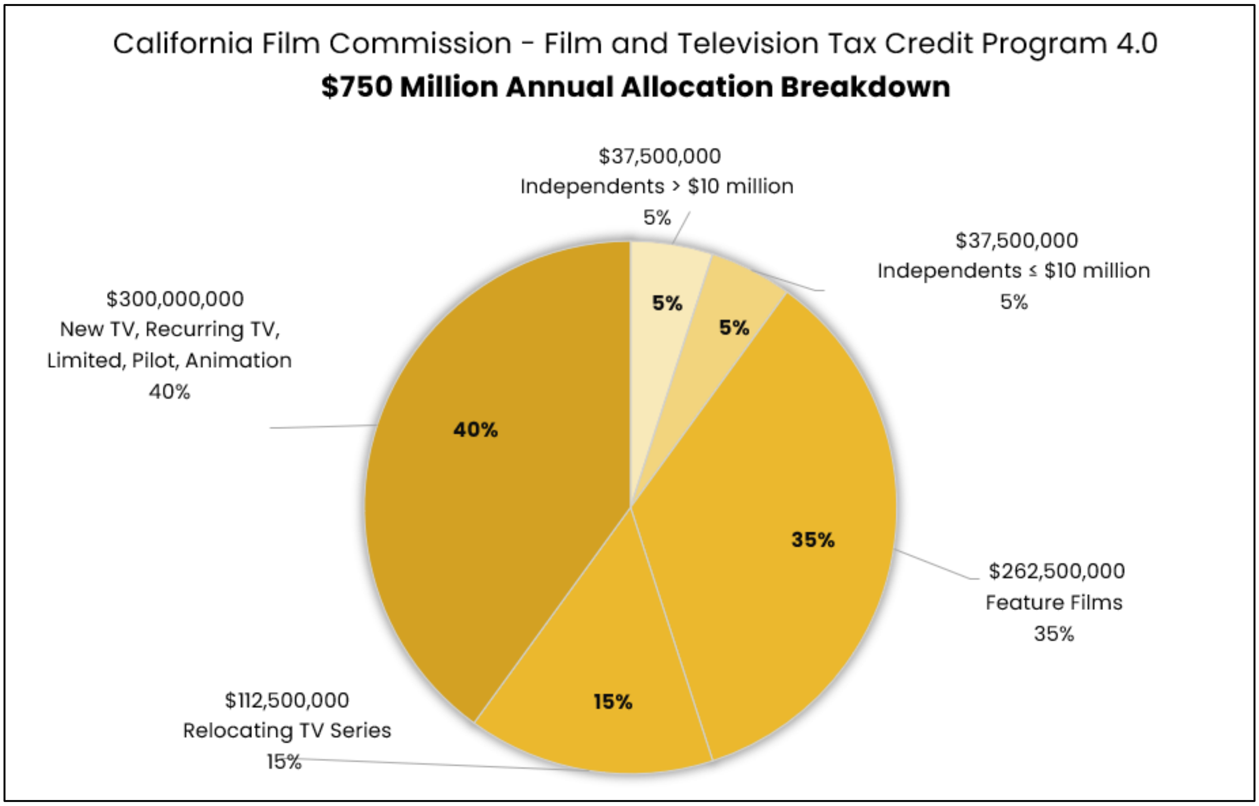
Aerial or Drone Unit, or Stunt Unit. It may include Visual Effects Units filming in a Virtual Production volume if the VFX Unit involves the Director and Cast.

1. **Animation projects**, defined as a qualified motion picture in which movement and characters' performances are created using a frame-by-frame technique in 2D, 3D, or stop-motion, and may include motion capture are eligible. They may apply as either film or television. As there is no principal photography in an animation project, eligibility for the tax credit program relies solely on the 75% spend condition.
2. A **Large-scale Competition Show** is a television series that has contestants who compete, resulting in one or a group of contestants winning or being awarded a financial benefit or other consideration. The winner may be chosen by a live or broadcast audience, a panel of judges, a single judge, other contestants, through a head-to-head competition, or may be determined by the contestant who has achieved the highest score or most points or other metric, or is the last remaining contestant who has not been otherwise eliminated. It is distinguished from a **Game Show**, which is closed-ended wherein the competition is self-contained within an episode, does not carry over between episodes, with the winner being chosen at the end of each episode. Large-scale competition shows do not include traditional reality shows, game shows, talk shows, or docu-follow television programs.

3. The following productions are ineligible to apply to the tax credit program:
    a. Award shows
    b. **Clip-based programming** if more than 50% of the content is comprised of licensed footage.
    c. Commercial advertising
    d. Current events or public events programs
    e. Daytime dramas
    f. **Documentaries**
    g. Educational programming
    h. Music videos
    i. Motion pictures produced for private non-commercial use
    j. News programs
    k. Student films
    l. Sporting events or activities
    m. **Strip show**
    n. Talk shows
    o. Telethons or any productions soliciting funds
    p. Variety programs
    q. Productions that fall within the recordkeeping requirements of Section 2257 of Title 18 of the United States Code.

B. PROGRAM FUNDING

Tax Credits are allocated each fiscal year to eligible productions according to the following designated funding. All categories may be produced for any distribution outlet including network television, basic cable, pay-tv, streaming, and theatrical release.



1. <u>40% TV Projects: New and Recurring TV Series, Pilots, Limited Series, Reboot TV Series, Second Season TV Series, Animation Series, and Large-Scale Competition Shows ($300 million)</u>

   Television series, licensed for any distribution outlet, must have a minimum production budget of $1 million per episode. Each episode must have at least 20 minutes of running time, excluding commercials.

   a. A **Television series season** consists of no fewer than six (6) episodes and no more than thirty (30) episodes within a period of twelve (12) months. A series consisting of fewer than six episodes may fall under the definition of a limited series.

   b. **Television pilots** must have a minimum production budget of $1 million with a running time of at least 20 minutes, excluding commercials.

c. **Limited Series** consists of two or more episodes each longer than 40 minutes of running time, exclusive of commercials, which has an intended finite end after a single season. It must have a minimum production budget of $1 million per episode.
d. **Reboot television series** is a television series that has not previously received a credit allocation and has completed principal photography of its most recent season more than 48 months prior to applying for a new credit allocation.:
e. A **Second Season television series** is a television series that either was ineligible to apply for its season one filmed in California OR applied for, but did not receive, an allocation for its season one filmed in California. This is not applicable for any season beyond season two.

Once a New Television Series applies for an additional season, the project moves to the Recurring TV category for that additional season and for all subsequent seasons.

2. <u>15% Relocating Television Series ($112.5 million)</u>
A television series that filmed at least one season outside of California that intends to film a subsequent season in California is considered a **Relocating TV series.** At least seventy-five percent (75%) of principal photography of its most recent TV season must have been filmed outside of California. Each episode must have a minimum production budget of $1 million with a minimum of 20 minutes in length, exclusive of commercials. Once a Relocating TV project applies for any additional season beyond the first season filmed in California, the project moves to the Recurring TV category for those subsequent seasons.

3. <u>35% Non-Independent Feature Films ($262.5 million)</u>
A **Non-Independent Feature Film** must have a minimum running time of at least seventy-five (75) minutes with a minimum production budget of $1 million. The intended commercial distribution must be via motion picture theater or streaming. A long-form film intended for distribution on television or via a streaming service (Made-for-TV movie) should apply under the Non-Independent Feature Film or either of the Independent Film categories depending on which of the criteria it satisfies, rather than one of the Television categories. A live production distributed via network television may also apply as a feature film; simultaneous distribution must occur via streaming or internet service in order to qualify. Non-Independent Animation films meeting the same criteria may also apply.

4. <u>10% Independent Films ($75 million)</u>

   An **Independent Film** must have a minimum production budget of $1 million and must have a minimum running time of at least seventy-five (75) minutes. Intended commercial distribution may be via motion picture theater or streaming/internet service but there is no distribution requirement. Independent animation films meeting these criteria may also apply. The funding for the independent film category is split into two sub-categories:

   a. 5% Independent films with qualified expenditures of $10 million or less.
   b. 5% Independent films with qualified expenditures greater than $10 million.

C. PROGRAM 4.0 DIVERSITY, EQUITY, INCLUSION, AND ACCESSIBILITY (DEIA) PROVISIONS

DEIA (diversity, equity, inclusion, and accessibility) is a commitment to providing underrepresented groups equitable access to opportunities and fair treatment of all individuals. The statute added several DEIA requirements and optional provisions to the California Film and Television Tax Credit Program 4.0. These provisions, applicable to both qualified and non-qualified individuals, are focused on:

- **Inclusive Hiring** – reducing bias in hiring, valuing diversity, and ensuring a fair recruiting process.
- **Equity Education** - learning about the history and current experiences of underrepresented groups, understanding civil rights and discrimination laws, and setting realistic goals to ensure diversity, equity, inclusion, and accessibility for everyone on production.
- **Industry Capacity Building** - helping to increase an inclusive and skilled workforce and vendor/supplier base in all areas of production; and,
- **Supplier Diversity** - contracting with vendors, such as catering companies, accounting firms, equipment rental and post houses, that are owned and operated by underrepresented groups.

All applicants that move forward to Phase II are required to submit a checklist, Form DEIA1, with best practices in these focus areas; submitting Form DEIA1 is an eligibility requirement for all production categories. Applicants that do not submit the checklist will be disqualified from the Program.

In Phase I of the application in the online application portal, applicants may opt in to or opt out of participating in additional diversity provisions, which include participating in a DEIA Orientation, submitting a DEIA workplan (Form DEIA2), an Interim Assessment (Form

DEIA3), and a Final Assessment (Form DEIA4). An applicant with a project that is an independent film with a qualified expenditure budget of $10 million or less is exempt from the optional diversity provisions and the project's tax credit amount will not be impacted. Applicants that *opt in* to the diversity provisions, and set, make and/or meet good-faith efforts on their DEIA goals are eligible to receive 100% of allocated tax credits. Applicants that *opt out* of the diversity provisions or do not make or meet good-faith efforts on their diversity workplan goals are eligible to receive 96% of allocated tax credits. More information on the various provisions is available below.

D. SAFETY IN PRODUCTIONS PILOT PROGRAM

As part of the California Labor Code, the "Safety in Motion Picture Productions" pilot program requires an employer for a qualified motion picture that receives a tax credit under Program 4.0 to hire or assign a **safety advisor** for California filming activities who will, among other things, perform risk assessments and complete a **final safety evaluation report**. Safety advisors must meet certain training requirements outlined in the Labor Code. The safety advisors must be assigned exclusively to one project at a time, and work only in the role of safety advisor on that project. Tax credits allocated under Program 4.0 will not be certified unless the required Final Safety Evaluation Report has been submitted by the applicant. This pilot program is not administered or enforced by the CFC, but resource documents are provided to approved projects. For questions, please reach out to IncentiveProgram4@film.ca.gov and include "Safety on Productions" in the subject line or visit the film commission website.

Animation projects are exempt from this provision, except if they involve motion capture filming.

III. TAX CREDITS AND UPLIFTS

A. TAX CREDITS FOR QUALIFIED MOTION PICTURES

1. <u>35% Refundable Tax Credit</u>
   a. Non-independent productions that are Feature films, Animation films, New TV series, Recurring TV series, Pilots, Limited series, Reboot TV series, Second Season TV series, Animation TV series or Large-scale Competition shows are eligible to receive 35% tax credits.

b. The 35% tax credit applies up to a maximum of $120 million of qualified expenditures, which serves as an effective cap on the tax credit amount of $42 million, excluding uplifts.
c. Tax credits are non-transferable. They may be used to offset tax liability with the State of California, or they may be refunded by the state of California according to the rules for **Refunding Tax Credits**, detailed in Section X below.
d. Independent producers may opt to apply under the non-independent category. If they do so, the tax credits will be subject to the same rules as other non-independent projects.

2. <u>40% Refundable Tax Credit</u>
Relocating TV series applicants are eligible for 40% tax credits up to a maximum qualified expenditure of $120 million. This serves as an effective cap on the tax credit amount of $48 million, excluding uplifts. Subsequent seasons, considered Recurring TV series, receive 35% tax credits. Relocating TV series are considered a non-independent category and may not transfer or sell tax credits, except as provided under the rules for Refunding Tax Credits, detailed in Section X below.

3. <u>35% Transferable or Refundable Tax Credit</u>
Independent Film applicants are eligible to receive 35% of qualified expenditures, applied to a maximum of $20 million of the qualified expenditure budget. This serves as an effective cap on the tax credit amount of $7 million, excluding Uplifts. Independent film applicants may sell or transfer tax credits or may elect to refund tax credits as provided under the rules for Refunding Tax Credits in Section X below.

B. UPLIFTS / ADDITIONAL TAX CREDITS

Applicants may be eligible to receive uplifts, an additional 5% or 10% tax credit if spending occurs in any or all of the three categories listed below, as applicable. The Budget Tagging and Tracking Tips and the Qualified Expenditure Chart (QEC) can be used by an applicant to ensure proper tagging. These documents indicate additional details about uplifts.

1. <u>5% Visual Effects</u>
   a. TV projects (except Relocating TV series and Animation series) and Non-Independent Feature films (except Animation films) are eligible to receive an additional 5% tax credit for visual effects expenditures.
   b. To qualify, VFX expenditures in California must either equal or surpass $10 million OR comprise at least 75% of the total worldwide VFX costs.

c. Please refer to the QEC to determine which VFX expenditures qualify for the uplift, as well as the preferred tagging to use.
d. Under Program 4.0, VFX vendor costs must be tagged 70% qualified wages and 30% qualified non-wages.

2. 5% Out of Zone (OZ) Expenditures
    a. TV projects (except Relocating TV series and Animation series) and Non-Independent Feature films (except Animation films) are eligible to receive an additional 5% for filming outside the Los Angeles zone. To verify if a location is outside the zone, please refer to the locations page on the CFC website.
    b. Qualified wage and non-wage expenditures outside the LA zone are eligible for a 5% uplift for both principal photography and **second unit** solely during the **applicable period.**
    c. Non-wage expenditures for items purchased or rented outside the Los Angeles zone AND used or consumed entirely outside the LA zone will be allowed 100% of the items' cost, as substantiated by proper documentation.
    d. Expenditures that are purchased or rented outside the LA zone and used both outside and inside the LA zone are eligible for an uplift if they fall under a qualified non-wage category. These expenditures are pro-rated based on the percentage of principal photography days outside the LA Zone in relation to the total principal photography days in California.
    e. The QEC and the Budget Tagging and Tracking Tips offer specific tagging methodology and explain how to track expenditures outside the Los Angeles zone.

3. Out-of-Zone Labor Working Out of Zone ("**Local Hire Labor**")

    a. All project categories with the exception of Relocating Television Series are eligible to receive an additional 10% tax credit for qualified wages related to California residents that both reside outside the LA zone and work outside the LA zone ("local hire labor"). The Local Hire Labor uplift does not apply to Animation projects.
    b. Relocating TV series are eligible to receive an additional 5% tax credit for such qualified local hire labor.
    c. Documentation is required (CA Driver's License, State ID Card, or Passport, AND one of the following: a current home or apartment rental agreement, a utility bill, mortgage statement, internet or phone provider bill, renter's or homeowner's

insurance bill, or equivalent document, issued within the previous three months) as proof of residential location outside the LA Zone. A Driver's License alone is not sufficient. Proof must be requested by production accountants at the time of hire and provided to the CPA performing the audit. Lack of proof will disqualify that crew member's wages for the local hire labor uplift.

IV. BUDGET AND APPLICATION PREPARATION

A. EXPENDITURES: QUALIFIED AND NON-QUALIFIED

Qualified expenditures are the portion of production costs that qualify for a tax credit allocation. These costs must be incurred and services performed during the **qualified period** in the state of California, and can include crew and staff salaries, wages, and fringe benefits, the cost of facility rentals and equipment, production operation costs such as safety, construction, wardrobe, food, lodging, and lab processing. Qualified wages also include payments to **qualified entities***,* such as loan-out corporations.

1. The Qualified Expenditure Charts and Budget Tagging and Tracking Tips are helpful guides for determining which expenditures qualify in the calculation for credits. They also provide important information for budgeting, tracking, and reporting qualified expenditures. Section VI (A)(1) provides specific guidelines on qualified expenditure budget requirements.

2. Non-Qualified Expenditures do not qualify for tax credits, but they may be counted toward the 75% expenditures-spent-in-California test for eligibility purposes. These Non-Qualified Expenditures include, but are not limited to, the following.
    a. Wages paid to producers, writers, directors, actors, stunt performers, music directors, music composers, music supervisors, and performers. (Background performers, stand-ins and off-camera stunt personnel are eligible as qualified wages.)
    b. Expenses, including wages, paid or incurred with respect to project acquisition, development, turnaround, or any rights thereto.
    c. Expenses, including wages, related to financing, overhead, marketing, publicity, promotion, or distribution of a qualified motion picture. These include, but are not limited to, digital cinema distribution copies and release prints.
    d. Expenses, including wages, related to new use, reuse, clip use, licensing, secondary markets, residual compensation or the creation of any ancillary

product including, but not limited to, soundtrack albums, toys, games, video games, trailers, or teasers.

e. Expenses for services performed outside the state of California, e.g., visual effects work which is physically performed out-of-state.
f. Certified Public Accountant expenses for the required audit report, the **Agreed Upon Procedures (AUP)**.
g. Financial contributions to the career readiness and career pathways programs. Wages paid to interns participating in those programs do qualify, however.
h. Federal payroll taxes.
i. CA solvency taxes.
j. Expenditures paid or incurred before or after the qualified period, defined as the date of issuance of the **Credit Allocation Letter (CAL)** until 30 days after **delivery of the final element** in **post-production**.

B. APPLICATION PROCESS

1. Phase I: Eligible productions apply for tax credits.
2. Phase II: Applications with the highest-ranked jobs ratios submit required documentation.
3. Phase III (or CAL status): Credit Allocation Letters are issued for approved projects.
4. Phase IV: CAL projects start principal photography. A project remains in Phase IV until the audit process is completed, following delivery of the final element.
5. Phase V (or tax credit status): Once the audit process is complete, the **Tax Credit Certificate** will be issued.

V. PHASE I: APPLICATION SUBMISSION AND JOBS RATIO RANKING

A. HOW TO SUBMIT AN APPLICATION

1. Online Application Portal
   a. Applications must be submitted via the online application portal during specific **application windows** as announced by the CFC in Production Alerts and on the website.
   b. Application windows are grouped by category, meaning projects will only compete against other projects from the same category.
   c. Applicants must have the project's shooting schedule and qualified expenditure budget information in order to complete the following sections in the online application portal.

i. Applicant Information: Entity and Taxpayer ID #
ii. Contacts: Name, Company, Phone, Email
iii. Business Structure
iv. Financing Sources and Entity Ownership
v. Proposed Project such as key creatives, logline and synopsis
vi. Production Shoot Days and Location(s)
vii. Production Statistics: Cast, Crew, Extras *
viii. Uplift Information: VFX, OZ, Local Hire
ix. Qualified Wage, Qualified Non-Wage, Bond, and Contingency Costs

** Note: When collecting cast and crew production statistics, keep in mind that during the AUP process productions must submit voluntary, self-reported aggregate diversity data (race, ethnicity, gender, disability status, veteran status, ZIP Code) (see Section IX, B.) This information is required for all qualified and non-qualified hires and can be collected in employees' start paperwork.*

2. It is important that the applicant includes more than one contact in its project application so that a backup person is reachable in the event the primary contact is not reachable. In addition to an Applicant contact, a Production Company contact and a Budget/Scheduling contact, a DEIA Contact is required for all applicants that choose to Opt In. For applicants that do not have a designated DEIA role in their production, contact information for a unit production manager, or someone in a similar role, may be entered.

3. Applicants should not submit more than one application per project per allocation period. If the CFC receives duplicate applications for the same project, both applications will be disqualified from the tax credit program.

4. Any projects that begin principal photography in California prior to acceptance in the program will be deemed Ineligible. However, filming outside of California prior to acceptance is permissible. Expenditures incurred on services, wages, or goods (whether paid or unpaid) prior to receiving a Credit Allocation Letter do not qualify for tax credits.

5. A new application must be submitted for each season of a Recurring TV series. Any TV series which does not apply for a subsequent season within 18 months of completion of Principal Photography of the previous season is deemed to have waived its credit

allocation guarantee as a Recurring TV series. If a series applies after the 18-month period has elapsed, it must do so as a New TV series.

6. The first season of a TV series ordered from a Pilot that received a credit allocation shall be deemed a New TV series, not a Recurring TV series. Such series shall be given priority over all other New TV series applications.

7. A TV series must submit one application for the entire season as indicated in the **pickup order**. Additional episodes for the same season (back order or **supplemental season**) will require a separate application and should indicate that the production is requesting credits for additional episodes by adding a ".5" to the season, e.g. "*TV Series Title* 1.5". Once accepted, the back order episodes will receive their own CAL and will require a separate Agreed Upon Procedures and final review.

8. Excluding exempted independent films with qualified expenditure budgets of $10 million or less, applicants *opting in* to the DEIA provisions must:
   a. Designate and provide contact information for a dedicated DEIA main contact who will attend the mandatory orientation.
   b. Update CFC with any changes to DEIA main contact over the course of production.
   c. State intention to opt in to diversity provisions in Phase I of the application and submit DEIA workplan within 30 days of CAL issuance.

9. Applicants *opting out* of DEIA provisions must state their intention to opt out of diversity provisions in Phase I of the application. Applicants that opt out can still choose to opt in by submitting a DEIA workplan within 30 days of CAL issuance.

10. Applicants must acknowledge their participation in the Safety on Productions Pilot Program in Phase I and provide the name of the mandatory Safety Advisor, when known. A list of approved Safety Advisors may be found on the CFC Website.
    This requirement is waived for Animation projects, with the exception of those that incorporate motion capture in their production.

B. JOBS RATIO RANKING

1. <u>What is a Jobs Ratio?</u>

a. The jobs ratio ranking process is statutorily mandated in order to identify those projects which are most likely to increase jobs and economic activity in the state.
b. Applicants are required to enter, via the online application portal, qualified wages and qualified non-wage expenditures. To determine the jobs ratio of each project, the qualified wage amount is added to 35% of the non-wage expenditures; this sum is then divided by the estimated tax credit amount. The estimated credit amount is the qualified wages plus the qualified non-wages multiplied by the tax credit percentage associated to the project category. This results in the **base jobs ratio** calculated to five decimal places
c. Qualified wages must be paid directly by the applicant or its payroll service in order to be included in this calculation as a wage; labor paid via a third party contracted vendor must be identified as a qualified non-wage expenditure.
d. Qualified expenditures, for the purposes of the jobs ratio ranking, do not include contingency or completion bond costs.
e. Visual Effects vendor payments must be split 70% qualified wages and 30% qualified non-wages.

2. Bonus Points
   a. The base jobs ratio may be increased for activity in any or all of the following areas. These are referred to as the **bonus points.**
   b. Principal photography days outside the Los Angeles Zone (OZ): Bonus points are determined by the percentage of principal photography days outside the Los Angeles 30-mile zone in relation to total principal photography days in the state.For any day to be considered an OZ day, the first scene of the day must be shot outside the zone.
   c. Visual effects (VFX) performed in-state: Please refer to the applicable qualified expenditure charts to determine which expenditures qualify for bonus points; they are the same expenditures that qualify for the 5% VFX uplifts. These bonus points do not apply to Independent Films with qualified expenditures of $10 million or less.
   d. Music Wages: Qualified expenditures on **music scoring and track recording** labor counts for bonus points, including wages paid to scoring musicians. Please refer to the qualified expenditure charts to determine which music labor positions qualify for bonus points. These bonus points do not apply to Independent Films with qualified expenditures of $10 million or less.

3. Jobs Ratio Ranking

Within each category, applications are ranked based on the **adjusted jobs ratio.** Bonus points are totaled and combined mathematically with the base jobs ratio to produce the adjusted jobs ratio for each project, calculated to five decimal places. Projects that rank in the top 200%, double the number of projects for which funding is available, are notified and move on to the next phase of the application process. When the application figures are submitted in Phase I, this is automatically calculated by the portal and is designated as the **application jobs ratio.**

4. Resources

   Several tools are available on the CFC website to assist applicants in determining the project's jobs ratio: Jobs Ratio Calculator, an infographic of how the points are calculated, bonus points ranges, qualified expenditure charts, and tracking tips. The CFC also offers application info sessions. You can find dates for these sessions on the calendar.

5. **Application Tax Credit**

   This is the tax credit amount automatically calculated by the portal once the application has been submitted in Phase I.

VI. PHASE II: REQUIRED DOCUMENTATION AND FINAL RANKING

A. APPLICATION – SUPPORTING DOCUMENTATION REQUIRED

During Phase II of the application process, the top 200% ranked projects, double the number of projects for which tax credits are available, are required to submit the following supporting documentation within three business days of CFC notification. All documents are digitally submitted via the online application portal and each project is assigned a queue number. After review and any corrections by the CFC, these data are combined to generate the revised jobs ratio, otherwise known as the **CAL Jobs Ratio**, and the revised estimated tax credit, otherwise known as the **CAL Amount.**

1. **Qualified Expenditure Budget (QEB)**

   a. A detailed budget – including only qualified wages, qualified non-wages , qualified fringes, and if applicable, contingency and completion bond – must be submitted in an industry-standard budgeting program without a security lock. Budgets submitted in a spreadsheet program or as a pdf file will not be accepted. Non-qualified expenditures must be tagged and grouped as "NQ" and excluded from the QEB (this can be done by clicking off the NQ button in the

Setup menu if using Movie Magic or Showbiz). Expenditures incurred or paid outside of California (all non-qualified) should be tagged "XX" and be excluded as well.

b. The QEB expenditures should be based on the budget which, after revisions, will become the locked production budget used by the completion bond company, production company, and/or studio for the purposes of tracking costs.

c. If the QEB contains non-qualified spending, the applicant may be asked to revise it. The CFC may make these revisions on behalf of the applicant during the review process.

d. In instances where budget line items do not accurately reflect industry standards for the costs of such expenditures, applicants may be asked to revise their budgets upwards or downwards accordingly. Similarly, applicants may be requested to add necessary expenditures for line items that have been incorrectly or inadvertently omitted.

e. Television series applications may submit both a **pattern** and an **amortization budget (amort)** of qualified expenditures, though a single unified budget will also be accepted. The same tagging methodology applies.

f. All additional separate budgets (e.g., episode enhancements, additional units, health & safety) should be incorporated into the amort budget. No more than two budgets – pattern and amortization – will be accepted.

Note: For new TV series derived from a Pilot, reshoot days and enhancement days to convert the pilot episode Into Episode 1, as well as all associated post-production expenditures, are qualified costs; they must be Included in the amort budget, not the pattern budget.

g. Insurance costs must be included as a budgeted line item and properly tagged. It may not be a line in the contractual section. E & O Insurance is a non-qualified cost and must be specified separately from other insurance line items.

h. A contingency of no more than 10% of the qualified expenditure budget total may be included in the contractual portion of the budget. Contingency is a qualified expense eligible for tax credit but does not count toward the jobs ratio calculation.

i. A bond fee of no more than 2% of the qualified expenditure budget may be included if the production is purchasing a bond. This figure should appear only in the contractual section of the budget. The Bond is a qualified expense eligible for tax credit but does not count toward the jobs ratio calculation.

j. If applicable, contingency and/or completion bond expenditures will only be included in the budget total if included as contractual costs on the top sheet. If these costs are included in the application only, they will NOT be added to the qualified expenditure budget and will be excluded from the tax credit amount.

2. Fringe Matrix

   Budgets must be set up with the correct fringe breakdown. Federal fringes do NOT qualify for the tax credit and must be excluded. Non-qualifying fringes (e.g., FICA, MEDICARE, FUI, FUTA, SUI and WC from other states) must be omitted or zeroed out when creating the QEB. Casting fees and agent fees must not be included as a fringe benefit payment; however they may be included as a qualified non-wage line item in the budget. Applicants must utilize the Fringe Matrix template provided by the CFC. The fringes entered into the Fringe Matrix must correspond to the fringes in the QEB. See the Fringe Benefits Chart available on the CFC Website.

3. Production Schedule
   a. A **one-line shooting schedule** with shooting dates, scene numbers matching the submitted screenplay, and scene descriptions must be submitted.
   b. The production schedule must indicate any principal photography days anticipated to take place outside the Los Angeles zone and/or outside of California, as well as any scheduled hiatus, travel days, and worked or unworked holidays.
   c. Television series may submit a production calendar and a summary in lieu of a one-line schedule, which must include:
      i. The total number of episodes.
      ii. The estimated start and end dates of the season (including **preproduction** and post-production).
      iii. The number of principal photography days scheduled outside the Los Angeles zone, as well as all hiatuses and holidays.
      iv. The number of in-state and out-of-state principal photography days.
   d. Animation projects must submit a calendar indicating the **Greenlight notice** date and the schedule for all phases of creation through to the delivery of the final element.

4. Screenplay

   A numbered screenplay must be submitted. Due to industry writing practices, a pilot, new television series, or relocating television series that does not have a screenplay available at the time of application may submit it after CAL issuance, but no later than

30 calendar days prior to the start of principal photography. If the application is for a television pilot without a script, a detailed synopsis will suffice. The requirement to submit a screenplay is waived for recurring television series. If confidentiality is an issue, contact the CFC to discuss making special arrangements.

5. Financing Sources

   Applicants must establish proof that, at minimum, 60% of the funds to produce the project are available by providing accounting, brokerage or bank statements, or commitment letters from an established motion picture company or lender. An application that does not include proof of 60% financing is considered incomplete.

6. Pickup Order
   a. A television pilot, new television series, and relocating television series must submit evidence that the project has received a pickup order and is thus greenlit.
      a. Any pilot, new or relocating television series must submit its pickup order no later than 7 calendar days prior to CAL issuance to remain eligible for the Program.
      b. Recurring series must submit their pickup order no later than 140 calendar days from the CAL date. A CAL will not be issued until a pickup order is submitted to the CFC.
      c. Any recurring television series that has not supplied a pickup order within 140 calendar days of the CAL will be removed from the queue and may reapply during a subsequent television application window.
   b. The number of episodes indicated in the pickup order for a series must be the same as the number of episodes on the application.
   c. If additional episodes are ordered during the same season, the applicant may submit a new application during a subsequent application window for a “back order” or “Season x.5”.
   d. A television series from a pilot that was previously accepted into the program must apply as a new television series and therefore must have a pickup order. This kind of series may apply even if the application window is closed to other New TV.
   e. Animation films and Animation Television series must supply a Greenlight notice no later than 7 days prior to CAL issuance to remain eligible for the Program.

7. A. Detailed Narrative Statement (except for relocating television series)
   Applicants must provide a written statement on letterhead establishing that the tax credit is a significant factor in the choice of location for the project. Include information about whether the project is at risk of not being filmed and specify the jurisdiction where the project may be located in the absence of the credit. The statement must be signed by an officer or executive of the applicant. This requirement is waived for recurring TV series.

   B. Relocation Statement (Relocating tv series applicants only)
   All relocating television series applicants must submit a letter on letterhead stating that the tax credit provided is the primary reason for relocating to California. This Relocation Statement is in lieu of the detailed narrative statement requirement.

8. Unlawful Harassment Policy
   Applicants must provide the company's written policy against unlawful harassment which includes procedures for reporting and investigating harassment claims. The statement must include how the policy will be distributed to employees and include education and training resources and remedies available.

9. DEIA Checklist
   All applicants must acknowledge having read the diversity checklist, Form DEIA1. The form is available on the CFC website and must be filled out, signed and uploaded to the portal.

10. Diversity Initiative
    The production or parent company's initiatives and programs to increase the participation of underrepresented individuals must be submitted to the CFC. The Diversity Initiative statement must include a description of what the program is designed to accomplish and information about how the programs are publicized to interested parties. ALL projects that have access to such programs are required to submit their diversity initiatives, regardless of budget level. The CFC strongly recommends against using numeric data or quotas in the statements.

B. REVIEW OF REVISED TAX CREDITS AND REVISED JOBS RATIO

1. Projects with missing or inadequate application materials during Phase II will not be eligible for tax credit allocation. Failure to provide requested materials may result in removal from the queue.

2. Within approximately 20 business days of receipt of the completed application and supporting documentation, the CFC will notify the applicant by email of the revised CAL jobs ratio and the estimated tax credit allocation amount (CAL amount), as verified by the CFC.

3. The ranking of the CAL jobs ratio against the CAL jobs ratios of the other competing projects in the category will indicate the status of a submitted project as: CAL (Approved for tax credit allocation), Waitlist, or Below 200%.

4. Waitlisted Projects
   a. If there are more qualified applicants than funds available, the applicants within the top 200% ranked projects which did not receive a tax credit allocation will be notified and placed on the waitlist within their project category.
   b. If a project's CAL jobs ratio falls below the Application Jobs Ratio of the top "Below 200%" project from the initial ranking prior to review, that project shall be removed from the Waitlist and placed into the Below 200% group.
   c. Waitlisted productions that begin principal photography in California prior to receiving a CAL will be ineligible for the program.
   d. Should tax credits become available in a category, the CFC will notify the applicant at the top of the waitlist in that category to determine if the applicant is still interested in receiving a tax credit allocation. NOTE: The amount of tax credits a waitlist project may receive is capped at the amount approved during the application process. It may be less than the full CAL amount, if there are insufficient funds to cover the total amount.
   e. Waitlist applicants are requested to notify the CFC if they have a change in status e.g. filming out of state, or if the project is not going forward.
   f. If the entire Waitlist has been offered tax credits and there still remains funding in an application period, projects from the Below 200% group may be considered for review and approval, according to their Application Jobs Ratio ranking.
   g. The waitlist will expire when the next allocation period begins for the same project category.

VII. PHASE III: CAL AND APPROVED APPLICANT REQUIREMENTS

A. CREDIT ALLOCATION LETTER (CAL)

1. Issuance of Approval Letter (CAL)
    a. Upon approval, a CAL will be issued to the applicant indicating the CAL jobs ratio and the estimated tax credit allocation, pending the project's continued eligibility and submission of final documentation.
    b. Each CAL is issued to the specific project (synopsis, script, schedule, and budget) which was submitted. Exchanging the approved project for another project is prohibited and will result in revocation of the tax credit reservation.
    c. The CFC is mandated by statute to post the following information on the CFC website: applicant entity, project title, number of filming days, estimated number of hires for cast, crew, extras, aggregate diversity information, total amount of qualified expenditures, and estimated tax credit allocation. The same information is also subject to inclusion in any public presentation or press release issued by the CFC on or after the date of CAL issuance for the production. All other information submitted to the tax credit program is considered proprietary and is not subject to the California Public Records Act.
    d. Approved projects with unforeseen delays or cancellation of production are required to notify the CFC as soon as possible so that the credits may be reallocated.

2. Date of Credit Allocation Letter
    The date of issuance of the CAL is the date by which the program's date-sensitive parameters will be assessed:
    a. From this date forward, expenditures incurred or paid are considered qualified. Some exceptions to this rule apply and are indicated in the Budget Tagging and Tracking Tips.
    b. Productions must begin principal photography within 180 days. Approved projects with a qualified expenditure budget of $100 million or more have 240 days to begin filming. Animation projects are exempt from this requirement.
    c. All projects must deliver the final element within 30 months.

B. DEIA ORIENTATION MEETING (OPT-IN APPLICANTS)

Within 20 calendar days of CAL issuance, the designated diversity, equity, inclusion, and accessibility contact person for the production is required to attend a DEIA orientation meeting scheduled by the CFC, along with any or all of the following staff members: key creatives, the line producer or unit production manager, heads of departments, and other personnel determined by the applicant. If applicants and staff members are attached to or employed by more than one qualified motion picture project allocated tax credits under Program 4.0, they are required to attend the DEIA orientation at least once per fiscal year.

C. SUBMISSION OF DEIA WORKPLAN, FORM DEIA2 (OPT-IN APPLICANTS)

Approved applicants that opt in to the diversity provisions (excluding exempted independent films with qualified expenditure budgets of $10 million or less) are required to submit a diversity, equity, inclusion and accessibility workplan (Form DEIA2) within 30 days of receiving a CAL. If the workplan is not submitted within 30 days, the application will be considered to have opted out of the diversity provisions, resulting in the project being eligible to receive 96% of allocated tax credits.

In reviewing an applicant's Form DEIA2, the CFC will consider whether:

- The applicant has set goals based on focus areas in the Diversity Checklist, Form DEIA1, and in response to and/or in as much detail as the prompts in Form DEIA2.
- The applicant has provided a description of how the project will strive to achieve their non-numeric goals.
- The applicant has described in detail how those goals will be reflective of California's diverse population.
- The goals and strategies will be specific to the applicant's project and achievable within the project's scope.

A diversity workplan (Form DEIA2) that includes quotas or numeric goals will be rejected. The applicant will be notified by the CFC DEIA Team within 30 days of submitting a diversity workplan if it is approved or rejected. If the diversity workplan is rejected, the applicant will be provided with CFC feedback and have 30 days from receipt of the rejection notice to resubmit. Excluding exempted independent films with qualified expenditure budgets of $10 million or less, if the applicant does not resubmit a diversity workplan within 30 days, or does not sufficiently incorporate CFC's feedback, the project will be considered to not have met the diversity provisions and will be eligible to receive 96% of allocated tax credits.

D. CAREER PATHWAYS PROGRAM CONTRIBUTION

Applicants receiving a credit allocation letter are required to make a financial contribution to fund the Career Pathways Training Program for individuals from underserved communities to receive training for careers in the industry. Approved applicant's contribution shall be 0.25% of the estimated tax credit allocation for Independent films, and 0.5% of the CAL amount for all other projects. The contribution must be made within thirty (30) calendar days after the CAL date; failure to comply with this requirement will result in revocation of tax credits. Additional information on this requirement is available on the CFC website.

E. PROGRAM ORIENTATION MEETING (ALL APPLICANTS)

1. No later than four (4) weeks prior to the start of principal photography, the production manager and/or supervisor and production accountant are required to attend an orientation meeting with the CFC, along with any or all of the following production personnel: a primary producer, accounting staff, production executives and/or other appropriate personnel. Post-production accountants and post supervisors are encouraged to attend as well. Depending on the number of attendees, a virtual session may be scheduled instead. If a project intends to start principal photography within less than 4 weeks after the CAL date, their personnel must attend the first scheduled orientation meeting following the CAL date.
2. For Animation projects, the production accountant and the unit production manager/line producer shall attend the orientation meeting within thirty (30) calendar days of issuance of their CAL.

3. Applicants are advised to schedule their orientation meeting as soon as the production team is in place to be better informed of the requirements of the program, tagging methodologies, and the process necessary to obtain the tax credit certificate.

4. Production personnel who have previously attended a CFC 4.0 Orientation Meeting are not required to reattend but may do so at their election.

F. SUBMISSION OF DEIA INTERIM ASSESSMENT, FORM DEIA3 (OPT-IN APPLICANTS)

Prior to the start of principal photography, or one hundred twenty (120) calendar days from the CAL date for Animation projects, an approved applicant that opts in to the diversity provisions must submit an interim diversity assessment, Form DEIA3.

In reviewing an applicant's Form DEIA3, the CFC will consider whether:

- The applicant has made progress towards its goals stated in Form DEIA2.
- The applicant has a clear plan for how to achieve its goals.

- The applicant has identified any barriers to meeting its goals, and if so has identified steps to overcome those barriers.
- The applicant's responses in Form DEIA3 are specific to its project, detailed, and reflect a good-faith effort toward achieving its goals.

Within 30 days of submitting the Form DEIA3, the CFC will determine whether or not the applicant has shown a good-faith effort to meet the goals in its diversity workplan. If Form DEIA3 is not submitted by the deadline, the applicant (excluding exempted independent films with qualified expenditure budgets of $10 million or less) will be regarded as having opted out of the diversity provisions, resulting in the project being eligible to receive 96% of allocated tax credits. A Form DEIA3 that includes quotas or numeric goals will be rejected.

If an applicant's start date for principal photography falls within 30 days of receiving a CAL, the project will be given an extension to submit its Form DEIA3 which will be no later than one business day following the CFC approval date for the Form DEIA2 if that date occurs on or after the start of principal photography.

G. PRODUCTION UPDATES

Approved applicants must notify the CFC via email indicating any substantive changes, such as start date, title, number of episodes scheduled, hiatus start/stop dates, and/or any significant reductions of budget or schedule. Email updates shall be sent to IncentiveProgram4@film.ca.gov with the title of the project and the assigned queue number on the subject line.

H. HIATUS PROVISION

1. A **hiatus**, for the purposes of the tax credit program, is an unplanned break or interruption in the continuity of work that may be implemented after at minimum one day of principal photography. The production may meet their 180/240-day deadline by filming at least one day of principal photography and thereafter implementing a hiatus of up to 120 calendar days before they are required to resume.
    a. Applicants requesting a hiatus are required to submit the call sheet, production report, scene numbers/script pages, and dailies to the CFC for principal photography verification within a week of filming.
    b. Principal photography must resume on or before the 120th day.
        - The 120-day period commences from the date of that initial principal photography day, not from the end of the 180/240-day deadline.

c. Once Principal Photography has resumed, the hiatus provision no longer applies. The project must be completed within 30 months from the CAL date, regardless of any implemented hiatus.
d. If a production implements a hiatus, their Form DEIA3 will be due by 11:59pm on the day before the 1st day they resume principal photography.

2. If principal photography does not resume within the 120-day period from the date of the initial shoot date, the project will no longer be eligible for the program and is ineligible to resubmit an application for that project in any future year.

3. A holiday break taken during the year-end holidays is not considered a hiatus. However, if the year-end holidays occur during the hiatus period, those days count toward the 120 days. They also are included in the 180/240-day requirement for the start of principal photography.

4. Hiatus provisions do not apply between seasons of television series or minor breaks between episodes.

5. There is no Hiatus provision for Animation projects.

I. FORCE MAJEURE

Projects with significant changes in schedule, shooting location (in or outside the zone) and spending may result in a major adjustment of the **final jobs ratio**, and therefore a reduction of the **final tax credit** amount *(See Section IX.C.3.)* However, productions experiencing unforeseen circumstances may fall under a **reasonable cause** or **force majeure** provision. According to the statute, force majeure means an event or series of events which are not under the control of the qualified taxpayer including death, disability, disfigurement or breach by the motion picture director or principal cast member, an act of God, including, but not limited to, fire, flood, earthquake, storm, hurricane, or other natural disaster, labor disruption, public health emergency, armed conflict, terrorist activities or government sanction.

Note: a project that loses an attachment from a lead actor or a director for reasons other than those cited above does not qualify for Force Majeure.

Applicants should contact the CFC to discuss events that may fall within the definition of force majeure that could adversely affect their jobs ratio.

VIII. PHASE IV: APPLICANT REQUIREMENTS DURING PRODUCTION

Once an approved project commences principal photography, its status is changed to Phase IV. It remains in Phase IV until all required documents have been uploaded onto the Phase IV online portal. The final checklist contains a list of these requirements; PDF files of the documents, unless otherwise noted, must be uploaded as part of the process to obtain a tax credit certificate.

A. FILMING DAYS VERIFICATION

1. Call Sheet
   Once approved and signed by the UPM, applicants must submit the call sheet for the first day of principal photography. Productions returning from a hiatus must also submit a call sheet for the first day principal photography resumes. A PDF file of the call sheet must be emailed to IncentiveProgram4@film.ca.gov.
2. Production Reports
   All production reports – approved and signed by the UPM – must be submitted for each day of principal photography. Production reports may be submitted on a weekly basis in arrears. PDF files of the production reports must be emailed to IncentiveProgram4@film.ca.gov.
   Animation projects must submit a progress report, signed by the production manager or equivalent position, on a weekly or as available basis in lieu of production reports and the first day's call sheet. If the project involves motion capture and production reports are generated, they should be submitted as available.

B. LOCAL COMMUNITY EXPENDITURE REPORT

Applicants filming outside Los Angeles County must fill out a **Local Community Expenditure Report** (available under Phase IV Expenditure Summary Report in the application portal), one for each county where filming occurred. This applies to any expenditures outside of LA county where filming has occurred; there is no minimum spend amount. The applicant is requested to complete this section once the project has finalized expenditures in the county, rather than waiting until completion of the final element. The CFC has prepared a suggested OZ tagging methodology to use for productions filming in numerous counties within the state of California.

C. CAREER READINESS REQUIREMENT

All applicants must participate in a career-based learning and training program approved by the CFC. This is an opportunity to inspire, train, and give back to the next generation of filmmakers.

Participation involves selecting one of the following options: paid internships, online panels or in-person workshops conducted by professional filmmakers, professional skills tours and/or set visits, continuing education for educators, or a financial contribution. This requirement may be fulfilled during any phase of the project. Please refer to the CFC website for detailed instructions on this requirement and contact the CFC to discuss your options. As soon as the requirement is fulfilled, the appropriate verification form must be completed under Phase IV Career Readiness Section of the application portal.

D. FINAL SAFETY EVALUATION REPORT

Within 60 days following completion of California filming activities, the approved applicant's safety advisor must submit the final safety evaluation report to the CFC, as required in section 9152 of the Labor Code. If any addendum reports are required after the final safety evaluation report, those must also be submitted whenever completed. The CFC will not certify a project's tax credits until the final safety evaluation report has been submitted.

This requirement is waived for Animation projects. However, any Animation project that incorporates motion capture in its production must have a Safety Advisor and must submit a final safety evaluation report.

E. SUBMISSION OF DEIA FINAL ASSESSMENT, FORM DEIA4 (OPT-IN APPLICANTS)

An applicant opting in to the diversity provisions must submit its final diversity assessment within 60 days of creation of a final element. Part one of the final assessment consists of Form DEIA4, which the CFC will use exclusively to determine if the applicant has met or has shown a good-faith effort to meet the goals of its diversity workplan.

If Form DEIA4 is not submitted within 60 days of the creation of the final element, the applicant (excluding exempted independent films with qualified expenditure budgets of $10 million or less) will be considered to have opted out of the diversity provisions, resulting in the project being eligible to receive 96% of allocated tax credits.

Within 30 days of receiving the Form DEIA4, the CFC will make a determination and notify the applicant as to whether it has met or shown good-faith efforts to meet its diversity goals and is eligible to receive 100% of allocated tax credits, or has not met or shown a good-faith effort to meet its goals and is eligible to receive 96% of allocated tax credits. A Form DEIA4 that includes quotas or numeric goals will be rejected.

> *Note: Form DEIA4 must be submitted to the CFC to review, determine if the requirement has been met, and approve. The Certified Public Accountant (CPA) cannot complete the final audit without that approval in hand. (more below).*

Part two of the final assessment is entered on Phase IV Production Statistics in the online portal, and includes:

- A listing of voluntary, self-reported demographic statistics for all individuals who received qualified wages, with regard to their race, ethnicity, gender, disability status, veteran status, and ZIP Code.
- A listing of voluntary, self-reported demographic statistics for all individuals who received non-qualified wages, with regard to their race, ethnicity, gender, disability status, veteran status, and ZIP Code.

The information in Part two is and must be kept completely separate from Part one, and the data will have no bearing on CFC's determination of whether the applicant has met or has shown a good-faith effort to meet the goals of its diversity workplan. The data required in Part two must be submitted by all applicants, including independent films with qualified expenditure budgets of $10 million or less and applicants that have opted out of the DEIA provisions.

IX. PHASE V: TAX CREDIT CERTIFICATE ISSUANCE

A. PROCESS FOR OBTAINING FINAL CERTIFICATE

1. Within 48 months following the date of the 30-month final element completion deadline, every applicant allocated tax credits must:
    - Submit the required documents to request certification of tax credits; or,
    - Submit a written notice to the CFC stating that they will not be requesting certification for the allocated credits; or,
    - Request an extension in writing. The applicant may request one or more extensions of up to 12 months, no less than 30 days before the 48-month deadline (or the expiration of a previously approved extension), and the CFC will approve the extension for an applicant that meets the set deadline and

submits a statement of insufficient tax liability (see section 5555(a) of Program regulations).

Applicants that do not complete one of the above options by the deadline forfeit the allocated tax credits.

2. Upon completion of the project, applicants must complete the Phase IV portal screens to generate an Expenditure Summary Report. This report includes, but is not limited to: qualified wages, qualified non-wages, the actual number of principal photography days both in and outside the state, actual amounts for visual effects and music spend, the final jobs ratio as verified by the AUP report. Once the Phase IV screens have been completed, applicants must click "submit" on the portal to certify the accuracy and completeness of the report.

3. Applicants are encouraged to submit final documentation to the CFC once all documentation is ready for review and the AUP is complete. AUP details are below.

4. Applicants must add the Certified Public Accountant performing the Agreed Upon Procedures as an application user to the online portal in order to access program documents.

B. FINAL CHECKLIST OF REQUIRED MATERIALS

1. Expenditure Summary Report: To be completed through the online application portal. In addition to providing required details about the applicant, production and financial statistics, all applicants are required to provide voluntary aggregate diversity data for all qualified and non-qualified labor.

2. Certificate of Copyright Registration: Applicants are encouraged to apply for a copyright registration as soon as possible after receiving the credit allocation letter. Form PA evidencing the registration of the screenplay or teleplay or completed television episodes, miniseries or television pilot must be submitted. The copyright holder may be the **qualified taxpayer***,* its affiliate, or an unaffiliated company for which the qualified applicant is producing the motion picture.

3. Career Pathways Program and Career Readiness Program Receipt(s) and/or Verification(s)

4. Cast and Crew Lists: All Phase IV projects must submit final cast and crew lists. Social security numbers must be redacted on the lists.

5. Script Supervisor's Lined Script: All applicants are required to submit the script supervisor's lined script. Television series must submit scripts for two separate episodes of the current season. This requirement is waived for Animation projects.

6. Approved Forms DEIA2, DEIA3, and DEIA4 (opt-in applicants): In order to be eligible for certification of 100% of the allocated tax credits, all applicants except for independent films with a qualified expenditure budget of $10 million or less must submit their approved DEIA Workplan, Interim Assessment, and Final Assessment in the online portal.

7. Distribution Verification: Miniseries/Limited series applicants must submit documentation verifying that the initial distribution on TV consisted of two or more episodes with a minimum running time of at least 40 minutes per episode, exclusive of commercials.

8. Production Stills: Applicants must submit five (5) production stills in digital file format (JPG or PNG). The stills must be cleared by the production company, with cast approvals if cast members are in the photographs. These photos may be used by the CFC to promote filming in the state of California. As per CFC regulations, the stills must illustrate the diversity of California locations and employment. The CFC encourages applicants to provide a mix of set and scene stills; if the stills do not fulfill the requirements, applicants may be required to submit additional files.

9. Screen Credits and CFC Logo
    a. Screen Credits: All productions applying for a final credit certificate must provide an on-screen acknowledgment to THE STATE OF CALIFORNIA and THE CALIFORNIA FILM COMMISSION, except where that acknowledgment may be prohibited by the Children's Television Act or any other local, state, or federal government policy. The acknowledgement can be made in any font or graphic format and the applicant can choose the wording of the acknowledgement and the placement of the required entities within that wording, but The State of California and the California Film Commission must be specifically named. Television series applicants must include this acknowledgment on every episode.
    b. CFC Logo
    All productions must also include the CFC logo in the end credits. For TV series, the logo must appear on every episode's end crawl. Contact the CFC for access to the digital file containing the logo in the format needed for your production.

10. Main and End Titles: The main and end title final checker or actual credit roll must be submitted to the CFC (PDF or QuickTime files). The checker must be the actual layout of the titles produced by the title house or other post-production facility.

11. Electronic Press Kit (EPK): Except for an independent film with a qualified expenditure budget of $10 million or less, provide an EPK, when available, for promotional and marketing use by the CFC to highlight productions that received tax credits.

C. AGREED UPON PROCEDURES

1. Certified Public Accountants

As part of the tax credit certificate process, an Agreed Upon Procedures (AUP) report shall be prepared by a Certified Public Accountant (CPA) who maintains an active license or has proof of a valid out-of-state accounting firm registration for the firm practicing attest services in California. CPAs must attend a CFC CPA Seminar in order to engage with approved applicants in completing AUP reports. A list of approved firms is available on the CFC website.

2. AUP Documentation and CPA Verification

In addition to the documents listed in Section VIII, the CPA must review and certify the documents, as listed on the final checklist. Additional details regarding this requirement are found in the Budget Tagging and Tracking Tips.

   a. Vendor Final Element Creation Letter: The process of post-production is considered finished when a final composite answer print, air master, or digital cinema files of the qualified motion picture is/are produced; this does not include archival or international elements. In the case of a television series, the required letter should refer to the final episode of the season. The letter (template is available on the CFC website), must originate from the post-production facility or post-production department, printed on letterhead with original signature.
   b. Verification of In-state Work / Vendor Verification Form Letter: A verification form must be completed by each company engaged to complete work for visual effects, titles, post sound, digital effects and final element creation as contracted by the production company. The verification form letter (a template is available on the CFC website) must indicate the total dollar amount of work performed within the state of California. They must originate from each company, be printed on company letterhead and include an original signature of a principal of the company.

c. Related Party Disclosure List: All approved applicants must provide a listing of all related party transactions. Details of this requirement are found on the Budget Tagging and Tracking Tips.

d. Representative Verification Letter: A signed letter printed on the applicant company's letterhead must include applicant's verification that all worldwide visual effects expenditures have been disclosed. In addition, applicants must verify that all related parties have been disclosed, and that all insurance claims and all net bond expenditures have been credited in the cost report, if applicable. The letter must also include verification that all outstanding purchase orders and all invoices for qualified expenditures (wages and non-wages) have been paid.

e. Listing of Assets: List must include assets worth over $10,000; individual assets do not include set pieces constructed from multiple materials unless purchased as a whole. Listing of electronic assets, with a value of more than $250.00, must also be included; examples include copiers, printers, cameras, drives, monitors, DVD players, computers. Details of this requirement are found on the Budget Tagging and Tracking Tips.

f. Payroll Representative Letter: A letter verifying that, as of 30 days following the creation of the final element, no outstanding invoices remain to be paid must be submitted.

D. PENALTY PROVISION

1. During the audit process, in addition to verifying qualified expenditures, the CPA will recalculate the CAL jobs ratio based upon actual wage and non-wage spend. If the final jobs ratio as calculated during Phase IV decreases by more than 10% compared to the CAL jobs ratio on the credit allocation letter, the project may be penalized with a reduction of tax credits.

2. Applicants should contact the CFC to discuss events that fall within the definition of reasonable cause that may have adversely affected their recalculated jobs ratio.

3. Penalty provisions are as follows unless the Jobs Ratio decrease is due to reasonable cause:

   a. If the jobs ratio decreases by more than 10%, the credit will be reduced by an equal percentage.

   b. If the jobs ratio decreases by more than 20%, the credit will be reduced by an equal percentage, as above; AND, in addition, the qualified taxpayer (applicant) or any member of the qualified taxpayer's controlled reporting group may not apply for the tax credit program for a year from the date of that determination.

c. Example: Applicant's CAL jobs ratio was 2.50000; the final jobs ratio decreased to 2.20000. Since the final job's ratio decreased by 12%, the tax credit amount will be decreased by 12%.

4. The same penalty applies to all projects regardless of category..

E. APPROVAL OF FINAL TAX CREDIT CERTIFICATE

1. The CFC will review all the required materials submitted by the applicant and CPA to determine if the project has met all the criteria for the program and will approve or disapprove the request for the tax credit certificate. During the review, the CFC may request additional documentation to determine if the production is a qualified motion picture and to verify the qualified expenditures.

2. The final amount of tax credits shall be based on the percentage of the qualified expenditures and jobs ratio confirmed in the AUP report. This amount may be less than the amount indicated on the credit allocation letter, but in no case may it exceed the tax credit amount approved in the Credit Allocation Letter.

3. If the request for a credit certificate is denied, the CFC will provide the applicant with a notice of disapproval stating the reasons for such. Disapproval is final and not subject to administrative appeal or review.

X. UTILIZING THE TAX CREDITS

Tax Credits may be utilized beginning in the tax year in which the credit certificate is issued. Independent productions may transfer tax credits to an unrelated party. Non-independent productions may utilize the credits against state income tax liability, sales or use tax liability, and may also assign credits to an affiliate. As of Program 4.0, all productions may elect to have their certified tax credits refunded.

The one-time, irrevocable election to have certified tax credits refunded must be made to the Franchise Tax Board (FTB) on an original, timely filed tax return for the taxable year in which the tax credit certificate is issued by the CFC.

The total refundable amount is 90% of the amount of certified tax credits that exceed the applicant's tax liability in the first taxable year. The total refundable amount will be paid out over five consecutive taxable years, making the annual refundable amount 20% of the total refundable amount.

The annual refundable amount will first be applied to any tax liability the applicant has, and the excess of the annual refundable amount will then be refunded. If the one-time, irrevocable election to make the tax credits refundable has been made, the applicant cannot hold any amount over to use against future tax liability outside of the sums and timeframes of the set refundability schedule.

A taxpayer that has purchased a tax credit from an independent producer cannot elect to be paid a refund.

GLOSSARY

Adjusted Jobs Ratio is the calculation used to determine a project's ranking in Phase I. Variables in the calculation include qualified wages, qualified non-wages, out of zone days, visual effects, and music spend. Formula: Adjusted Jobs Ratio = Base Jobs Ratio x [(Total Bonus Points x .01) + 1].

Affiliate means a qualified taxpayer's affiliated corporation that has been assigned any portion of the credit amount by the qualified taxpayer.

Agreed Upon Procedures (AUP) is a standard outlined by the CFC for an external party (CPA) to use in performing an audit on a completed tax credit production. The procedures, which are called audit standards, are designed and agreed upon by the entity conducting the audit, as well as any appropriate third parties.

Amortization Budget (Amort) is the budget for expenses that are not attributable to a specific episode of a TV series, but which pay for items expensed (amortized) across all or most of the episodes. This may include prep and wrap period costs, holidays and scheduled hiatus periods, construction of standing sets, titles, enhancement days.

Ancillary Product means any article for sale to the public that contains a portion of, or any element of, the qualified motion picture.

Animation project is any qualified motion picture (film or television) in which movement and characters' performances are created using a frame-by-frame technique in 2D, 3D, or stop-motion, and may include motion capture.

Applicable Period refers to production within the state of California that commences with preproduction and ends when original photography concludes. It includes the time necessary to strike sets, return equipment and wrap up accounting for the principal photography period. It does not include post-production, reshoots, or visual effects after the end of principal photography.

Applicant is any corporation, partnership, limited partnership, limited liability company (LLC), or other entity or individual that is principally engaged in the production of the qualified motion picture and that controls the film or television program during preproduction, production, and post-production. The applicant is the **qualified taxpayer** that upon final approval will receive the credit certificate.

Application Jobs Ratio – Automatically calculated by the portal once the application has been submitted in Phase I.

Application Tax Credit Amount– Automatically calculated by the portal once the application has been submitted in Phase I.

Application Window (aka Allocation Period) is the time frame during which applications for each production category are accepted. It is category-specific, ensuring that projects applying for tax credits compete only against projects from the same category. The CFC publishes information on upcoming application windows on its website.

Base Jobs Ratio is the first calculation used in determining the adjusted jobs ratio. The formula involves adding the qualified wages to 35% of the qualified expenditures. That sum is divided by the **estimated tax credit amount.**

Bonus Points: Bonus points are given in three specific areas to boost the base jobs ratio. All projects may receive bonus points for filming outside the Los Angeles zone. With the exception of independent projects with budgets of $10 million dollars and less, all projects may also receive bonus points for visual effects and music labor expenditures.

California Film Commission (CFC) is a state entity established and described in Government Code sections 14998 et. seq. that, among other functions, facilitates and promotes motion picture and television production in the state of California.

CAL Jobs Ratio – After reviewing and, if applicable, correcting the information submitted in Phase II, the CFC assigns this new value to the project, and uses it to rank projects for acceptance into the program.

CAL Amount– After reviewing and, if applicable, correcting the information submitted in Phase II, the CFC assigns this adjusted estimated tax credit amount to projects that receive CALs.

Clip Use means the use of any footage not originally photographed by the qualified motion picture.

Credit Allocation Letter (CAL) is the document issued by the California Film Commission reserving an amount of tax credits to an applicant having a qualified motion picture based on an estimate of qualified expenditures.

Delivery of the Final Element refers to the date of completion of a project when the process of post-production has been finished and the domestic HD air master (for TV of the final episode of the season), final composite answer print, or digital cinema files (for films) of the qualified motion picture is/are produced. It does not include creation of archival or international elements.

Diversity, equity, inclusion, and accessibility (DEIA) means a commitment to providing equitable access to opportunities for people with varying racial, ethnic, and gender identities, disabilities, sexual orientations, age, religions, , and socioeconomic statuses in an environment that is reasonably accessible to all whereby all are welcomed and respected.

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.

Equity education means learning about the historical and contemporary experiences of underrepresented communities and people, existing civil rights and discrimination laws, and setting achievable goals for ensuring diversity, equity, inclusion, and accessibility for everyone on production.

Feature Film (also called a Non-Independent Film) is intended for commercial distribution. It shall have a minimum budget of $1 million and a running time of at least seventy-five (75) minutes. It is produced by a company that is either publicly traded or more than 30% owned by a publicly traded company.

Final Jobs Ratio is calculated using the results of the audit after Phase IV, and is the basis for any penalty provisions, as compared to the CAL jobs ratio.

Final safety evaluation report means the mandatory report prepared in accordance with section 9152(h) of the Labor Code by the safety advisor as part of the Safety on Productions Pilot Program.

Final Tax Credit, or verified tax credit, is calculated using the results of the audit after Phase IV and is the amount of certified tax credits.

Force Majeure means an event or series of events, which are not under the control of the qualified taxpayer including death, disability, disfigurement or breach by the motion picture director or principal cast member, an act of God, including, but not limited to, fire, flood, earthquake, storm, hurricane, or other natural disasters, labor disruption, public health emergency, armed conflict, terrorist activities or government sanction.

Game Show is a competition television series that is closed-ended, where the competition aspect is self-contained within each episode, does not carry over between episodes, and the winner is chosen at the end of each episode.

Good-faith effort means proactive, intentional, diligent, and impactful actions taken for purposes of broadening and maintaining access to motion picture industry jobs and toward diverse, equitable, inclusive, and accessible productions that strive to have a workforce which is broadly reflective of California's population in terms of, but not limited to, race, ethnicity, gender, disability status, veteran status, and socioeconomic status via ZIP Code.

Greenlight notice is an order from the producing or distributing studio or entity stating that the project is fully financed and may go forward with production.

Hiatus means a break or interruption in the continuity of work that may be implemented after at minimum one (1) day of principal photography for up to 120 calendar days..

Inclusive hiring means minimizing bias during the hiring process, valuing diverse perspectives, and implementing an equitable recruiting process.

Independent Film is intended for commercial distribution. It must have a minimum budget of $1 million and a running time of at least seventy-five (75) minutes. It is produced by a company that is not publicly traded and publicly traded companies do not own, directly or indirectly, more than 30% of the producing company.

Industry capacity building means helping to increase an inclusive and skilled workforce and an inclusive and qualified vendor and supplier base in all areas that contribute to motion picture production in California.

Large-Scale Competition Show is a television series that has contestants who compete, resulting in one or a group of contestants winning or being awarded a financial benefit or other consideration. The winner may be chosen by a live or broadcast audience, a panel of judges, a single judge, other contestants, through a head-to-head competition, or may be determined by the contestant who has achieved the highest score or most points or other metric, or is the last remaining contestant who has not been otherwise eliminated. It is distinguished from a Game Show as defined above. Large-scale competition shows do not include traditional reality shows, game shows, talk shows, or docu-follow television programs.

Licensing means any grant of rights to distribute the qualified motion picture, in whole or part.

Limited series/miniseries means a series that consists of two or more episodes, each a minimum of 40 minutes exclusive of commercials, with a budget minimum of $1 million per episode. A limited series/miniseries completes its story arc during a single season and is not intended to recur.

Local Community Expenditure Report is embedded in the Expenditure Summary Report as part of Phase IV on the portal and requires statistics on expenditures and local labor, broken down by county.

Local Hire Labor refers to qualified wages paid to employees who reside outside the Los Angeles zone AND work outside the Los Angeles zone during the Applicable period. The Local Hire Labor uplift applies only to original photography outside the LA zone and does not include post-production or delivery. Documentation is required.

Los Angeles Zone means the area within a circle 30 miles in radius from Beverly Boulevard and La Cienega Boulevard, Los Angeles, CA. It also includes these specific locations beyond 30 miles: Agua Dulce, Castaic (including Lake Castaic), Leo Carrillo State Beach, Ontario International Airport, Piru, and Pomona (including the Los Angeles County Fairgrounds). The MGM Conejo Ranch property is within the Los Angeles zone.

Movie of the Week (MOW) or Made for Television Movie is no longer a category eligible for the tax credit program.

Music Scoring and **Music Track Recording** is a post-production process wherein music is added to the soundtrack of a film or TV project. All projects, excluding independent films with qualified expenditures of $10 million and less, may receive bonus points for music wages.

New Use means any use of a motion picture in a medium other than the medium for which it was initially created.

One-line Shooting Schedule is a form which summarizes each scene of the project in order of projected filming, including cast, settings, scene numbers and descriptions on a single line, or strip, showing the entire schedule for production, including days off, holidays, travel days and other breaks.

Pattern Budget is a budget breaking down the costs of one episode or block of episodes for a TV series and applies to each episode or block ordered.

Pick-up Order means a contractual obligation from a licensee-exhibitor that a pilot or television series has been ordered or renewed for the production of an initial episode or episodes, to be delivered within a specific timeframe.

Picture editing and postproduction sound labor and services means labor and services related to the process of assembling and winnowing the filmed material into its final form, from the raw dailies of principal photography through inclusion of visual effects, optical effects and image color correction, to delivery of the final element of the completed motion picture project, and to the process of compiling, re-recording, and mixing all of the elements that go into making the sound of the completed motion picture project, including adding music, sound effects, foley, dialogue, re-recorded dialogue, background looping, and the final mix of those elements.

Postproduction means the final activities in a qualified motion picture's creation including, but not limited to, editing, foley recording, ADR, scoring, sound editing, negative cutting, color correction, and sound mixing.

Preproduction means the process of preparation for physical production which begins after a qualified motion picture has received a firm agreement of financial commitment. It customarily includes, but is not limited to, activities such as hiring key crew members, scouting for locations, building sets, casting, and establishment of a dedicated production office.

Principal Photography means the phase of production during which shooting takes place, as distinguished from preproduction and postproduction. Principal photography means the number of days shot by the principal unit with the director present and lead actors usually present. Principal photography days in California do not include the filming of primarily backgrounds, plates, visual effects, action, and/or crowd scenes by the second, stunt, or visual effects units. Principal photography outside the Los Angeles Zone means that, at minimum, the first scene of the day is filmed outside the Los Angeles Zone.

Producer means any individual who receives an on-screen producer credit including, but not limited to, any of the following titles: producer, co-producer, line producer, executive producer, co-executive producer, associate producer, supervising producer, post producer, music producer, or visual effects producer. There may be some variation found in Animation projects and Large-scale Competition shows. Consult the QEC for precision on whether a given producer credit may be qualified or non-qualified.

Production Budget means the budget used by the qualified taxpayer and production company and shall include, but is not limited to, above-the-line and below-the-line costs including preproduction, production, post-production, insurance, rights, and music and clip licensing fees. It includes wages, rentals, purchases, and services performed and incurred within and outside of California. It does not include costs which are not directly associated with the preproduction, production or post-production of the project, such as: release prints and advertising, marketing, film festival participation, foreign distribution elements, financing or distribution costs such as theater rentals and DVD manufacturing.

Production Period means the period beginning with preproduction, continuing throughout production, and ending upon completion of postproduction.

Qualified Entities are personal service corporations (as defined in Section 269(b)(1) in the Internal Revenue Code), a payroll services corporation, or any entity receiving qualified wages with respect to services performed by a qualified individual.

Qualified Expenditures include payments for qualified wages, services, and costs paid or incurred to purchase or lease tangible personal property used within the state of California in the production of a qualified motion picture.

Qualified Expenditures Budget (QEB) means a detailed budget including only qualified wages, qualified non-wage expenditures, qualified fringes, and if applicable, contingency and completion bond. Non-qualified expenditures must be tagged and grouped as non-qualified and excluded from the QEB. Expenditures incurred or paid outside of California (all non-qualified) must be tagged as such and be excluded as well. The QEB expenditures must be based on the budget which, after revisions, will become the locked production budget used by the completion bond company, production company, and/or studio for the purposes of tracking costs.

Qualified Expenditure Chart (QEC) means a detailed list of qualified and not qualified expenditures, and how they should be tagged. It can be found here.

Qualified Taxpayer is the entity who has paid or incurred qualified expenditures and to whom the final credit certificate will be issued.

Reality Television Program means a program depicting real events using non-actors through actual footage which presents persons engaged in purportedly unscripted situations; no fictional characters are created.

Reasonable Cause means unforeseen circumstances beyond the control of the applicant, including, but not limited to, an event of force majeure, the cancellation of a television series prior to the completion of the scheduled number of episodes, failure by third parties to perform, a change in essential talent such as the director, principal cast and the associated costs, and/or a change in production financing exigencies resulting in a significant reduction to the production budget.

Reboot television series is a television series that has not previously received a credit allocation and has completed principal photography of its most recent season more than 48 months prior to applying for a new credit allocation.

Recurring television series means any television series, relocating television series, or new television series that was approved, issued a CAL and filmed a season in California during a previous allocation period under the California Film and Television Tax Credit Program 1.0, 2.0, 3.0, or 4.0, or the California Soundstage Filming Tax Credit Program.

Refundability allows an applicant to receive payment from the State of California for tax credits that exceed the applicant’s tax liability, at 90 cents on the dollar, rolled out over five consecutive taxable years. The election to receive a refund, once made, is irrevocable.

Relocating TV Series means a television series, which the taxpayer certifies that the credit provided is the primary reason for relocating to California. It is required that at least seventy-five percent (75%) of principal photography of its most recent television season was filmed outside of California. Each episode must have a minimum production budget of $1 million, without regard to episode length. Once a relocating TV project receives a pickup order for additional seasons, the project category changes to recurring tv.

Residual Compensation means supplemental compensation paid at the time that a motion picture is exhibited through a new use, reuse, clip use, or in secondary markets, as distinguished from payments made during production.

Reuse means any use of a qualified motion picture in the same medium for which it was created, following the initial use in that medium.

Safety Advisor means an individual who fulfills the criteria of section 9151(k) of the Labor Code, including successful completion of the required Industry-Wide Labor-Management Safety Committee training course, and who prepares and submits the final safety evaluation report.

Second Season TV series is a television series that either was ineligible to apply for its Season One filmed in California OR applied for, but did not receive, an allocation for its Season One filmed in California.

Second Unit is a separate shooting unit that typically films scenes or parts of scenes without principal actors including establishing shots, stunts, car drive-bys, and/or inserts.

Secondary Markets means media in which a qualified motion picture is exhibited following the initial medium in which it is exhibited.

Strip Show means television programming in which three or more episodes are regularly produced in their entirety in one week (e.g., *Judge Judy, Entertainment Tonight*).

Supplemental television season means a backorder of episodes related to a season that is already in production.

Supplier diversity means contracting with vendors, including but not limited to catering companies, accounting firms, equipment rentals, and postproduction houses, owned and operated by individuals from socially and economically underrepresented groups to support production.

Tax Credit Certificate is the document issued by the California Film Commission after the qualified motion picture has been completed, reflecting the final tax credit amount allocated after qualified expenditures have been verified.

Television Pilot means the initial episode produced for a proposed television series with a minimum production budget of $1 million and a running time of a minimum of 20 minutes, exclusive of commercials.

Television Season means a set of television episodes produced for exhibition consisting of no fewer than six (6) episodes and no more than thirty (30) episodes within a period of twelve (12) months. A series consisting of fewer than six episodes may apply as a Limited Series. A supplemental television season may consist of fewer than 6 episodes.

Uplifts are additional tax credits that may be earned on specified expenditures depending upon the project's category. Approved projects may receive an additional 5% or 10% tax credits if spending occurs in any or all of the three (3) categories: out of zone filming, visual effects, local hire labor.

Visual Effects (VFX) means the digital and/or in-camera creation, alteration, or enhancement of images. Visual Effects includes, but is not limited to, clean-up, wire removals, matte paintings, animation, set extensions, computer-generated objects, characters and environments, digital FX simulations, compositing (combining two or more elements in a final image), motion capture, facial capture, world capture (locations, set scanning) and visualizations (previz, techviz, postviz). It also includes the digital creation, clean-up, alteration or enhancement of materials for and resulting from shooting in a virtual production volume. "Visual effects" does not include fully animated projects, whether created by traditional or digital means.

APPENDIX A: How to Create a Qualified Expenditures Budget

Tips on How to Create a Qualified Expenditures Budget

- Once you have finished grouping all qualified and non-qualified expenditures as per the tagging methodology, select the QE and QW subgroups, plus any subgroups related to uplifts and bonus points (ZW, ZC, ZE, LW, VU and MW) in order to create your Qualified Expenditure Budget.
- Insurance costs should reflect your total premium, prorated for any out-of-state work..
- Include line items for E & O insurance tagged NQ to indicate that they have been excluded from insurance premiums.
- Insurance costs must be included in the budget (rather than as a contractual cost) and tagged QE to be included in the tax credit reservation.
- Contingency, as a contractual charge, can be no more than 10% of qualified expenditures and must be shown as a contractual cost in the QEB.
- Completion bond costs can amount to no more than 2% of qualified expenditures and must be shown as a contractual cost in the QEB. Bond costs for any out of state filming must be excluded proportionately. The cost of a completion bond may only be added if it is a bona fide cost to the production.
- Do not use sub-budgets. When a sub-budget is created, the fringe tables and cut-offs start over, which results in an overestimation of fringes.
- If the budget was created from a template originating outside of California, be sure to remove all references to other states. If the expense is intended to be a CA expenditure but the description or fringes indicate it is out of state, the CFC will mark it XX.
- If a labor expenditure (such as for security or post-sound editorial) is not specifically indicated as “direct hire” it will be assumed by the CFC to be via a third-party vendor and corrected to QE. Only 8-hour days qualify for paid holidays or 1/5 of weekly salary.
- Qualified Visual Effects expenditures paid to 3rd party vendors must be allocated 70% as wages and 30% as non-wages.

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