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# ASSEMBLY BILL No. 1138

**Introduced by Assembly Member Zbur** and Senator Allen
**(Principal coauthors: Assembly Members Bryan, Gipson, and Quirk-Silva)**
(Principal coauthors: Senators Menjivar, Pérez, and Stern)
**(Coauthors: Assembly Members Ahrens, Ávila Farías, Caloza, Elhawary, Fong, Mark González, Harabedian, Lackey, McKinnor, Muratsuchi, Ortega, Celeste Rodriguez, Michelle Rodriguez, Schiavo, Schultz, and Stefani)**
(Coauthors: Senators Becker, Rubio, and Valladares)

February 20, 2025

An act to amend Sections 17053.98, 17053.98.1, 23698, and 23698.1 of, and to add Section 23696 to, the Revenue and Taxation Code, relating to taxation, making an appropriation therefor, and declaring the urgency thereof, to take effect immediately.

legislative counsel’s digest

AB 1138, as amended, Zbur. Income and corporate taxes: tax credits: motion pictures.

(1) The Personal Income Tax Law and the Corporation Tax Law allow various credits against the taxes imposed by those laws, including various motion picture credits, commonly referred to as motion picture credit 1.0, 2.0, 3.0, and 4.0, and the certified studio credit, to be allocated by the California Film Commission in differing amounts equal to specified percentages of the qualified expenditures of a qualified motion picture in this state. Existing law allows a qualified taxpayer, if a motion picture credit exceeds the taxpayer's tax liability, to elect to assign a portion of the credit to one or more affiliated corporations for each taxable year in which the credit is allowed, as specified.

This bill, if a qualified taxpayer is a single member limited liability company that is disregarded for tax purposes, would additionally allow that qualified taxpayer to elect to assign any portion of a motion picture credit to one or more affiliated corporations, as specified. The bill, for purposes of the motion picture credit 3.0 and 4.0, and for purposes of the certified studio credit, would also expand the definition of a qualified taxpayer to include a single member limited liability company that is disregarded for tax purposes.

(2) Existing law allows a motion picture credit (motion picture credit 4.0) to be allocated by the California Film Commission on or after July 1, 2025, in an amount equal to 20% or 25% of qualified expenditures for the production of a qualified motion picture in this state, and limits the aggregate amount of the credit that may be allocated for a fiscal year to $330,000,000, as specified. Existing law allows the California Film Commission to increase the credit amount allocated to a qualified taxpayer if specified conditions are met, including if the qualified taxpayer submits a diversity workplan that is broadly reflective of California's population in terms of race, ethnicity, gender, and disability status, and a final diversity assessment that includes specified data. Existing law defines a "qualified motion picture" for purposes of these tax credits to include a motion picture that is produced for distribution to the general public that includes, among other productions, a feature with a specified minimum production budget, an independent film, a new television series produced in California, as specified, or a television series that relocated to California. Existing law allows a qualified taxpayer to elect to be paid a refund equal to 90% of the total refundable amount, as specified, if the amount allowable as a credit under the motion picture credit 4.0 exceeds the qualified taxpayer's tax liability for the taxable year, and allows the excess to be carried over, as specified.

This bill, with respect to motion picture credit 4.0, for taxable years beginning on or after January 1, 2025, would revise the definition of qualified motion picture to include live action and animated series with episodes averaging 20 minutes or more, animated films, and large-scale competition shows, as specified. The bill would specify that a television series that completed principal photography on the previous season more than 48 months prior to applying for an allocation of this credit is considered a new television series for purposes of the definition of qualified motion picture, unless certain conditions are met. The bill would increase the credit amount allowed for a qualified motion picture to 35% or 40%, as specified. The bill would additionally increase the amount of qualified expenditures the California Film Commission is allowed to consider when determining the credit amount allocated to a qualified motion picture. The bill would include veteran status and ZIP Code in the diversity workplan and final diversity assessment. The bill would increase the aggregate amount of credits that may be allocated in a fiscal year to $750,000,000, and would revise the allocation limitations for specified qualified motion pictures within that aggregate amount. The bill would additionally correct erroneous cross-references in those provisions. By requiring additional moneys to be paid from the Tax Relief and Refund Account, a continuously appropriated fund, the bill would make an appropriation.

(3) Existing law also allows a credit for taxable years beginning on or after January 1, 2022, and before January 1, 2032, in an amount equal to 20% or 25%, or as modified, of qualified expenditures paid or incurred during the taxable year by a qualified motion picture produced in this state at a certified studio construction project. Existing law requires a qualified motion picture, for purposes of this credit, to provide a diversity workplan that includes goals broadly reflective of California's population, in terms of race, ethnicity, gender, and disability status.

This bill, with respect to the certified studio credit, for taxable years beginning on or after January 1, 2025, would revise specified provisions of the definition of qualified motion picture, the credit amount allowed for a qualified motion picture, and the total credit amount allowed to be allocated to a television series, as specified, in conformity with the motion picture credit 4.0, as described above. The bill would also end the requirement that a certified studio construction project is produced by a qualified taxpayer that either owns more than 50% of the soundstage or soundstages on which the production is filmed or entered into a contract or lease of 10 years or more. The bill would require the diversity workplan to also include veteran status, and to indicate specified ZIP Code data related to members of the workforce.

(4) Existing law requires the California Film Commission to develop an application process for the allocation of the motion picture credit 4.0 and the certified studio credit. Existing law requires the issuance of a credit for any subsequent season for the life of a television series that has been approved and issued a credit allocation under any of those credits. Existing law requires the California Film Commission to limit the amount of credits any recurring television series receives in subsequent seasons to no more than the amount reserved in the prior fiscal year it received the credit.

This bill would instead limit the amount of credits received by a recurring television series to the sum of the base year allocation and the product of the base year allocation, the number of subsequent years, and 3%, as those terms are defined. The bill would additionally, for purposes of the motion picture credit 4.0, require a recurring television series to reapply for the credit if it does not request a credit allocation within 18 months from the date of completion of principal photography of the previous season, as specified.

(5) Existing law establishes a Career Pathways Program, under the California Film Commission, to fund technical skills training for individuals from underserved communities for entry into film and television jobs. Existing law requires the program to work with nonprofit organizations that have an established record of training and job placement in the entertainment industry, focus on training individuals from traditionally underserved communities, and offer training courses focused on skilled, technical positions, as specified. Existing law requires a qualified motion picture to pay a fee equal to 0.5% of their approved credit amount to the program, and authorizes the California Film Commission to increase the fee amount, as specified.

This bill would require the California Film Commission to expand the number of nonprofit organizations that partner with the Career Pathways Program, and would require the California Film Commission to establish an application process for nonprofit organizations to obtain approval as a Career Pathways Program. The bill would require the application meet specified requirements to be approved and would provide criteria for the California Film Commission to consider when approving applications. The bill would require the California Film Commission, before July 1, 2026, to develop criteria to incentivize the placement of trainees from the Career Pathways Program in qualified productions, and for the motion picture credit 4.0, would authorize the California Film Commission to increase the credit amount up to 2% of the credit amount allocated for qualified productions that employ trainees from a Career Pathways Program, as specified.

(6) This bill would declare that it is to take effect immediately as an urgency statute.

Vote: ⅔. Appropriation: yes. Fiscal committee: yes. State-mandated local program: no.

*The people of the State of California do enact as follows:*

SECTION 1. Section 17053.98 of the Revenue and Taxation Code is amended to read:

17053.98. (a) (1) For taxable years beginning on or after January 1, 2020, there shall be allowed to a qualified taxpayer a credit against the "net tax," as defined in Section 17039, subject to a computation and ranking by the California Film Commission in subdivision (g) and the allocation amount categories described in subdivision (i), in an amount equal to 20 percent or 25 percent, whichever is the applicable credit percentage described in paragraph (4), of the qualified expenditures for the production of a qualified motion picture in California. A credit shall not be allowed under this section for any qualified expenditures for the production of a motion picture in California if a credit has been claimed for those same expenditures under Section 17053.85 or 17053.95.

(2) Except as otherwise provided in this section, the credit shall be allowed for the taxable year in which the California Film Commission issues the credit certificate pursuant to subdivision (g) for the qualified motion picture, but in no instance prior to July 1, 2020, and shall be for the applicable percentage of all qualified expenditures paid or incurred by the qualified taxpayer in all taxable years for that qualified motion picture.

(3) (A) The amount of the credit allowed to a qualified taxpayer shall be limited to the amount specified in the credit certificate issued to the qualified taxpayer by the California Film Commission pursuant to subdivision (g).

(B) In determining the amount specified in the credit certificate in subparagraph (A), the California Film Commission shall be

limited to the following amounts of qualified expenditures for each qualified motion picture:

(i) (I) In the case of a feature, up to one hundred million dollars ($100,000,000).

(II) Notwithstanding subclause (I), for taxable years beginning on or after January 1, 2025, and only for purposes of the credit allowed in subdivision (k), in the case of a feature, up to one hundred twenty million dollars ($120,000,000).

(ii) (I) In the case of a miniseries described in clause (ii) of subparagraph (A) of paragraph (18) of subdivision (b), up to one hundred million dollars ($100,000,000).

(II) Notwithstanding subclause (I), for taxable years beginning on or after January 1, 2025, and only for purposes of the credit allowed in subdivision (k), in the case of a miniseries described in clause (ii) of subparagraph (A) of paragraph (18) of subdivision (b), up to one hundred twenty million dollars ($120,000,000).

(iii) (I) In the case of a television series described in clause (iii) or clause (v) of subparagraph (A) of paragraph (18) of subdivision (b), up to one hundred million dollars ($100,000,000) per season.

(II) Notwithstanding subclause (I), for taxable years beginning on or after January 1, 2025, and only for purposes of the credit allowed in subdivision (k), in the case of a television series described in clause (iii) or clause (v) of subparagraph (A) of paragraph (18) of subdivision (b), up to one hundred twenty million dollars ($120,000,000).

(iv) In the case of an independent film, up to ten million dollars ($10,000,000).

(4) For purposes of paragraphs (1) and (2), the applicable credit percentage shall be:

(A) Twenty percent of the qualified expenditures attributable to the production of a qualified motion picture in California, including, but not limited to, a feature or a television series that relocated to California that is in its second or subsequent years of receiving a tax credit allocation pursuant to this section, Section 17053.85, or Section 17053.95.

(B) Twenty-five percent of the qualified expenditures attributable to the production of a qualified motion picture in California where the qualified motion picture is a television series that relocated to California in its first year of receiving a tax credit allocation pursuant to this section.

(C) Twenty-five percent of the qualified expenditures attributable to the production of a qualified motion picture that is an independent film.

(D) Additional credits shall be allowed for the production of a qualified motion picture whose applicable credit percentage is determined pursuant to subparagraph (A), in an aggregate amount not to exceed 5 percent of the qualified expenditures under that subparagraph, as follows:

(i) (I) Five percent of qualified expenditures, excluding qualified wages described in subparagraph (E), relating to original photography outside the Los Angeles zone.

(II) For purposes of this clause and subparagraph (E):

(ia) "Applicable period" means the period that commences with preproduction and ends when original photography concludes. The applicable period includes the time necessary to strike a remote location and return to the Los Angeles zone.

(ib) "Los Angeles zone" means the area within a circle 30 miles in radius from Beverly Boulevard and La Cienega Boulevard, Los Angeles, California, and includes Agua Dulce, Castaic, including Castaic Lake, Leo Carrillo State Beach, Ontario International Airport, Piru, and Pomona, including the Los Angeles County Fairgrounds. The Metro-Goldwyn-Mayer, Inc. Conejo Ranch property is within the Los Angeles zone.

(ic) "Original photography" includes principal photography and reshooting original footage.

(id) "Qualified expenditures relating to original photography outside the Los Angeles zone" means amounts paid or incurred during the applicable period for tangible personal property purchased or leased and used or consumed outside the Los Angeles zone and relating to original photography outside the Los Angeles zone and qualified wages paid for services performed outside the Los Angeles zone and relating to original photography outside the Los Angeles zone.

(ii) Five percent of the qualified expenditures relating to qualified visual effects attributable to the production of a qualified motion picture in California.

(E) (i) Notwithstanding subparagraph (D), an amount equal to 10 percent of qualified wages paid for services performed relating to original photography outside of the Los Angeles zone to qualified individuals who reside in California but outside the Los

Angeles zone shall be allowed as an additional credit for the production of a qualified motion picture whose applicable credit percentage is determined pursuant to subparagraph (A).

(ii) Notwithstanding subparagraph (D), an amount equal to 5 percent of qualified wages paid for services performed relating to original photography outside of the Los Angeles zone to qualified individuals who reside in California but outside the Los Angeles zone shall be allowed as an additional credit for the production of a qualified motion picture whose applicable credit percentage is determined pursuant to subparagraph (B) or (C).

(b) For purposes of this section:

(1) "Ancillary product" means any article for sale to the public that contains a portion of, or any element of, the qualified motion picture.

(2) "Budget" means an estimate of all expenses paid or incurred during the production period of a qualified motion picture. It shall be the same budget used by the qualified taxpayer and production company for all qualified motion picture purposes.

(3) "Clip use" means a use of any portion of a motion picture, other than the qualified motion picture, used in the qualified motion picture.

(4) "Credit certificate" means the certificate issued by the California Film Commission pursuant to subparagraph (D) of paragraph (3) of subdivision (g).

(5) (A) "Employee fringe benefits" means the amount allowable as a deduction under this part to the qualified taxpayer involved in the production of the qualified motion picture, exclusive of any amounts contributed by employees, for any year during the production period with respect to any of the following:

(i) Employer contributions under any pension, profit-sharing, annuity, or similar plan.

(ii) Employer-provided coverage under any accident or health plan for employees.

(iii) The employer's cost of life or disability insurance provided to employees.

(B) Any amount treated as wages under clause (i) of subparagraph (A) of paragraph (21) shall not be taken into account under this paragraph.

(6) (A) "Independent film" means a motion picture with a minimum budget of one million dollars ($1,000,000) that is

produced by a company that is not publicly traded and publicly traded companies do not own, directly or indirectly, more than 25 percent of the producing company.

(B) Notwithstanding subparagraph (A), for taxable years beginning on or after January 1, 2025, and only for purposes of the credit allowed in subdivision (k), a motion picture with a minimum budget of one million dollars ($1,000,000) that is produced by a company that is not publicly traded and publicly traded companies do not own, directly or indirectly, more than 30 percent of the producing company.

(7) "Jobs ratio" means the amount of qualified wages paid to qualified individuals divided by the amount of tax credit, not including any additional credit allowed pursuant to subparagraphs (D) and (E) of paragraph (4) of subdivision (a), as computed by the California Film Commission. For the purposes of the calculation of the jobs ratio only, 70 percent of qualified expenditures for visual effects paid to third-party vendors for work performed in California shall be deemed to be qualified wages paid to a qualified individual.

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

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

(10) "Pilot for a new television series" means the initial episode produced for a proposed television series.

(11) (A) "Postproduction" means the final activities in a qualified motion picture's production, including editing, foley recording, automatic dialogue replacement, sound editing, scoring, music track recording by musicians and music editing, beginning and end credits, negative cutting, negative processing and duplication, the addition of sound and visual effects, sound mixing, film-to-tape transfers, encoding, and color correction.

(B) "Postproduction" does not include the manufacture or shipping of release prints or their equivalent.

(12) "Preproduction" means the process of preparation for actual physical production which begins after a qualified motion picture has received a firm agreement of financial commitment, or is greenlit, with, for example, the establishment of a dedicated production office, the hiring of key crew members, and includes,

but is not limited to, activities that include location scouting and execution of contracts with vendors of equipment and stage space.

(13) "Principal photography" means the phase of production during which the motion picture is actually shot, as distinguished from preproduction and postproduction.

(14) "Production period" means the period beginning with preproduction and ending upon completion of postproduction.

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

(16) "Qualified expenditures" means amounts paid or incurred for tangible personal property purchased or leased, and used, within this state in the production of a qualified motion picture and payments, including qualified wages, for services performed within this state in the production of a qualified motion picture.

(17) (A) "Qualified individual" means any individual who performs services during the production period in an activity related to the production of a qualified motion picture.

(B) "Qualified individual" shall not include either of the following:

(i) Any individual related to the qualified taxpayer as described in subparagraph (A), (B), or (C) of Section 51(i)(1) of the Internal Revenue Code.

(ii) Any 5-percent owner, as defined in Section 416(i)(1)(B) of the Internal Revenue Code, of the qualified taxpayer.

(18) (A) "Qualified motion picture" means a motion picture that is produced for distribution to the general public, regardless of medium, that is one of the following:

(i) A feature with a minimum production budget of one million dollars ($1,000,000).

(ii) A miniseries consisting of two or more episodes, each longer than 40 minutes of running time, exclusive of commercials, that is produced in California, with a minimum production budget of one million dollars ($1,000,000) per episode.

(iii) A new television series of episodes longer than 40 minutes each of running time, exclusive of commercials, that is produced in California, with a minimum production budget of one million dollars ($1,000,000) per episode.

(iv) An independent film.

(v) A television series that relocated to California.

(vi) (I) A pilot for a new television series that is longer than 40 minutes of running time, exclusive of commercials, that is produced in California, and with a minimum production budget of one million dollars ($1,000,000). For purposes of the credit allowed in subdivision (k), this subclause shall only apply for taxable years beginning before January 1, 2025.

(II) For taxable years beginning on or after January 1, 2025, and only for purposes of the credit allowed in subdivision (k), a pilot for a new live action or animated series that is at least 20 minutes of running time, exclusive of commercials, and is produced in California with a minimum production budget of one million dollars ($1,000,000) per episode.

(vii) For taxable years beginning on or after January 1, 2025, and only for purposes of the credit allowed in subdivision (k), a live action or animated series, averaging across a season at least 20 minutes of running time per episode, exclusive of commercials, that is produced in California, with a minimum production budget of one million dollars ($1,000,000) per episode.

(viii) For taxable years beginning on or after January 1, 2025, and only for purposes of the credit allowed in subdivision (k), an animated film that is produced in California, with a minimum production budget of one million dollars ($1,000,000).

(ix) For taxable years beginning on or after January 1, 2025, and only for purposes of the credit allowed in subdivision (k), a large-scale competition show, not including traditional reality, game shows, talk shows, or docufollow television programming, that is produced in California, with a minimum production budget of one million dollars ($1,000,000) per episode.

(B) To qualify as a "qualified motion picture," all of the following conditions shall be satisfied:

(i) At least 75 percent of the principal photography days occur wholly in California or 75 percent of the production budget is incurred for payment for services performed within the state and the purchase or rental of property used within the state.

(ii) Production of the qualified motion picture is completed within 30 months from the date on which the qualified taxpayer's application is approved by the California Film Commission. For purposes of this section, a qualified motion picture is "completed" when the process of postproduction has been finished.

(iii) The copyright for the motion picture is registered with the United States Copyright Office pursuant to Title 17 of the United States Code.

(iv) Principal photography of the qualified motion picture commences after the date on which the application is approved by the California Film Commission, but no later than 180 days after the date of that approval if the qualified motion picture has a budget with qualified expenditures of less than one hundred million dollars ($100,000,000), and no later than 240 days after the date of that approval in the case of a qualified motion picture with a budget of qualified expenditures with at least one hundred million dollars ($100,000,000), unless death, disability, or disfigurement of the director or of a principal cast member; an act of God, including, but not limited to, fire, flood, earthquake, storm, hurricane, or other natural disaster; terrorist activities; or government sanction has directly prevented a production's ability to begin principal photography within the prescribed 180- or 240-day commencement period.

(C) For the purposes of subparagraph (A), in computing the total wages paid or incurred for the production of a qualified motion picture, all amounts paid or incurred by all persons or entities that share in the costs of the qualified motion picture shall be aggregated.

(D) "Qualified motion picture" shall not include commercial advertising, music videos, a motion picture produced for private noncommercial use, such as weddings, graduations, or as part of an educational course and made by students, a news program, current events or public events program, talk show, game show, sporting event or activity, awards show, telethon or other production that solicits funds, reality television program, except as specified in clause (ix) of subparagraph (A), clip-based programming if more than 50 percent of the content is comprised of licensed footage, documentaries, variety programs, daytime dramas, strip shows, one-half hour (air time) episodic television shows, except as specified in clause (vii) of subparagraph (A), or any production that falls within the recordkeeping requirements of Section 2257 of Title 18 of the United States Code.

(19) (A) "Qualified taxpayer" means a taxpayer, or a single member limited liability company that is disregarded for tax purposes pursuant to Section 23038, who has paid or incurred

qualified expenditures, participated in the Career Readiness requirement in Section 17053.95, and has been issued a credit certificate by the California Film Commission pursuant to subdivision (g).

(B) In the case of any pass-thru entity, the determination of whether a taxpayer is a qualified taxpayer under this section shall be made at the entity level and any credit under this section is not allowed to the pass-thru entity but shall be passed through to the partners or shareholders in accordance with applicable provisions of Part 10 (commencing with Section 17001) or Part 11 (commencing with Section 23001). For purposes of this paragraph, "pass-thru entity" means any entity taxed as a partnership or "S" corporation.

(20) "Qualified visual effects" means visual effects where at least 75 percent or a minimum of ten million dollars ($10,000,000) of the qualified expenditures for the visual effects are paid or incurred in California.

(21) (A) "Qualified wages" means all of the following:

(i) Any wages subject to withholding under Division 6 (commencing with Section 13000) of the Unemployment Insurance Code that were paid or incurred by any taxpayer involved in the production of a qualified motion picture with respect to a qualified individual for services performed on the qualified motion picture production within this state.

(ii) The portion of any employee fringe benefits paid or incurred by any taxpayer involved in the production of the qualified motion picture that are properly allocable to qualified wage amounts described in clauses (i), (iii), and (iv).

(iii) Any payments made to a qualified entity for services performed in this state by qualified individuals within the meaning of paragraph (17).

(iv) Remuneration paid to an independent contractor who is a qualified individual for services performed within this state by that qualified individual.

(B) "Qualified wages" shall not include any of the following:

(i) Expenses, including wages, related to new use, reuse, clip use, licensing, secondary markets, or residual compensation, or the creation of any ancillary product, including, but not limited to, a soundtrack album, toy, game, trailer, or teaser.

(ii) Expenses, including wages, paid or incurred with respect to acquisition, development, turnaround, or any rights thereto.

(iii) Expenses, including wages, related to financing, overhead, marketing, promotion, or distribution of a qualified motion picture.

(iv) Expenses, including wages, paid per person per qualified motion picture for writers, directors, music directors, music composers, music supervisors, producers, and performers, other than background actors with no scripted lines.

(22) "Recurring television series" means any television series that was previously approved and issued a credit allocation letter under this section.

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

(24) "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.

(25) "Secondary markets" means media in which a qualified motion picture is exhibited following the initial media in which it is exhibited.

(26) "Television series that relocated to California" means a television series, without regard to episode length or initial media exhibition, with a minimum production budget of one million dollars ($1,000,000) per episode, that filmed at least 75 percent of principal photography days in its most recent season outside of California or has filmed all seasons outside of California and for which the taxpayer certifies that the credit provided pursuant to this section is the primary reason for relocating to California.

(27) "Visual effects" means the creation, alteration, or enhancement of images that cannot be captured on a set or location during live action photography and therefore is accomplished in postproduction. It includes, but is not limited to, matte paintings, animation, set extensions, computer-generated objects, characters and environments, compositing (combining two or more elements in a final image), and wire removals. "Visual effects" does not include fully animated projects, whether created by traditional or digital means.

(c) (1) Notwithstanding any other law, a qualified taxpayer may sell any credit allowed under this section that is attributable to an independent film, as defined in paragraph (6) of subdivision (b), to an unrelated party.

(2) The qualified taxpayer shall report to the Franchise Tax Board prior to the sale of the credit, in the form and manner specified by the Franchise Tax Board, all required information regarding the purchase and sale of the credit, including the social security or other taxpayer identification number of the unrelated party to whom the credit has been sold, the face amount of the credit sold, and the amount of consideration received by the qualified taxpayer for the sale of the credit.

(3) In the case where the credit allowed under this section exceeds the "net tax," the excess credit may be carried over to reduce the "net tax" in the following taxable year, and succeeding eight taxable years, if necessary, until the credit has been exhausted.

(4) A credit shall not be sold pursuant to this subdivision to more than one taxpayer, nor may the credit be resold by the unrelated party to another taxpayer or other party.

(5) A party that has acquired tax credits under this subdivision shall be subject to the requirements of this section.

(6) In no event may a qualified taxpayer assign or sell any tax credit to the extent the tax credit allowed by this section is claimed on any tax return of the qualified taxpayer.

(7) In the event that both the taxpayer originally allocated a credit under this section by the California Film Commission and a taxpayer to whom the credit has been sold both claim the same amount of credit on their tax returns, the Franchise Tax Board may disallow the credit of either taxpayer, so long as the statute of limitations upon assessment remains open.

(8) Chapter 3.5 (commencing with Section 11340) of Part 1 of Division 3 of Title 2 of the Government Code does not apply to any standard, criterion, procedure, determination, rule, notice, or guideline established or issued by the Franchise Tax Board pursuant to this subdivision.

(9) Subdivision (g) of Section 17039 shall not apply to any credit sold pursuant to this subdivision.

(10) For purposes of this subdivision, the unrelated party or parties that purchase a credit pursuant to this subdivision shall be treated as a qualified taxpayer pursuant to paragraph (1) of subdivision (a).

(d) (1) No credit shall be allowed pursuant to this section unless the qualified taxpayer provides the following to the California Film Commission:

(A) Identification of each qualified individual.

(B) The specific start and end dates of production.

(C) The total wages paid.

(D) The total amount of qualified wages paid to qualified individuals.

(E) Aggregate data for individuals whose wages are excluded from qualified wages by clause (iv) of subparagraph (B) of paragraph (21) of subdivision (b), including their gender, ethnic, and racial makeup.

(F) The copyright registration number, as reflected on the certificate of registration issued under the authority of Section 410 of Title 17 of the United States Code, relating to registration of claim and issuance of certificate. The registration number shall be provided on the return claiming the credit.

(G) The total amounts paid or incurred to purchase or lease tangible personal property used in the production of a qualified motion picture.

(H) Information to substantiate its qualified expenditures.

(I) Information required by the California Film Commission under regulations promulgated pursuant to subdivision (g) necessary to verify the amount of credit claimed.

(J) Data regarding the diversity of the workforce employed by the applicant on the qualified motion picture, as described in subdivision (g).

(K) Documentation verifying completion of the Career Readiness requirement.

(L) Documentation verifying that the qualified taxpayer paid a fee as described in subdivision (e).

(2) (A) Based on the information provided in paragraph (1), the California Film Commission shall recompute the jobs ratio previously computed in subdivision (g) and compare this recomputed jobs ratio to the jobs ratio that the qualified taxpayer previously listed on the application submitted pursuant to subdivision (g).

(B) (i) If the California Film Commission determines that the jobs ratio has been reduced by more than 10 percent for a qualified motion picture, the California Film Commission shall reduce the

amount of credit allowed by an equal percentage, unless the qualified taxpayer demonstrates, and the California Film Commission determines, that reasonable cause exists for the jobs ratio reduction.

(ii) If the California Film Commission determines that the jobs ratio has been reduced by more than 20 percent for a qualified motion picture, the California Film Commission shall not accept an application described in subdivision (g) from that qualified taxpayer or any member of the qualified taxpayer's controlled group for a period of not less than one year from the date of that determination, unless the qualified taxpayer demonstrates, and the California Film Commission determines, that reasonable cause exists for the jobs ratio reduction.

(C) For the purposes of this paragraph, "reasonable cause" means unforeseen circumstances beyond the control of the qualified taxpayer, such as, but not limited to, the cancellation of a television series prior to the completion of the scheduled number of episodes or other similar circumstances as determined by the California Film Commission in regulations to be adopted pursuant to subdivision (e).

(e) (1) (A) Subject to the Administrative Procedure Act (Chapter 3.5 (commencing with Section 11340) of Part 1 of Division 3 of Title 2 of the Government Code), the California Film Commission shall adopt rules and regulations to implement a pilot Career Pathways Training program including a fee to be paid by the qualified taxpayer, if the qualified taxpayer receives a credit under this section, to fund technical skills training to individuals from underserved communities for entry into film and television industry jobs. The California Film Commission shall (i) identify a not-for-profit fiscal agent with direct relationships to industry skills training programs to manage the funds; and (ii) engage labor-management jointly administered training programs with skills training focused on the entertainment industry to implement the program with California Film Commission approval and oversight. With regard to the Career Readiness requirement in Section 17053.95, the California Film Commission shall identify training and public service opportunities that may include, but not be limited to, hiring interns, public service announcements, and community outreach shall continue. The California Film Commission may prescribe rules and regulations to carry out the purposes of this section, including, subparagraph (D) of paragraph (4) of subdivision (a) and clause (iv) of subparagraph (D) of paragraph (2) of subdivision (g), and including any rules and regulations necessary to establish procedures, processes, requirements, application fee structure, and rules identified in or required to implement this section, including credit and logo requirements and credit allocation procedures over multiple fiscal years where the qualified taxpayer is producing a series of features that will be filmed concurrently.

(B) Notwithstanding any other law, prior to preparing a notice of proposed action pursuant to Section 11346.4 of the Government Code and prior to making any revision to the proposed regulation other than a change that is nonsubstantial or solely grammatical in nature, the Governor's Office of Business and Economic Development shall first approve the proposed regulation or proposed change to a proposed regulation regarding allocating the credit pursuant to subdivision (i), computing the jobs ratio as described in subdivisions (d) and (g), and defining "reasonable cause" pursuant to subparagraph (C) of paragraph (2) of subdivision (d).

(2) (A) Implementation of this section for the 2020–21 fiscal year is deemed an emergency and necessary for the immediate preservation of the public peace, health, and safety, or general welfare and, therefore, the California Film Commission is hereby authorized to adopt emergency regulations to implement this section during the 2020–21 fiscal year in accordance with the rulemaking provisions of the Administrative Procedure Act (Chapter 3.5 (commencing with Section 11340) of Part 1 of Division 3 of Title 2 of the Government Code).

(B) Nothing in this paragraph shall be construed to require the Governor's Office of Business and Economic Development to approve emergency regulations adopted pursuant to this paragraph.

(3) The California Film Commission shall not be required to prepare an economic impact analysis pursuant to the Administrative Procedure Act (Chapter 3.5 (commencing with Section 11340) of Part 1 of Division 3 of Title 2 of the Government Code) with regard to any rules and regulations adopted pursuant to this subdivision.

(f) If the qualified taxpayer fails to provide the copyright registration number as required in subparagraph (E) of paragraph (1) of subdivision (d), the credit shall be disallowed and assessed

and collected under Section 19051 until the procedures are satisfied.

(g) For purposes of this section, the California Film Commission shall do the following:

(1) Subject to the requirements of subparagraphs (A) to (E), inclusive, of paragraph (2), on or after July 1, 2020, and before July 1, 2025, in two or more allocation periods per fiscal year, allocate tax credits to applicants.

(2) (A) Establish a procedure for applicants to file with the California Film Commission a written application, on a form jointly prescribed by the California Film Commission and the Franchise Tax Board for the allocation of the tax credit. The application shall include, but not be limited to, the following information:

(i) The budget for the motion picture production.

(ii) The number of production days.

(iii) A financing plan for the production.

(iv) The diversity of the workforce employed by the applicant, including, but not limited to, the ethnic and racial makeup of the individuals employed by the applicant during the production of the qualified motion picture, to the extent possible.

(v) All members of a combined reporting group, if known at the time of the application.

(vi) The amount of qualified wages the applicant expects to pay to qualified individuals.

(vii) The amount of tax credit the applicant computes the qualified motion picture will receive, applying the applicable credit percentages described in paragraph (4) of subdivision (a).

(viii) A statement establishing that the tax credit described in this section is a significant factor in the applicant's choice of location for the qualified motion picture. The statement shall include information about whether the qualified motion picture is at risk of not being filmed or specify the jurisdiction or jurisdictions in which the qualified motion picture will be located in the absence of the tax credit. The statement shall be signed by an officer or executive of the applicant.

(ix) The applicant's written policy against unlawful harassment, including, but not limited to, sexual harassment, which includes procedures for reporting and investigating harassment claims, a phone number for an individual who will be responsible for receiving harassment claims, and a statement that the company will not retaliate against an individual who reports harassment. The applicant shall also indicate how the policy will be distributed to employees and include a summary of education training resources, including the prohibition against, and prevention and correction of, sexual harassment and remedies available.

(x) The ethnic and racial makeup and gender of individuals whose wages are excluded from qualified wages as set forth in clause (iv) of subparagraph (B) of paragraph (21) of subdivision (b).

(xi) A summary of the applicant's voluntary programs to increase the representation of minorities and women in the job classifications that are not included in qualified wages as set forth in clause (iv) of subparagraph (B) of paragraph (21) of subdivision (b) and information about how these programs are publicized to interested parties. The officer or executive referenced in clause (x) who is signing the statement shall provide additional information about these programs, if needed and upon request, to the California Film Commission.

(xii) Any other information deemed relevant by the California Film Commission or the Franchise Tax Board.

(B) Establish criteria, consistent with the requirements of this section, for allocating tax credits.

(C) Determine and designate applicants who meet the requirements of this section.

(D) (i) For purposes of allocating the credit amounts subject to the categories described in subdivision (i) in any fiscal year, the California Film Commission shall do all of the following:

(ii) For each allocation date and for each category, list each applicant from highest to lowest according to the jobs ratio as computed by the California Film Commission.

(iii) Subject to the applicable credit percentage, allocate the credit to each applicant according to the highest jobs ratio, working down the list, until the credit amount is exhausted.

(iv) (I) Pursuant to regulations adopted pursuant to subdivision (e), the California Film Commission may increase the jobs ratio by up to 25 percent if a qualified motion picture increases economic activity in California according to criteria developed by the California Film Commission that would include, but not be limited to, such factors as, the amount of the production and postproduction spending in California, the utilization of scoring musicians in

California, and other criteria measuring economic impact in California as determined by the California Film Commission.

(II) For qualified motion pictures that are described in subparagraph (D) of paragraph (8) of subdivision (k), the jobs ratio shall be equal to the product of the jobs ratio calculated in paragraph (7) of subdivision (b) and 133 percent.

(v) Notwithstanding any other law, any television series, relocating television series, or any new television series based on a pilot for a new television series that has been approved and issued a credit allocation by the California Film Commission under this section, including subdivision (k), Section 23698, including subdivision (k), or Section 17053.95, 23695, 17053.85, or 23685 shall be issued a credit for each subsequent season, for the life of that television series whenever credits are allocated within a fiscal year. For taxable years beginning before January 1, 2025, the California Film Commission shall limit the amount of credits any recurring television series receives in a subsequent season to no more than the amount reserved in its prior fiscal year Credit Allocation Letter or Letters, or if no amounts were reserved in the prior fiscal year, the most immediate prior fiscal year in which a Credit Allocation Letter or Letters were received. For taxable years beginning on or after January 1, 2025, the California Film Commission shall limit the amount of credits any recurring television series receives in a subsequent season to no more than the recurring television allocation amount, as defined in paragraph (23) of subdivision (b) of Section 17053.98.1. In the event that insufficient tax credits are available to fund all recurring television series pursuant to this clause for any fiscal year or in the event the California Film Commission projects, in collaboration with the Department of Finance, that there will be insufficient tax credits available to fund all recurring television series in either of the subsequent two fiscal years, the California Film Commission shall make the following adjustments in the order given until the shortfall, or any projected shortfall for the two subsequent fiscal years, for recurring television series is eliminated:

(I) Notwithstanding clause (iii) of subparagraph (A) of paragraph (2) of subdivision (i), the California Film Commission may redirect up to 100 percent of the credit amounts allocated to the relocating television series category to recurring television series for that fiscal year until the shortfall or projected shortfall is eliminated.

(II) Notwithstanding clause (iv) of subparagraph (A) of paragraph (2) of subdivision (i), the California Film Commission may redirect up to 100 percent of the credit amounts allocated to a new television series to recurring television series for that fiscal year until the shortfall or projected shortfall is eliminated.

(III) Notwithstanding clause (ii) of subparagraph (A) of paragraph (2) of subdivision (i), the California Film Commission may redirect up to 100 percent of the credit allocations from the features category to the recurring television series category for that fiscal year until the shortfall is eliminated.

(IV) Allocate up to 25 percent of total credit allocations that would otherwise be allocated in the 2024–25 fiscal year to recurring television series in the current fiscal year until the shortfall is eliminated. Any amounts transferred for allocation in the current fiscal year shall be subtracted from the amount allowed to be allocated in the 2024–25 fiscal year as specified in subdivision (i). Notwithstanding paragraph (3), the credit allocations that are subtracted from 2024–25 shall not be certified until July 1, 2025, or later.

(V) The California Film Commission shall consult with the qualified taxpayers who are producing the recurring television series for purposes of negotiating a minimally impactful reduction in the amount of credits awarded to each recurring television series for that fiscal year until the shortfall is eliminated.

(E) Subject to the annual cap and the allocation credit amounts based on categories described in subdivision (i), allocate an aggregate amount of credits under this section and Section 23698, and allocate any carryover of unallocated or unused credits from prior years and Sections 17053.85, 17053.95, 23685, and 23695, and the amount of any credits reduced pursuant to paragraph (2) of subdivision (d).

(3) Certify tax credits allocated to qualified taxpayers.

(A) Establish a verification procedure to update the information in subparagraph (A) of paragraph (2) of subdivision (g), including, but not limited to, all of the following:

(i) The amounts of qualified expenditures paid or incurred by the applicant.

(ii) The diversity of the workforce employed by the applicant.

(iii) The ethnic and racial makeup and gender of individuals whose wages are excluded from qualified wages by clause (iv) of subparagraph (B) of paragraph (21) of subdivision (b).

(B) Establish audit requirements that shall be satisfied before a credit certificate may be issued by the California Film Commission.

(C) (i) Establish a procedure for a qualified taxpayer to report to the California Film Commission, prior to the issuance of a credit certificate, the following information:

(I) If readily available, a list of the states, provinces, or other jurisdictions in which any member of the applicant's combined reporting group in the same business unit as the qualified taxpayer that, in the preceding calendar year, has produced a qualified motion picture intended for release in the United States market. For purposes of this clause, "qualified motion picture" shall not include any episodes of a television series that were complete or in production prior to July 1, 2020.

(II) Whether a qualified motion picture described in subclause (I) was awarded any financial incentive by the state, province, or other jurisdiction that was predicated on the performance of primary principal photography or postproduction in that location.

(ii) The California Film Commission may provide that the report required by this subparagraph be filed in a single report provided on a calendar year basis for those qualified taxpayers that receive multiple credit certificates in a calendar year.

(D) Issue a credit certificate to a qualified taxpayer upon completion of the qualified motion picture reflecting the credit amount allocated after qualified expenditures have been verified and the jobs ratio computed under this section. The amount of credit shown on the credit certificate shall not exceed the amount of credit allocated to that qualified taxpayer pursuant to this section.

(4) Obtain, when possible, the following information from applicants that do not receive an allocation of credit:

(A) Whether the qualified motion picture that was the subject of the application was completed.

(B) If completed, in which state or foreign jurisdiction was the primary principal photography completed.

(C) Whether the applicant received any financial incentives from the state or foreign jurisdiction to make the qualified motion picture in that location.

(5) Provide the Legislative Analyst's Office, upon request, any or all application materials or any other materials received from, or submitted by, applicants for which a credit allocation decision has been made, including, but not limited to, applicants that did not receive a credit allocation. Materials provided to the Legislative Analyst's Office shall be in electronic format when available and include, but not be limited to, information provided pursuant to clauses (i) to (xii), inclusive, of subparagraph (A) of paragraph (2) and the diversity workplans provided pursuant to clause (iv) of subparagraph (B) of paragraph (2) of subdivision (k).

(6) The information provided to the California Film Commission pursuant to this section shall constitute confidential tax information for purposes of Article 2 (commencing with Section 19542) of Chapter 7 of Part 10.2.

(7) (A) Notwithstanding any other law, on or after July 1, 2025, the California Film Commission may allocate, pursuant to this section, any previously allocated credits not certified that have not previously been added to credit amounts available for allocation under this section or a successor section or sections.

(B) For purposes of this section, "previously allocated credits not certified" means either:

(i) Credits allocated under paragraph (1) for which the qualified taxpayer to which the credit amounts were originally allocated has notified the California Film Commission in writing that the qualified taxpayer will not request certification for the allocated credits.

(ii) The difference between the amount of credits allocated under paragraph (1) to a qualified taxpayer and the amount of credits the California Film Commission certified, for that qualified taxpayer. For purposes of calculating the difference, the California Film Commission shall not consider any credit amounts for which the qualified taxpayer notifies the California Film Commission under clause (i).

(8) Notwithstanding any other law, on or after July 1, 2025, the California Film Commission may allocate, pursuant to this section, any credit amounts described in subparagraphs (B) and (E) of paragraph (1) of subdivision (i) that have not previously been added to credit amounts available for allocation under this section or a successor section or sections.

(9) The California Film Commission shall submit a report to the Legislature, on an annual basis beginning January 1, 2022, on aggregate diversity information for the productions allocated tax credits allowed in this section and the diversity of the motion picture production industry in California more generally.

(h) (1) The California Film Commission shall annually provide the Legislative Analyst's Office, the Franchise Tax Board, and the California Department of Tax and Fee Administration with a list of qualified taxpayers and the tax credit amounts allocated to each qualified taxpayer by the California Film Commission. The list shall include the names and taxpayer identification numbers, including taxpayer identification numbers of each partner or shareholder, as applicable, of the qualified taxpayer.

(2) (A) Notwithstanding paragraph (6) of subdivision (g), the California Film Commission shall annually post on its internet website and make available for public release the following:

(i) A table which includes all of the following information: a list of qualified taxpayers and the tax credit amounts allocated to each qualified taxpayer by the California Film Commission, the number of production days in California the qualified taxpayer represented in its application would occur, the number of California jobs that the qualified taxpayer represented in its application would be directly created by the production, and the total amount of qualified expenditures expected to be spent by the production.

(ii) A narrative staff summary describing the production of the qualified taxpayer as well as background information regarding the qualified taxpayer contained in the qualified taxpayer's application for the credit.

(iii) For qualified taxpayers allocated a credit, the aggregate diversity information collected pursuant to clauses (iv) and (xii) of subparagraph (A) of paragraph (2) of subdivision (g) organized per production and an aggregate compilation describing the voluntary programs collected pursuant to clause (xiii) of subparagraph (A) of paragraph (2) of subdivision (g).

(B) Nothing in this subdivision shall be construed to make the information submitted by an applicant for a tax credit under this section a public record, including for the purposes of the California Public Records Act (Division 10 (commencing with Section 7920.000) of Title 1 of the Government Code).

(3) The California Film Commission shall provide each city and county in California with an instructional guide that includes, but is not limited to, a review of best practices for facilitating motion picture production in local jurisdictions, resources on hosting and encouraging motion picture production, and the California Film Commission's Model Filming Ordinance. The California Film Commission shall maintain on its internet website a list of initiatives by locality that encourage motion picture production in regions across the state. The list shall be distributed to each approved applicant for the program to highlight local jurisdictions that offer incentives to facilitate film production.

(i) (1) (A) The aggregate amount of credits that may be allocated for a fiscal year pursuant to this section and Section 23698, except as provided in subdivision (k) of this section and subdivision (k) of Section 23698, is three hundred thirty million dollars ($330,000,000), plus any amount described in subparagraph (B), (C), (D), or (E) in credits for the 2020–21 fiscal year and each fiscal year thereafter, through and including the 2024–25 fiscal year, except as provided in paragraph (7) of subdivision (g), plus the amount described in subparagraph (F) in credits for the 2021–22 and 2022–23 fiscal years.

(B) (i) Subject to clauses (ii) and (iii), the unused allocation credit amount, if any, for the preceding fiscal year.

(ii) The amount of unused credit allocation attributable to independent films shall only be allocated according to clause (i) of subparagraph (A) of paragraph (2).

(iii) The total amount of any unused credit allocation amount that is remaining shall only be allocated pursuant to clause (iv) of subparagraph (A) of paragraph (2).

(C) The amount of previously allocated credits not certified.

(D) The amount of any credits reduced pursuant to paragraph (2) of subdivision (d).

(E) That portion of any unused allocation credit amount, if any, attributable to Section 17053.85, 17053.95, 23685, or 23695 available for that fiscal year in a manner as determined by regulations promulgated by the California Film Commission.

(F) (i) For fiscal years 2021–22 and 2022–23, the California Film Commission shall allocate an additional fifteen million dollars ($15,000,000) in credits to be granted exclusively to television series that relocate to California.

(I) Notwithstanding subparagraph (A) of paragraph (2) of this subdivision and clause (v) of subparagraph (D) of paragraph (2) of subdivision (g), the moneys allocated pursuant to this subparagraph shall not be redirected or reallocated.

(II) Notwithstanding paragraph (25) of subdivision (b), for purposes of this subparagraph, a "television series that relocated to California" means a television series, without regard to episode length or initial media exhibition, with a minimum production budget of one million dollars ($1,000,000) per episode that both filmed at least 75 percent of principal photography days for at least one episode outside of California and has not filmed more than 25 percent of principal photography days for any episode inside of California.

(ii) For fiscal years 2021–22 and 2022–23, the California Film Commission shall allocate an additional seventy-five million dollars ($75,000,000) in credits to be granted exclusively to recurring television series.

(2) (A) Notwithstanding the foregoing, and subject to paragraph (4) of this subdivision and changes in allocations pursuant to clause (v) of subparagraph (D) of paragraph (2) of subdivision (g), the California Film Commission shall allocate the credit amounts subject to the following categories:

(i) Independent films with qualified expenditures of ten million dollars ($10,000,000) or less shall be allocated 4.8 percent of the amount specified in paragraph (1). Independent films with qualified expenditures in excess of ten million dollars ($10,000,000) shall be allocated 3.2 percent of the amount specified in paragraph (1). These amounts shall be in addition to any unused allocation credit amount, if any, for the preceding fiscal year as described in subparagraph (B) of paragraph (1).

(ii) Features shall be allocated 35 percent of the amount specified in paragraph (1).

(iii) A relocating television series shall be allocated 17 percent of the amount specified in paragraph (1).

(iv) A new television series, pilots for a new television series, miniseries, and recurring television series shall be allocated 40 percent of the amount specified in paragraph (1), plus any unused allocation credit amount, if any, for the preceding fiscal year as described in subparagraph (B) of paragraph (1).

(B) Within any allocation period for credits to a relocating television series, any unused amount shall be reallocated to the category described in clause (iv) of subparagraph (A) and, if any unused amount remains, reallocated in the next allocation period for credits to a relocating television series.

(C) With respect to a relocating television series issued a credit in a subsequent year pursuant to clause (v) of subparagraph (D) of paragraph (2) of subdivision (g), that subsequent credit amount shall be allowed from the allocation amount described in clause (iv) of subparagraph (A).

(3) Any act that reduces the amount that may be allocated pursuant to paragraph (1) constitutes a change in state taxes for the purpose of increasing revenues within the meaning of Section 3 of Article XIII A of the California Constitution and may be passed by not less than two-thirds of all Members elected to each of the two houses of the Legislature.

(4) A qualified motion picture, as defined in subdivision (k), shall not be eligible for an allocation under subdivisions (a) to (j), inclusive, if it receives a credit under subdivision (k) during that fiscal year.

(j) The California Film Commission shall have the authority to allocate tax credits in accordance with this section and in accordance with any regulations prescribed pursuant to subdivision (e) upon adoption.

(k) (1) For taxable years beginning on or after January 1, 2022, and before January 1, 2032, there shall be allowed to a qualified taxpayer a credit against the "net tax," as defined in Section 17039, subject to allocation by the California Film Commission, in an amount equal to:

(A) For credits allocated before July 1, 2025, 20 percent or 25 percent, whichever is the applicable credit percentage described in paragraph (4) of subdivision (a), as modified by paragraph (3) of this subdivision, of the qualified expenditures for the production of a qualified motion picture produced in the state at a certified studio construction project.

(B) For credits allocated on or after July 1, 2025, 35 percent or 40 percent, whichever is the applicable credit percentage described in paragraph (4) of subdivision (a) of Section 17053.98.1, as modified by paragraph (3) of this subdivision, of the qualified expenditures for the production of a qualified motion picture produced in the state at a certified studio construction project.

(2) For purposes of this subdivision, the definitions in subdivision (b) shall apply except as otherwise provided in this subdivision.

(A) "Certified studio construction project" means a construction or renovation project certified for a period of five years by the California Film Commission as having met all of the following criteria:

(i) The project provides for the construction or renovation of one or more soundstages located in the state.

(ii) Actual construction or renovation expenditures are not less than twenty-five million dollars ($25,000,000) of actual construction or renovation expenditures made over not more than five continuous calendar years.

(iii) The construction or renovation of each certified studio construction project is performed in accordance with Section 17053.99.

(iv) The construction or renovation of each certified studio construction project commences pursuant to a foundation permit or a structural building permit for the construction or renovation that is issued after the effective date of the act adopting this subdivision.

(v) The certified studio construction project applicant or its affiliates shall not have received a California Competes Grant under Section 12096.6 of the Government Code for wages or investment related to construction of the studio construction project.

(B) "Qualified motion picture" means a qualified motion picture, as defined in subdivision (b), that meets all of the following requirements:

(i) During the production period, the qualified motion picture films at least 50 percent of its principal photography stage shooting days on a soundstage or soundstages certified as a certified studio construction project.

(ii) During the production period, the qualified motion picture pays or incurs at least five million dollars ($5,000,000) in qualified wages for filming on a soundstage or soundstages certified as a certified studio construction project.

(iii) For taxable years beginning before January 1, 2025, is produced by a qualified taxpayer that is either of the following:

(I) More than 50 percent owned, directly or indirectly, by the same owner or owners of the soundstage or soundstages that is part of a certified studio construction project on which the production is filmed.

(II) Entered into a contract or lease of 10 years or more with the owner or owners of a certified studio construction project on which the production is filmed.

(iv) Provides a diversity workplan that is approved by the California Film Commission.

(C) For purposes of this subdivision, a qualified taxpayer and a taxpayer include a passthrough entity and a disregarded entity.

(3) (A) The diversity workplan required pursuant to clause (iv) of subparagraph (B) of paragraph (2) shall include all of the following:

(i) A statement of the diversity goals the motion picture will seek to achieve in terms of qualified wages paid by race, ethnicity, gender, disability status, and for taxable years beginning on or after January 1, 2025, veteran status.

(ii) A statement of the diversity goals the motion picture will seek to achieve for individuals whose wages are excluded from qualified wages as set forth in clause (iv) of subparagraph (B) of paragraph (21) of subdivision (b), with respect to both compensation and to the representation of diversity in the creative aspects of the motion picture.

(iii) A plan of what strategies the motion picture will employ to achieve the goals in clauses (i) and (ii).

(B) The diversity workplan shall include goals that are broadly reflective of California's population, in terms of race, ethnicity, gender, disability status, and for taxable years beginning on or after January 1, 2025, veteran status. For taxable years beginning on or after January 1, 2025, the diversity workplan shall indicate the ZIP Code for those members of the workforce whose wages are qualified expenditures and those whose wages are not qualified expenditures.

(C) The California Film Commission shall approve or reject the diversity workplan of an applicant, to the extent allowed by federal and state law.

(D) (i) The California Film Commission shall not certify any tax credit under this subdivision until they have received a final diversity report from the qualified motion picture applicant.

(ii) The final diversity report shall calculate and provide evidence for the extent to which the applicant met the diversity goals laid out in their diversity workplan.

(iii) The California Film Commission shall have the authority to audit the final diversity report to determine if the diversity goals set forth in the applicant's diversity workplan for the motion picture production were achieved.

(iv) If the California Film Commission determines that the qualified motion picture applicant has met or made a good faith effort to meet the diversity goals in its diversity workplan, the applicant's credit percentage described in paragraph (1) shall be increased by up to four percentage points as follows:

(I) By two percentage points if the California Film Commission determines that the applicant has met or made a good faith effort to meet the diversity goals with respect to the diversity of the workforce employed by the applicant in its diversity workplan statement.

(II) By two percentage points if the California Film Commission determines that the applicant has met or made a good faith effort to meet the diversity goals with respect to individuals whose wages are excluded from qualified wages as set forth in clause (iv) of subparagraph (B) of paragraph (21) of subdivision (b), in its diversity workplan statement.

(E) The California Film Commission, in consultation with the Governor's Office of Business and Economic Development, shall establish guidelines to evaluate diversity workplans as described in this paragraph. The guidelines shall be posted on the California Film Commission's internet website.

(4) The credit allowed under this subdivision shall be administered in accordance with subdivisions (a), (b), (c), (d), (h), and (*l*), except that paragraph (1) of subdivision (a) shall not apply, paragraph (7) of subdivision (b) shall not apply, and paragraph (2) of subdivision (d) shall not apply.

(5) Subparagraph (A) of paragraph (2), subparagraphs (A), (B), and (C) of paragraph (3), and paragraphs (4), (5), and (6) of subdivision (g) shall apply.

(6) A conflict between this subdivision and any other subdivisions in this section shall be reconciled in favor of this subdivision.

(7) The aggregate amount of credit allocated by the California Film Commission pursuant to subdivisions (a) to (j), inclusive, of this section and Section 23698 shall not be reduced by the tax credit allowed pursuant to this subdivision. The amount of credit allowed by this subdivision shall not be limited by subdivision (i).

(8) (A) The credit allocated pursuant to this subdivision shall be allowed for the taxable year in which the California Film Commission issues a credit certificate in accordance with the procedures provided for in subdivision (g) for the qualified motion picture. The California Film Commission shall issue a credit certificate to a qualified taxpayer upon completion of the qualified motion picture reflecting the credit amount allocated after qualified expenditures have been verified.

(B) The California Film Commission, commencing with fiscal year 2021–22, shall allocate tax credits each year to qualified motion pictures meeting the criteria of this subdivision. The total amount of credits that may be allocated under this subdivision is one hundred fifty million dollars ($150,000,000). For taxable years beginning before January 1, 2025, the amount of credit that may be allocated to a qualified motion picture under this subdivision shall not exceed the greater of twelve million dollars ($12,000,000), or seven hundred fifty thousand dollars ($750,000) per episode, for a season of a television series. For taxable years beginning on or after January 1, 2025, the amount of credit that may be allocated to a qualified motion picture under this subdivision shall not exceed the greater of twenty-one million dollars ($21,000,000), or one million three hundred thousand dollars ($1,300,000) per episode, for a season of a television series. Recurring television series receiving an initial allocation under this subdivision shall be allocated for subsequent seasons no more than allowed under this paragraph.

(C) In any year the tax credits under this paragraph have been allocated by the California Film Commission, a qualified motion picture or a recurring television series that satisfies the criteria of this subdivision, but have not received an allocation of credits, may apply to receive an allocation of credits pursuant to subdivision (i).

(D) A qualified motion picture that satisfies the criteria of this subdivision, other than a recurring television series described in subparagraph (E) of this paragraph, that does not receive a credit allocation under this subdivision because the total amount of credits authorized for the program in subparagraph (B) has been allocated or the qualified motion picture commenced production during the sixth year the certified studio construction project has been certified by the California Film Commission, or any year thereafter, may apply for a credit allocation under subdivisions (a) through (j), inclusive, subject to the jobs ratio enhancement in subclause (II) of clause (iv) of subparagraph (D) of paragraph (2) of subdivision (g).

(E) A recurring television series that satisfies the criteria of this subdivision and that is no longer eligible for a credit allocation under this subdivision for a reason described in subparagraph (D) shall receive a credit allocation under subdivisions (a) through (j), inclusive, pursuant to clause (v) of subparagraph (D) of paragraph (2) of subdivision (g).

(F) Credits shall be allocated based on the assumption that the motion picture meets the diversity criteria specified in clause (iv) of subparagraph (D) of paragraph (3).

(G) If any successor tax credit program that modifies or replaces the program specified in subdivisions (a) through (j), inclusive, of this section or Section 23698 is enacted, both of the following shall apply:

(i) A qualified motion picture described in subparagraph (D) may apply to receive an allocation of credits under the successor program.

(ii) A recurring television series described in subparagraph (E) shall receive an allocation of credits under the successor program.

(9) A qualified motion picture meeting the requirements of this subdivision that receives a credit allocation during the five-year period the certified studio construction project is certified by the California Film Commission shall be allowed a credit under this subdivision for subsequent seasons for the life of that recurring television series as long as the qualified motion picture continues to satisfy the criteria of this subdivision and to the extent the total credit amount the California Film Commission is permitted to allocate pursuant to subparagraph (B) of paragraph (8) has not previously been allocated.

(10) Within six months of the effective date of this subdivision, the California Film Commission shall:

(A) Establish procedures to certify a certified studio construction project.

(B) Establish procedures to verify a qualified motion picture has met the criteria established in this section for filming in a certified studio construction project facility. That procedure shall include a requirement that the qualified motion picture pay 0.5 percent of the approved credit amount to the Career Pathways Training program specified in subdivision (e).

(C) (i) Implementation of this subdivision for the 2023–24 fiscal year is deemed an emergency and necessary for the immediate preservation of the public peace, health, and safety, or general welfare and, therefore, the California Film Commission is hereby authorized to adopt emergency regulations to implement this subdivision during the 2023–24 fiscal year in accordance with the rulemaking provisions of the Administrative Procedure Act (Chapter 3.5 (commencing with Section 11340) of Part 1 of Division 3 of Title 2 of the Government Code).

(ii) The California Film Commission shall adopt regulations in order to implement this paragraph.

(iii) The California Film Commission shall not be required to prepare an economic impact analysis pursuant to the Administrative Procedure Act (Chapter 3.5 (commencing with Section 11340) of Part 1 of Division 3 of Title 2 of the Government Code) with regard to any rules and regulations adopted pursuant to this subdivision.

(11) In the case where the credit allowed by this subdivision exceeds the taxpayer's tax liability computed under this part, the excess credit may be carried over to reduce the "net tax" in the following taxable year, and succeeding eight taxable years, if necessary, until the credit has been exhausted.

(12) Upon completion of construction or renovation of the soundstage or soundstages, the certified studio construction project applicant shall certify to the California Film Commission that all contractors and subcontractors performing construction work on the soundstage or soundstages were required to use a skilled and trained workforce to perform such work in accordance with subdivision (b) of Section 17053.99.

(13) (A) Upon completion of construction or renovation of the soundstage or soundstages, the soundstage or soundstages shall

be continuously operated, maintained, and repaired by any of the following:

(i) A workforce that is paid at least the general prevailing rate of per diem wages for the type of work and geographic area, as determined by the Director of Industrial Relations pursuant to Sections 1773 and 1773.9 of the Labor Code, if such services are performed by a workforce that is employed directly, or indirectly through a motion picture payroll services company, by the owner or affiliate of the owner of the soundstage or lessee of the soundstage described in subclause (II) of clause (iii) of subparagraph (B) of paragraph (2) of this subdivision.

(ii) A skilled and trained workforce as defined in Chapter 2.9 (commencing with Section 2600) of Part 1 of Division 2 of the Public Contract Code, if such services are provided by third-party vendors.

(B) Each year following completion of construction or renovation of the soundstage or soundstages that a qualified motion picture is allocated a tax credit pursuant to this subdivision, the certified studio construction project applicant shall certify to the California Film Commission both of the following:

(i) The total amount of payments to third-party vendors or qualified wages for operation, maintenance, and repair of the certified soundstage.

(ii) The amount and percentage of the total amount of payments to third-party vendors or qualified wages for operation, maintenance, and repair of the certified soundstage performed by each workforce described in subparagraph (A).

(C) If the percentage paid to workers in clause (i) of subparagraph (A) is certified to be 90 percent of the total amount under clause (i) of subparagraph (B) or greater, the qualified taxpayer shall be entitled to 100 percent of the applicable credit issued under this subdivision for the period. If the percentage paid to workers in clause (i) of subparagraph (A) is certified to be less than 90 percent of the total amount under clause (i) of subparagraph (B) but greater than or equal to 75 percent of the total amount under clause (i) of subparagraph (B), the qualified taxpayer shall be entitled to 50 percent of the applicable credit issued under this subdivision for the period. If the percentage paid to workers in clause (i) of subparagraph (A) is certified to be less than 75 percent of the total amount under clause (i) of subparagraph (B), the qualified taxpayer shall not be entitled to any credit issued under this subdivision for the applicable period.

(14) (A) Except as provided in subparagraph (B), the changes made to this subdivision by the act adding this paragraph shall apply to taxable years beginning on or after January 1, 2023.

(B) The changes made to subparagraphs (A) and (B) of paragraph (2) by the act adding this paragraph shall apply for all taxable years to any certified studio construction project that has been certified, and any qualified motion picture that has been allocated a credit, pursuant to this subdivision.

(*l*) Section 41 shall not apply to the credits allowed by this section.

SEC. 2. Section 17053.98.1 of the Revenue and Taxation Code is amended to read:

17053.98.1. (a) (1) For taxable years beginning on or after January 1, 2025, there shall be allowed to a qualified taxpayer a credit against the "net tax," as defined in Section 17039, subject to a computation and ranking by the California Film Commission in subdivision (g) and the allocation amount categories described in subdivision (i), in an amount equal to 35 or 40 percent, whichever is the applicable credit percentage described in paragraph (4), of the qualified expenditures for the production of a qualified motion picture in California. A credit shall not be allowed under this section for any qualified expenditures for the production of a motion picture in California if a credit has been claimed for those same expenditures under Section 17053.85, 17053.95, or 17053.98.

(2) Except as otherwise provided in this section, the credit shall be allowed for the taxable year in which the California Film Commission issues the credit certificate pursuant to subdivision (g) for the qualified motion picture, but in no instance prior to July 1, 2025, and shall be for the applicable percentage of all qualified expenditures paid or incurred by the qualified taxpayer in all taxable years for that qualified motion picture.

(3) (A) The amount of the credit allowed to a qualified taxpayer shall be limited to the amount specified in the credit certificate issued to the qualified taxpayer by the California Film Commission pursuant to subdivision (g).

(B) In determining the amount specified in the credit certificate in subparagraph (A), the California Film Commission shall be

limited to the following amounts of qualified expenditures for each qualified motion picture:

(i) In the case of a feature, up to one hundred twenty million dollars ($120,000,000).

(ii) In the case of a miniseries or limited series described in clause (ii) of subparagraph (A) of paragraph (19) of subdivision (b), up to one hundred twenty million dollars ($120,000,000).

(iii) In the case of a television series described in clause (iii) or clause (v) of subparagraph (A) of paragraph (19) of subdivision (b), up to one hundred twenty million dollars ($120,000,000) per season.

(iv) In the case of an independent film, up to twenty million dollars ($20,000,000).

(4) For purposes of paragraphs (1) and (2), the applicable credit percentage shall be as follows:

(A) Thirty-five percent of the qualified expenditures attributable to the production of a qualified motion picture in California, including, but not limited to, a feature or a television series that relocated to California that is in its second or subsequent years of receiving a tax credit allocation pursuant to this section, or Section 17053.85, 17053.95, or 17053.98.

(B) Forty percent of the qualified expenditures attributable to the production of a qualified motion picture in California where the qualified motion picture is a television series that relocated to California in its first year of receiving a tax credit allocation pursuant to this section.

(C) Thirty-five percent of the qualified expenditures attributable to the production of a qualified motion picture that is an independent film.

(D) Additional credits shall be allowed for the production of a qualified motion picture which applicable credit percentage is determined pursuant to subparagraph (A), in an aggregate amount not to exceed 5 percent of the qualified expenditures under that subparagraph, as follows:

(i) (I) Five percent of qualified expenditures, excluding qualified wages described in subparagraph (E), relating to original photography outside the Los Angeles zone.

(II) For purposes of this clause and subparagraph (E):

(ia) “Applicable period” means the period that commences with preproduction and ends when original photography concludes. The applicable period includes the time necessary to strike a remote location and return to the Los Angeles zone.

(ib) "Los Angeles zone" means the area within a circle 30 miles in radius from Beverly Boulevard and La Cienega Boulevard, Los Angeles, California, and includes Agua Dulce, Castaic, including Castaic Lake, Leo Carrillo State Beach, Ontario International Airport, Piru, and Pomona, including the Los Angeles County Fairgrounds. The Metro-Goldwyn-Mayer, Inc. Conejo Ranch property is within the Los Angeles zone.

(ic) "Original photography" includes principal photography and reshooting original footage.

(id) "Qualified expenditures relating to original photography outside the Los Angeles zone" means amounts paid or incurred during the applicable period for tangible personal property purchased or leased and used or consumed outside the Los Angeles zone and relating to original photography outside the Los Angeles zone and qualified wages paid for services performed outside the Los Angeles zone and relating to original photography outside the Los Angeles zone.

(ii) Five percent of the qualified expenditures relating to qualified visual effects attributable to the production of a qualified motion picture in California.

(E) (i) Notwithstanding subparagraph (D), an amount equal to 10 percent of qualified wages paid for services performed relating to original photography outside of the Los Angeles zone to qualified individuals who reside in California but outside the Los Angeles zone shall be allowed as an additional credit for the production of a qualified motion picture which applicable credit percentage is determined pursuant to subparagraph (A) or (C).

(ii) Notwithstanding subparagraph (D), an amount equal to 5 percent of qualified wages paid for services performed relating to original photography outside of the Los Angeles zone to qualified individuals who reside in California but outside the Los Angeles zone shall be allowed as an additional credit for the production of a qualified motion picture which applicable credit percentage is determined pursuant to subparagraph (B).

(b) For purposes of this section:

(1) "Ancillary product" means any article for sale to the public that contains a portion of, or any element of, the qualified motion picture.

(2) "Budget" means an estimate of all expenses paid or incurred during the production period of a qualified motion picture. It shall be the same budget used by the qualified taxpayer and production company for all qualified motion picture purposes.

(3) "Clip use" means a use of any portion of a motion picture, other than the qualified motion picture, used in the qualified motion picture.

(4) "Credit certificate" means the certificate issued by the California Film Commission pursuant to subparagraph (D) of paragraph (3) of subdivision (g).

(5) "Diversity workplan checklist" means a checklist developed by regulation by the California Film Commission that may include consideration of inclusive hiring above the line, inclusive hiring below the line, equity education, industry capacity building and supplier diversity as part of any diversity workplan.

(6) (A) "Employee fringe benefits" means the amount allowable as a deduction under this part to the qualified taxpayer involved in the production of the qualified motion picture, exclusive of any amounts contributed by employees, for any year during the production period with respect to any of the following:

(i) Employer contributions under any pension, profit sharing, annuity, or similar plan.

(ii) Employer-provided coverage under any accident or health plan for employees.

(iii) The employer's cost of life or disability insurance provided to employees.

(B) Any amount treated as wages under clause (i) of subparagraph (A) of paragraph (21) shall not be taken into account under this paragraph.

(7) "Independent film" means a motion picture with a minimum budget of one million dollars ($1,000,000) that is produced by a company that is not publicly traded and publicly traded companies do not own, directly or indirectly, more than 30 percent of the producing company.

(8) "Jobs ratio" means the amount of qualified wages paid to qualified individuals divided by the amount of tax credit, not including any additional credit allowed pursuant to subparagraphs (D) and (E) of paragraph (4) of subdivision (a), as computed by the California Film Commission. For the purposes of the calculation of the jobs ratio only, 70 percent of qualified

expenditures for visual effects paid to third-party vendors for work performed in California shall be deemed to be qualified wages paid to a qualified individual.

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

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

(11) "Pilot for a new television series" means the initial episode produced for a proposed television series.

(12) (A) "Postproduction" means the final activities in a qualified motion picture's production, including editing, foley recording, automatic dialogue replacement, sound editing, scoring, music track recording by musicians and music editing, beginning and end credits, negative cutting, negative processing and duplication, the addition of sound and visual effects, sound mixing, film-to-tape transfers, encoding, and color correction.

(B) "Postproduction" does not include the manufacture or shipping of release prints or their equivalent.

(13) "Preproduction" means the process of preparation for actual physical production which begins after a qualified motion picture has received a firm agreement of financial commitment, or is greenlit, with, for example, the establishment of a dedicated production office, the hiring of key crew members, and includes, but is not limited to, activities that include location scouting and execution of contracts with vendors of equipment and stage space.

(14) "Principal photography" means the phase of production during which the motion picture is actually shot, as distinguished from preproduction and postproduction.

(15) "Production period" means the period beginning with preproduction and ending upon completion of postproduction.

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

(17) "Qualified expenditures" means amounts paid or incurred for tangible personal property purchased or leased, and used, within this state in the production of a qualified motion picture and payments, including qualified wages, for services performed within this state in the production of a qualified motion picture.

(18) (A) "Qualified individual" means any individual who performs services during the production period in an activity related to the production of a qualified motion picture.

(B) "Qualified individual" shall not include either of the following:

(i) Any individual related to the qualified taxpayer as described in subparagraph (A), (B), or (C) of Section 51(i)(1) of the Internal Revenue Code.

(ii) Any 5-percent owner, as defined in Section 416(i)(1)(B) of the Internal Revenue Code, of the qualified taxpayer.

(19) (A) "Qualified motion picture" means a motion picture that is produced for distribution to the general public, regardless of medium, that is one of the following:

(i) A feature with a minimum production budget of one million dollars ($1,000,000).

(ii) A miniseries or limited series consisting of two or more episodes, each longer than 40 minutes of running time, exclusive of commercials, that is produced in California, with a minimum production budget of one million dollars ($1,000,000) per episode.

(iii) An independent film.

(iv) A television series that relocated to California.

(v) A pilot for a new live action or animated television series that is at least 20 minutes of running time, exclusive of commercials, that is produced in California, and with a minimum production budget of one million dollars ($1,000,000).

(vi) A live action or animated series, averaging across a season at least 20 minutes of running time per episode, exclusive of commercials, that is produced in California, with a minimum production budget of one million dollars ($1,000,000) per episode.

(vii) An animated film that is produced in California, with a minimum production budget of one million dollars ($1,000,000).

(viii) A large-scale competition show, not including traditional reality, game shows, talk shows, or docufollow television programming, that is produced in California, with a minimum production budget of one million dollars ($1,000,000) per episode.

(B) To qualify as a "qualified motion picture," all of the following conditions shall be satisfied:

(i) At least 75 percent of the principal photography days occur wholly in California or 75 percent of the production budget is incurred for payment for services performed within the state and the purchase or rental of property used within the state.

(ii) Production of the qualified motion picture is completed within 30 months from the date on which the qualified taxpayer's application is approved by the California Film Commission. For purposes of this section, a qualified motion picture is "completed" when the process of postproduction has been finished.

(iii) The copyright for the motion picture is registered with the United States Copyright Office pursuant to Title 17 of the United States Code.

(iv) (I) Except as provided in subclause (II), principal photography of the qualified motion picture commences after the date on which the application is approved by the California Film Commission, but no later than 180 days after the date of that approval if the qualified motion picture has a budget with qualified expenditures of less than one hundred million dollars ($100,000,000), and no later than 240 days after the date of that approval in the case of a qualified motion picture with a budget of qualified expenditures with at least one hundred million dollars ($100,000,000), unless death, disability, or disfigurement of the director or of a principal cast member; an act of God, including, but not limited to, fire, flood, earthquake, storm, hurricane, or other natural disaster; terrorist activities; or government sanction has directly prevented a production's ability to begin principal photography within the prescribed 180- or 240-day commencement period.

(II) Notwithstanding subclause (I), a production that has not previously received an allocation under this section or Section 17053.85, 17053.95, or 17053.98, and that completed principal photography of the previous season more than 48 months prior to the application for a credit allocation under this section, shall be deemed not to have commenced principal photography prior to the date on which the application for an allocation of credit under this section is approved by the California Film Commission.

(III) Notwithstanding subclauses (I) and (II), a television series that did not commence principal photography prior to July 1, 2025, and applied for but did not receive an allocation under this section for its first season filming in California and makes an application for allocation of credit for its second season filming in California shall be deemed not to have commenced principal photography prior to the date on which the application for an allocation of credit under this section is approved by the California Film Commission.

(v) (I) At least 75 percent of production costs for picture editing and postproduction sound labor and services shall be incurred in California.

(II) This requirement shall only apply to a qualified motion picture applying for an allocation of credits under this section pursuant to subparagraph (G) of paragraph (8) of subdivision (k) of Section 17053.98 or Section 23698.

(vi) Provides a diversity workplan checklist.

(C) For the purposes of subparagraph (A), in computing the total wages paid or incurred for the production of a qualified motion picture, all amounts paid or incurred by all persons or entities that share in the costs of the qualified motion picture shall be aggregated.

(D) "Qualified motion picture" shall not include commercial advertising, music videos, a motion picture produced for private noncommercial use, such as weddings, graduations, or as part of an educational course and made by students, a news program, current events or public events program, talk show, game show, sporting event or activity, awards show, telethon or other production that solicits funds, reality television program, except as specified in clause (ix) of subparagraph (A), clip-based programming if more than 50 percent of the content is comprised of licensed footage, documentaries, variety programs, daytime dramas, strip shows, or any production that falls within the recordkeeping requirements of Section 2257 of Title 18 of the United States Code.

(20) (A) "Qualified taxpayer" means a taxpayer, or a single member limited liability company that is disregarded for tax purposes pursuant to Section 23038, who has paid or incurred qualified expenditures, participated in the Career Readiness requirement in Section 17053.95, and has been issued a credit certificate by the California Film Commission pursuant to subdivision (g).

(B) In the case of any pass-thru entity, the determination of whether a taxpayer is a qualified taxpayer under this section shall be made at the entity level and any credit under this section is not allowed to the pass-thru entity, but shall be passed through to the partners or shareholders in accordance with applicable provisions of Part 10 (commencing with Section 17001) or Part 11 (commencing with Section 23001). For purposes of this paragraph, “pass-thru entity” means any entity taxed as a partnership or “S” corporation.

(21) “Qualified visual effects” means visual effects where at least 75 percent or a minimum of ten million dollars ($10,000,000) of the qualified expenditures for the visual effects are paid or incurred in California.

(22) (A) “Qualified wages” means all of the following:

(i) Any wages subject to withholding under Division 6 (commencing with Section 13000) of the Unemployment Insurance Code that were paid or incurred by any taxpayer involved in the production of a qualified motion picture with respect to a qualified individual for services performed on the qualified motion picture production within this state.

(ii) The portion of any employee fringe benefits paid or incurred by any taxpayer involved in the production of the qualified motion picture that are properly allocable to qualified wage amounts described in clauses (i), (iii), and (iv).

(iii) Any payments made to a qualified entity for services performed in this state by qualified individuals within the meaning of paragraph (17).

(iv) Remuneration paid to an independent contractor who is a qualified individual for services performed within this state by that qualified individual.

(B) “Qualified wages” shall not include any of the following:

(i) Expenses, including wages, related to new use, reuse, clip use, licensing, secondary markets, or residual compensation, or the creation of any ancillary product, including, but not limited to, a soundtrack album, toy, game, trailer, or teaser.

(ii) Expenses, including wages, paid or incurred with respect to acquisition, development, turnaround, or any rights thereto.

(iii) Expenses, including wages, related to financing, overhead, marketing, promotion, or distribution of a qualified motion picture.

(iv) Expenses, including wages, paid per person per qualified motion picture for writers, directors, music directors, music composers, music supervisors, producers, and performers, other than background actors with no scripted lines.

(23) (A) “Recurring television allocation amount” means the sum of the base year allocation and the product of all of the following:

(i) The base year allocation.

(ii) The number of subsequent years.

(iii) Three percent.

(B) For purposes of this paragraph, the following definitions apply:

(i) “Base year allocation” means the amount received by the recurring television series in its fiscal year 2025–26 Credit Allocation Letter or Letters, or if no amounts were reserved in fiscal year 2025–26, in the next fiscal year in which a Credit Allocation Letter or Letters were received.

(ii) “The number of subsequent years” means the number of full or partial fiscal years that have elapsed since the fiscal year in which the base year allocation was made.

(24) “Recurring television series” means any television series that was previously approved and issued a credit allocation letter under this section.

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

(26) “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.

(27) “Secondary markets” means media in which a qualified motion picture is exhibited following the initial media in which it is exhibited.

(28) “Television series that relocated to California” means a television series, without regard to episode length or initial media exhibition, with a minimum production budget of one million dollars ($1,000,000) per episode, that filmed at least 75 percent of principal photography days in its most recent season outside of California or has filmed all seasons outside of California and for which the taxpayer certifies that the credit provided pursuant to this section is the primary reason for relocating to California.

(c) (1) Notwithstanding any other law, a qualified taxpayer may sell any credit allowed under this section that is attributable to an independent film, as defined in paragraph (7) of subdivision (b), to an unrelated party.

(2) The qualified taxpayer shall report to the Franchise Tax Board prior to the sale of the credit, in the form and manner specified by the Franchise Tax Board, all required information regarding the purchase and sale of the credit, including the social security or other taxpayer identification number of the unrelated party to whom the credit has been sold, the face amount of the credit sold, and the amount of consideration received by the qualified taxpayer for the sale of the credit.

(3) In the case where the credit allowed under this section exceeds the "net tax," the excess credit may be carried over to reduce the "net tax" in the following taxable year, and succeeding eight taxable years, if necessary, until the credit has been exhausted.

(4) A credit shall not be sold pursuant to this subdivision to more than one taxpayer, nor may the credit be resold by the unrelated party to another taxpayer or other party.

(5) A party that has acquired tax credits under this subdivision shall be subject to the requirements of this section.

(6) In no event may a qualified taxpayer assign or sell any tax credit to the extent the tax credit allowed by this section is claimed on any tax return of the qualified taxpayer.

(7) In the event that both the taxpayer originally allocated a credit under this section by the California Film Commission and a taxpayer to whom the credit has been sold both claim the same amount of credit on their tax returns, the Franchise Tax Board may disallow the credit of either taxpayer, so long as the statute of limitations upon assessment remains open.

(8) Chapter 3.5 (commencing with Section 11340) of Part 1 of Division 3 of Title 2 of the Government Code does not apply to any standard, criterion, procedure, determination, rule, notice, or guideline established or issued by the Franchise Tax Board pursuant to this subdivision.

(9) Subdivision (g) of Section 17039 shall not apply to any credit sold pursuant to this subdivision.

(10) For purposes of this subdivision, the unrelated party or parties that purchase a credit pursuant to this subdivision shall be treated as a qualified taxpayer pursuant to paragraph (1) of subdivision (a).

(d) (1) No credit shall be allowed pursuant to this section unless the qualified taxpayer provides the following to the California Film Commission:

(A) Identification of each qualified individual.

(B) The specific start and end dates of production.

(C) The total wages paid.

(D) The total amount of qualified wages paid to qualified individuals.

(E) Aggregate data for individuals whose wages are excluded from qualified wages by clause (iv) of subparagraph (B) of paragraph (22) of subdivision (b), including their gender, ethnic, and racial makeup.

(F) The copyright registration number, as reflected on the certificate of registration issued under the authority of Section 410 of Title 17 of the United States Code, relating to registration of claim and issuance of certificate. The registration number shall be provided on the return claiming the credit.

(G) The total amounts paid or incurred to purchase or lease tangible personal property used in the production of a qualified motion picture.

(H) Information to substantiate its qualified expenditures.

(I) Information required by the California Film Commission under regulations promulgated pursuant to subdivision (g) necessary to verify the amount of credit claimed.

(J) Data regarding the diversity of the workforce employed by the applicant on the qualified motion picture, as described in subdivision (g).

(K) Documentation verifying completion of the Career Readiness requirement.

(L) Documentation verifying that the qualified taxpayer paid the Career Pathways Program fee.

(2) (A) Based on the information provided in paragraph (1), the California Film Commission shall recompute the jobs ratio previously computed in subdivision (g) and compare this recomputed jobs ratio to the jobs ratio that the qualified taxpayer previously listed on the application submitted pursuant to subdivision (g).

(B) (i) If the California Film Commission determines that the jobs ratio has been reduced by more than 10 percent for a qualified motion picture, the California Film Commission shall reduce the

amount of credit allowed by an equal percentage, unless the qualified taxpayer demonstrates, and the California Film Commission determines, that reasonable cause exists for the jobs ratio reduction.

(ii) If the California Film Commission determines that the jobs ratio has been reduced by more than 20 percent for a qualified motion picture, the California Film Commission shall not accept an application described in subdivision (g) from that qualified taxpayer or any member of the qualified taxpayer's controlled group for a period of not less than one year from the date of that determination, unless the qualified taxpayer demonstrates, and the California Film Commission determines, that reasonable cause exists for the jobs ratio reduction.

(C) For the purposes of this paragraph, "reasonable cause" means unforeseen circumstances beyond the control of the qualified taxpayer, such as, but not limited to, the cancellation of a television series prior to the completion of the scheduled number of episodes or other similar circumstances as determined by the California Film Commission in regulations to be adopted pursuant to subdivision (e).

(e) (1) (A) Subject to the Administrative Procedure Act (Chapter 3.5 (commencing with Section 11340) of Part 1 of Division 3 of Title 2 of the Government Code), the California Film Commission shall prescribe rules and regulations to carry out the purposes of this section, including, but not limited to, the following:

(i) Subparagraph (D) of paragraph (4) of subdivision (a) and clause (iv) of subparagraph (D) of paragraph (2) of subdivision (g).

(ii) Any rules and regulations necessary to establish procedures, processes, requirements, and applications.

(iii) (I) Continuing a Career Pathways Program established pursuant to subdivision (e) of Sections 17053.98 and 23698, and pursuant to paragraph (10) of subdivision (g) of this section and Section 23698.1, to fund technical skills training for individuals from underserved communities for entry into film and television jobs. The program shall be funded by a fee equal to 0.5 percent of the approved credit amount for a qualified motion picture. The program shall work with nonprofit organizations that have an established record of training and job placement in the entertainment industry, focus on training individuals from traditionally underserved communities, and offer training courses focused on skilled, technical positions that would be eligible for qualified wages if performed on a qualified motion picture as well as administrative- and industry-related technical occupations or soft skills training for the motion picture industry.

(II) Notwithstanding subclause (I), independent films are required to pay a fee equal to 0.25 percent of the approved credit amount for a qualified motion picture.

(iv) (I) Beginning January 1, 2028, the California Film Commission, in collaboration with labor and industry stakeholders, has the authority to increase the Career Pathways Training program fee by 0.25 percent per year, up to 1 percent of the approved credit amount for a qualified motion picture, based on evaluation of available information, including, but not limited to, the number of jobs available, job growth in the industry, and information included in the annual reports of the Career Pathways Training program required pursuant to paragraph (11) of subdivision (g). The evaluation shall be included in the annual report to the Legislature.

(II) Independent films are not subject to an increase to the fee pursuant to subclause (I).

(B) Notwithstanding any other law, prior to preparing a notice of proposed action pursuant to Section 11346.4 of the Government Code and prior to making any revision to the proposed regulation other than a change that is nonsubstantial or solely grammatical in nature, the Governor's Office of Business and Economic Development shall first approve the proposed regulation or proposed change to a proposed regulation regarding allocating the credit pursuant to subdivision (i), computing the jobs ratio as described in subdivisions (d) and (g), and defining "reasonable cause" pursuant to subparagraph (C) of paragraph (2) of subdivision (d).

(2) The California Film Commission shall not be required to prepare an economic impact analysis pursuant to the Administrative Procedure Act (Chapter 3.5 (commencing with Section 11340) of Part 1 of Division 3 of Title 2 of the Government Code) with regard to any rules and regulations adopted pursuant to this subdivision.

(f) If the qualified taxpayer fails to provide the copyright registration number as required in subparagraph (E) of paragraph (1) of subdivision (d), the credit shall be disallowed and assessed

and collected under Section 19051 until the procedures are satisfied.

(g) For purposes of this section, the California Film Commission shall do all of the following:

(1) (A) Subject to the requirements of subparagraphs (A) to (E), inclusive, of paragraph (2), on or after July 1, 2025, and before July 1, 2030, in four or more allocation periods per fiscal year, allocate tax credits to applicants.

(B) The California Film Commission shall increase the total credit amount allocated to an applicant by up to 2 percent of the initial credit amount allocated under this section, as determined by the California Film Commission, for qualified productions that employ trainees from a Career Pathways Program pursuant to subparagraph (E) of paragraph (10).

(2) (A) Establish a procedure for applicants to file with the California Film Commission a written application, on a form jointly prescribed by the California Film Commission and the Franchise Tax Board for the allocation of the tax credit. The application shall include, but not be limited to, all of the following information:

(i) The budget for the motion picture production.

(ii) The number of production days.

(iii) A financing plan for the production.

(iv) The diversity of the workforce employed by the applicant, including, but not limited to, the ethnic and racial makeup of the individuals employed by the applicant during the production of the qualified motion picture, to the extent possible.

(v) The amount of qualified wages the applicant expects to pay to qualified individuals.

(vi) The amount of tax credit the applicant computes the qualified motion picture will receive, applying the applicable credit percentages described in paragraph (4) of subdivision (a).

(vii) A statement establishing that the tax credit described in this section is a significant factor in the applicant's choice of location for the qualified motion picture. The statement shall include information about whether the qualified motion picture is at risk of not being filmed or specify the jurisdiction or jurisdictions in which the qualified motion picture will be located in the absence of the tax credit. The statement shall be signed by an officer or executive of the applicant.

(viii) The applicant's written policy against unlawful harassment, including, but not limited to, sexual harassment, which includes procedures for reporting and investigating harassment claims, a phone number for an individual who will be responsible for receiving harassment claims, and a statement that the company will not retaliate against an individual who reports harassment. The applicant shall also indicate how the policy will be distributed to employees and include a summary of education training resources, including the prohibition against, and prevention and correction of, sexual harassment and remedies available.

(ix) If applicable, summary of the applicant's voluntary programs to increase the representation of minorities and women in the job classifications that are not included in qualified wages as set forth in clause (iv) of subparagraph (B) of paragraph (22) of subdivision (b) and information about how these programs are publicized to interested parties. The officer or executive referenced in clause (xi) who is signing the statement shall provide additional information about these programs, if needed and upon request, to the California Film Commission.

(x) Any other information deemed relevant by the California Film Commission or the Franchise Tax Board.

(B) Establish criteria, consistent with the requirements of this section, for allocating tax credits.

(C) Determine and designate applicants who meet the requirements of this section.

(D) For purposes of allocating the credit amounts subject to the categories described in subdivision (i) in any fiscal year, the California Film Commission shall do all of the following:

(i) For each allocation date and for each category, list each applicant from highest to lowest according to the jobs ratio as computed by the California Film Commission.

(ii) Subject to the applicable credit percentage, allocate the credit to each applicant according to the highest jobs ratio, working down the list, until the credit amount is exhausted.

(iii) (I) Pursuant to regulations adopted pursuant to subdivision (e), the California Film Commission may increase the jobs ratio by up to 25 percent if a qualified motion picture increases economic activity in California according to criteria developed by the California Film Commission that would include, but not be limited to, those factors as, the amount of the production and postproduction spending in California, the employment of scoring musicians in California, and other criteria measuring economic impact in California as determined by the California Film Commission. The criteria developed by the California Film Commission shall not assess fewer points for the employment of scoring musicians in California than any other category within the jobs ratio bonus.

(II) For qualified motion pictures that are described in clause (i) of subparagraph (G) of paragraph (8) of subdivision (k) of Section 17053.98 and Section 23698, the jobs ratio shall be equal to the product of the jobs ratio calculated in paragraph (8) of subdivision (b) and 133 percent.

(iv) (I) Notwithstanding any other law, any television series, relocating television series, or any new television series based on a pilot for a new television series that has been approved and issued a credit allocation by the California Film Commission under this section, Section 17053.85, 17053.95, 17053.98, 23685, 23695, 23698, or 23698.1 shall be issued a credit for each subsequent season, for the life of that television series whenever credits are allocated within a fiscal year.

(II) Notwithstanding subclause (I), a recurring television series that does not request a credit allocation within 18 months from the date of completion of principal photography of the previous season is deemed to have waived the credit allocation guarantee provided by this clause and must reapply for a credit allocation. The California Film Commission may by regulation determine the appropriate priority to be given in a reapplication process for a recurring series reapplying pursuant to this subclause.

(III) The California Film Commission shall limit the amount of credits any recurring television series, including a recurring television series under subdivision (k) of Section 17053.98, receives in a subsequent season to no more than the recurring television allocation amount.

(IV) In the event that insufficient tax credits are available to fund all recurring television series pursuant to this clause for any fiscal year or in the event the California Film Commission projects, in collaboration with the Department of Finance, that there will be insufficient tax credits available to fund all recurring television series in either of the subsequent two fiscal years, the California Film Commission shall make the following adjustments in the order given until the shortfall, or any projected shortfall for the two subsequent fiscal years, for recurring television series is eliminated:

(V) (ia) Notwithstanding clause (iii) of subparagraph (A) of paragraph (2) of subdivision (i), the California Film Commission may redirect up to 100 percent of the credit amounts allocated to the relocating television series category to recurring television series for that fiscal year until the shortfall or projected shortfall is eliminated.

(ib) Notwithstanding clause (iv) of subparagraph (A) of paragraph (2) of subdivision (i), the California Film Commission may redirect up to 100 percent of the credit amounts allocated to a new television series to recurring television series for that fiscal year until the shortfall or projected shortfall is eliminated.

(ic) Notwithstanding clause (ii) of subparagraph (A) of paragraph (2) of subdivision (i), the California Film Commission may redirect up to 100 percent of the credit allocations from the features category to the recurring television series category for that fiscal year until the shortfall is eliminated.

(id) Allocate up to 25 percent of total credit allocations that would otherwise be allocated in the 2029–30 fiscal year to recurring television series in the current fiscal year until the shortfall is eliminated. Any amounts transferred for allocation in the current fiscal year shall be subtracted from the amount allowed to be allocated in the 2029–30 fiscal year as specified in subdivision (i). Notwithstanding paragraph (3), the credit allocations that are subtracted from the 2029–30 fiscal year shall not be certified until July 1, 2030, or later.

(ie) The California Film Commission shall consult with the qualified taxpayers who are producing the recurring television series for purposes of negotiating a minimally impactful reduction in the amount of credits awarded to each recurring television series for that fiscal year until the shortfall is eliminated.

(E) Subject to the annual cap and the allocation credit amounts based on categories described in subdivision (i), allocate an aggregate amount of credits under this section and Section 23698.1, and allocate any carryover of unallocated or unused credits from prior years and Sections 17053.85, 17053.95, 17053.98, 23685, 23695, and 23698 and the amount of any credits reduced pursuant to paragraph (2) of subdivision (d).

(3) Certify tax credits allocated to qualified taxpayers and do all of the following:

(A) Establish a verification procedure to do both of the following:

(i) Update the information in subparagraph (A) of paragraph (2) of subdivision (g), including, but not limited to, the amounts of qualified expenditures paid or incurred by the applicant.

(ii) Ensure that the final safety evaluation report required pursuant to Section 9152 of the Labor Code has been submitted.

(B) Establish audit requirements that shall be satisfied before a credit certificate may be issued by the California Film Commission.

(C) Issue a credit certificate to a qualified taxpayer upon completion of the qualified motion picture reflecting the credit amount allocated after qualified expenditures have been verified and the jobs ratio computed under this section. The amount of credit shown on the credit certificate shall not exceed the amount of credit allocated to that qualified taxpayer pursuant to this section.

(D) (i) Notwithstanding any other law, the California Film Commission shall certify a credit amount equal to 96 percent of the total credit allocated to the qualified taxpayer, unless the qualified taxpayer chooses to submit a diversity workplan and the California Film Commission determines that the qualified taxpayer has met or made a good-faith effort to meet the diversity goals in its diversity workplan, pursuant to clause (ii).

(ii) The California Film Commission shall certify an additional credit amount equal to 4 percent of the total credit allocated to the qualified taxpayer if a qualified taxpayer submits to the California Film Commission, in the form and manner required by the commission, all of the following:

(I) A diversity workplan within 30 days after receiving a credit allocation letter. The workplan shall be consistent with the diversity workplan checklist to address diversity and be broadly reflective of California’s population in terms of race, ethnicity, gender, disability status, and veteran status, and shall include all of the following:

(ia) A statement of the diversity goals the motion picture will seek to achieve in terms of qualified wages.

(ib) A statement of the diversity goals the motion picture will seek to achieve for individuals whose wages are excluded from qualified wages.

(ic) A plan of what strategies the motion picture will employ to achieve the goals in this subclause and subclause (II).

(id) Other requirements as the California Film Commission shall determine by regulation.

(II) An interim assessment on the qualified taxpayer's efforts to meet the diversity workplan prior to the commencement of principal photography. Upon review pursuant to a procedure prescribed in regulations, the California Film Commission shall determine whether the interim assessment indicates that the qualified motion picture is making a good-faith effort to meet the goals of the diversity workplan and shall notify the qualified motion picture of its findings.

(III) A final diversity assessment that includes information about how the project met or made a good-faith effort to meet the diversity workplan, including, but not limited to, aggregate data, voluntarily self-reported by individuals whose wages are included in qualified wages and individuals whose wages are excluded from qualified wages, with regard to their race, ethnicity, gender, disability status, veteran status, and ZIP Code.

(iii) The California Film Commission, in consultation with the Governor's Office of Business and Economic Development, shall establish guidelines to evaluate diversity workplans as described in this subparagraph. The guidelines shall be posted on the California Film Commission's internet website.

(iv) The California Film Commission shall approve or reject the diversity workplan of an applicant, to the extent allowed by federal and state law.

(v) This subparagraph shall not apply to an independent film with qualified expenditures of ten million dollars ($10,000,000) or less.

(vi) The requirements of this subparagraph shall not apply to a recurring television series receiving an allocation of credits under this section pursuant to clause (ii) of subparagraph (G) of paragraph (8) of subdivision (k) of Section 17053.98 or Section 23698 and fulfills the diversity workplan and report requirements pursuant to subdivision (k) of Section 17053.98 or Section 23698.

(vii) A qualified motion picture described in subparagraph (D) of paragraph (8) of subdivision (k) of Section 17053.98 or Section 23698 that applies for an allocation of credits under this section shall be subject to the requirements of this subparagraph and not those of clause (iv) of subparagraph (B) of paragraph (2) of subdivision (k) of Sections 17053.98 and 23698 and paragraph (3) of subdivision (k) of Sections 17053.98 and 23698.

(4) Obtain, when possible, the following information from applicants that do not receive an allocation of credit:

(A) Whether the qualified motion picture that was the subject of the application was completed.

(B) If completed, in which state or foreign jurisdiction was the primary principal photography completed.

(C) Whether the applicant received any financial incentives from the state or foreign jurisdiction to make the qualified motion picture in that location.

(5) Provide the Legislative Analyst's Office, upon request, any or all application materials or any other materials received from, or submitted by, applicants for which a credit allocation decision has been made, including, but not limited to, applicants that did not receive a credit allocation. Materials provided to the Legislative Analyst's Office shall be in electronic format when available and include, but not be limited to, information provided pursuant to subclauses (I) to (III), inclusive, of clause (ii) of subparagraph (D) of paragraph (3).

(6) The information provided to the California Film Commission pursuant to this section shall constitute confidential tax information for purposes of Article 2 (commencing with Section 19542) of Chapter 7 of Part 10.2.

(7) (A) Notwithstanding any other law, on or after July 1, 2030, the California Film Commission may allocate, pursuant to this section, any previously allocated credits not certified that have not previously been added to credit amounts available for allocation under this section or a successor section or sections.

(B) For purposes of this section, "previously allocated credits not certified" means either of the following:

(i) Credits allocated under paragraph (1) for which the qualified taxpayer to which the credit amounts were originally allocated has notified the California Film Commission in writing that the qualified taxpayer will not request certification for the allocated credits.

(ii) The difference between the amount of credits allocated under paragraph (1) to a qualified taxpayer and the amount of credits the California Film Commission certified, for that qualified taxpayer.

For purposes of calculating the difference, the California Film Commission shall not consider any credit amounts for which the qualified taxpayer notifies the California Film Commission under clause (i).

(8) Notwithstanding any other law, on or after July 1, 2030, the California Film Commission may allocate, pursuant to this section, any credit amounts described in subparagraphs (B) and (E) of paragraph (1) of subdivision (i) that have not previously been added to credit amounts available for allocation under this section or a successor section or sections.

(9) The California Film Commission shall submit a report to the Legislature, on an annual basis beginning June 30, 2027, containing diversity data provided by the applicants. The report shall contain, in the aggregate and per project, an assessment of whether the diversity workplan goals required by this section were met for qualified motion pictures that submitted the final assessment to the California Film Commission in the prior fiscal year. The assessment shall contain an account of diversity workplans submitted, interim assessments submitted, and final assessments submitted, as well as which categories of the diversity workplan checklist established pursuant to paragraph (5) of subdivision (b) were included. In the event that a report is required pursuant to paragraph (9) of subdivision (g) of Section 17053.98 and Section 23698 in the same year as a report is required under this paragraph, the reports may be combined into one report. The California Film Commission shall submit each such assessment to the Legislature in compliance with Section 9795 of the Government Code.

(10) (A) The California Film Commission shall expand the number of nonprofit organizations that partner with the Career Pathways program to build upon their ongoing efforts to provide access to the widest cross section of Californians, including historically disadvantaged and underrepresented individuals seeking training and employment opportunities in motion picture and television production.

(B) (i) The California Film Commission shall establish an application process for career-based nonprofit organizations to obtain approval as a Career Pathways Program.

(ii) The application shall be submitted to the California Film Commission's fiscal agent during a request for proposal process initiated by the fiscal agent.

(iii) The first request for proposal process shall be initiated by the California Film Commission or its fiscal agent prior to the first allocation of credits allowed under this section.

(iv) The second request for proposal process shall be initiated by the California Film Commission or its fiscal agent as needed in response to changes in program revenue or training partners, but no later than July 1, 2027.

(v) Subsequent request for proposal processes shall be initiated by the California Film Commission or its fiscal agent as the commission deems necessary.

(C) The California Film Commission shall approve Career Pathways programs. Career Pathways programs shall meet all of the following requirements:

(i) Be conducted by a nonprofit organization that has an established record of training and job placement in the entertainment industry.

(ii) Be focused on training individuals 18 years or older from traditionally underserved communities.

(iii) Offer training courses focused on one or more of the following:

(I) Skilled, technical positions that would be eligible for qualified wages if performed on a qualified motion picture.

(II) Administrative- and industry-related technical occupations.

(III) Soft skills training for the motion picture industry.

(iv) Meet minimum qualifications and standards for high-quality, skill-based training programs, as determined by the California Film Commission through regulations and in consultation with stakeholders.

(D) To ensure the Career Pathways Program is successful and has a meaningful impact, the California Film Commission and its fiscal agent shall, in addition to the requirements specified in subparagraph (C), consider the following aspects when evaluating applications:

(i) Availability of participants.

(ii) Fiscal agent administrative resources.

(iii) Overlap with the focus areas of currently approved organizations, including, but not limited to, industry role focus and student outreach focus.

(iv) Specific industry labor needs, as determined by the fiscal agent and based on information provided by industry and labor stakeholders.

(E) Before July 1, 2026, the California Film Commission shall develop criteria to incentivize supplemental placement of 1 to 4 trainees from the Career Pathways Program per qualified production. The placement of the trainees shall not displace otherwise anticipated or necessary hiring of experienced employees. Trainee wages shall be excluded from a production's qualified wages for purposes of the jobs ratio and incentive calculation.

(11) Beginning January 1, 2025, the California Film Commission shall collect information to the extent available and based on data provided by the Career Pathways Training program, about the breakdown of spending by the Career Pathways Program, how participation in the Career Pathways Program by both program partners and participants has changed in comparison to prior years, whether graduates of the program are accessing jobs in the film industry upon completion of the program, what projects the students have worked on, whether those projects received a tax credit, whether students are employed in California or another state, and the aggregated self-reported and voluntarily provided ethnic, racial, gender, disability status, veteran status, and ZIP Code of those individuals. The California Film Commission shall report to the Legislature, in compliance with Section 9795 of the Government Code, and publish on its internet website an annual report about the Career Pathways Training program, with the above information. Such information shall be reported for participants for five years following a participant's completion of the Career Pathways Training program, to the extent the information is available. This paragraph shall be applicable consistent with federal and state law.

(h) (1) The California Film Commission shall annually provide the Legislative Analyst's Office, the Franchise Tax Board, and the California Department of Tax and Fee Administration with a list of qualified taxpayers and the tax credit amounts allocated to each qualified taxpayer by the California Film Commission. The list shall include the names and taxpayer identification numbers, including taxpayer identification numbers of each partner or shareholder, as applicable, of the qualified taxpayer.

(2) (A) Notwithstanding paragraph (6) of subdivision (g), the California Film Commission shall annually post on its internet website and make available for public release all of the following:

(i) A table which includes all of the following information: a list of qualified taxpayers and the tax credit amounts allocated to each qualified taxpayer by the California Film Commission, the number of production days in California the qualified taxpayer represented in its application would occur, the number of California jobs that the qualified taxpayer represented in its application would be directly created by the production, and the total amount of qualified expenditures expected to be spent by the production.

(ii) A narrative staff summary describing the production of the qualified taxpayer as well as background information regarding the qualified taxpayer contained in the qualified taxpayer's application for the credit.

(iii) The diversity report submitted annually to the Legislature described in paragraph (2) of subdivision (g) organized per production and an aggregate compilation describing the voluntary programs collected pursuant to clause (xiii) of subparagraph (A) of paragraph (2) of subdivision (g).

(B) Nothing in this subdivision shall be construed to make the information submitted by an applicant for a tax credit under this section a public record, including for the purposes of the California Public Records Act (Division 10 (commencing with Section 7920.000) of Title 1 of the Government Code).

(3) The California Film Commission shall provide each city and county in California with an instructional guide that includes, but is not limited to, a review of best practices for facilitating motion picture production in local jurisdictions, resources on hosting and encouraging motion picture production, and the California Film Commission's Model Filming Ordinance. The California Film Commission shall maintain on its internet website a list of initiatives by locality that encourage motion picture production in regions across the state. The list shall be distributed to each approved applicant for the program to highlight local jurisdictions that offer incentives to facilitate film production.

(i) (1) (A) The aggregate amount of credits that may be allocated for a fiscal year pursuant to this section and Section 23698.1, except as provided in subdivision (k) of Section 17053.98 and subdivision (k) of Section 23698, is seven hundred fifty million dollars ($750,000,000), plus any amount described in subparagraph (B), (C), (D), or (E) in credits for the 2025–26 fiscal year and each fiscal year thereafter, through and including the 2029–30 fiscal year, except as provided in paragraph (7) of subdivision (g).

(B) (i) Subject to clauses (ii) and (iii), the unused allocation credit amount, if any, for the preceding fiscal year.

(ii) The amount of unused credit allocation attributable to independent films shall only be allocated according to clause (i) of subparagraph (A) of paragraph (2).

(iii) The total amount of any unused credit allocation amount that is remaining shall only be allocated pursuant to clause (iv) of subparagraph (A) of paragraph (2).

(C) The amount of previously allocated credits not certified.

(D) The amount of any credits reduced pursuant to paragraph (2) of subdivision (d).

(E) That portion of any unused allocation credit amount, if any, attributable to Section 17053.85, 17053.95, 17053.98, 23685, 23695, or 23698 available for that fiscal year in a manner as determined by regulations promulgated by the California Film Commission.

(2) (A) Notwithstanding the foregoing, and subject to paragraph (4) of this subdivision and changes in allocations pursuant to clause (v) of subparagraph (D) of paragraph (2) of subdivision (g), the California Film Commission shall allocate the credit amounts subject to the following categories, but shall have discretion to reallocate up to 30 percent of the funds within any category amongst the remaining categories to maximize the amount of total credits allocated:

(i) Independent films with qualified expenditures of ten million dollars ($10,000,000) or less shall be allocated 5 percent of the amount specified in paragraph (1). Independent films with qualified expenditures in excess of ten million dollars ($10,000,000) shall be allocated 5 percent of the amount specified in paragraph (1). These amounts shall be in addition to any unused allocation credit amount, if any, for the preceding fiscal year as described in subparagraph (B) of paragraph (1).

(ii) Features and animated films shall be allocated 35 percent of the amount specified in paragraph (1).

(iii) A relocating television series shall be allocated 15 percent of the amount specified in paragraph (1).

(iv) A television series described in clause (ii), (v), (vi), or (viii) of subparagraph (A) of paragraph (19) of subdivision (b) and recurring television series shall be allocated 40 percent of the amount specified in paragraph (1), plus any unused allocation credit amount, if any, for the preceding fiscal year as described in subparagraph (B) of paragraph (1).

(B) Within any allocation period for credits to a relocating television series, any unused amount shall be reallocated to the category described in clause (iv) of subparagraph (A) and, if any unused amount remains, reallocated in the next allocation period for credits to a relocating television series.

(C) With respect to a relocating television series issued a credit in a subsequent year pursuant to clause (v) of subparagraph (D) of paragraph (2) of subdivision (g), that subsequent credit amount shall be allowed from the allocation amount described in clause (iv) of subparagraph (A).

(3) Any act that reduces the amount that may be allocated pursuant to paragraph (1) constitutes a change in state taxes for the purpose of increasing revenues within the meaning of Section 3 of Article XIII A of the California Constitution and may be passed by not less than two-thirds of all Members elected to each of the two houses of the Legislature.

(4) A qualified motion picture, as defined in subdivision (k) of Sections 17053.98 and 23698, shall not be eligible for an allocation under subdivisions (a) to (j), inclusive, if it receives a credit under subdivision (k) of Section 17053.98 or Section 23698 during that fiscal year.

(j) The California Film Commission shall have the authority to allocate tax credits in accordance with this section and in accordance with any regulations prescribed pursuant to subdivision (e) upon adoption.

(k) (1) A qualified taxpayer may make a one-time election to be paid a refund for each taxable year of the refundable period, not to exceed the annual refundable amount.

(2) For purposes of this subdivision, the following definitions shall apply:

(A) "Annual refundable amount" means 20 percent of the total refundable amount.

(B) (i) "Credit amount" means the credit amount specified in the credit certificate issued to the qualified taxpayer by the California Film Commission pursuant to subdivision (g).

(ii) In the case of a pass-thru entity, the "credit amount" described in paragraphs (2) and (3) means the pro rata share or distributive share of the credit passed through to the partner or shareholder of the qualified taxpayer. For purposes of this subclause, the term "pass-thru entity" means any partnership, "S" corporation, or limited liability company treated as a partnership.

(iii) In the case of an assigned credit, the "credit amount" means the credit amount that was assigned to the taxpayer.

(C) "Refundable period" means the first taxable year that the credit certificate is issued to the qualified taxpayer by the California Film Commission pursuant to subdivision (g), and the succeeding four taxable years.

(D) "Total refundable amount" means 90 percent of the credit amount that exceeds the "net tax" in the first taxable year of the refundable period.

(3) The refund shall be computed as follows:

(A) (i) In the first taxable year of the refundable period, the credit amount shall be allowed against the "net tax" computed under this part for the taxable year.

(ii) If the credit allowed by this section exceeds the "net tax" in the first taxable year of the refundable period, the annual refundable amount shall be refunded to the qualified taxpayer.

(B) (i) In each taxable year after the first taxable year of the refundable period, the annual refundable amount shall be allowed as a credit against the "net tax" computed under this part for the taxable year, and the excess, if any, shall be refunded to the qualified taxpayer.

(ii) If the qualified taxpayer's tax liability for the taxable year exceeds the annual refundable amount, only the annual refundable amount shall be allowed as a credit against the qualified taxpayer's "net tax."

(4) (A) In the first taxable year of the refundable period, the total refundable amount, less the annual refundable amount, shall be carried over to the succeeding taxable year.

(B) In each taxable year other than the first taxable year of the refundable period, the total refundable amount, less the annual refundable amount allowed as a credit against the qualified taxpayer's "net tax" or refunded in the current and prior taxable years in the refundable period, shall be carried over to the next succeeding year of the refundable period.

(C) Notwithstanding paragraph (3) of subdivision (c), if an election is made pursuant to this subdivision, no amount of credit shall be allowed after the refundable period.

(5) Any refund pursuant to this subdivision shall be credited against other amounts due, if any, and the balance, if any, shall be paid from the Tax Relief and Refund Account and refunded to the qualified taxpayer upon their election.

(6) An election made pursuant to this subdivision shall be irrevocable and shall be made on an original, timely filed return required under Part 10.2 (commencing with Section 18401) for the taxable year that the credit certificate is issued in the form and manner as prescribed by the Franchise Tax Board.

(7) A taxpayer that purchases a credit pursuant to subdivision (c) cannot elect to be paid a refund pursuant to this subdivision.

(*l*) For the purposes of complying with Section 41 with respect to this section and Section 23698.1 the Legislature finds and declares all of the following:

(1) The specific goals, purposes, and objectives that the credits allowed by this section and Section 23698.1 will achieve include all of the following:

(A) To maintain and expand motion picture and television productions, and the quality of the jobs they provide, in California.

(B) To keep California's Film Tax Credit competitive with production incentives offered by other states and other countries.

(C) To increase the competitiveness of the tax credits allowed by this section and Section 23698.1 relative to previous California motion picture tax credit programs authorized by Sections 17053.85, 17053.95, 17053.98, 23685, 23695, and 23698 by allowing the tax credit to be refundable.

(2) The performance indicators for the Legislature to use in determining if the credits accomplish the specific goals, purposes, and objectives may include, but are not limited to, all of the following:

(A) The number and types of productions that apply for the tax credits allowed by this section and Section 23698.1.

(B) The total amount of credit allocations applied for under this section and Section 23698.1.

(C) The total amount of credits allocated under this section and Section 23698.1.

(D) The total amount of credits certified as eligible to be claimed on a tax return under this section and Section 23698.1.

(E) The number of jobs included in the budgets of productions receiving the tax credits allocated by this section and Section 23698.1.

(F) The number of productions relocating from another state or country to California and receive the tax credits allocated by this section and Section 23698.1.

(G) A comparison of the performance indicators specified in paragraphs (1) to (6), inclusive, with results from California motion picture tax credit programs authorized by Sections 17053.85, 17053.95, 17053.98, 23685, 23695, and 23698.

(H) The total amount of credits allocated by this section and Section 23698.1 that are claimed as a refund on a tax return.

(3) On or before May 1, 2028, the Legislative Analyst's Office shall provide to the Assembly Committee on Revenue and Taxation, the Senate Committee on Governance and Finance, and the public a report evaluating the effectiveness of the tax credits allowed by this section and Section 23698.1 in achieving the metrics outlined in subdivision (a), including an assessment of the refundability of the tax credit in achieving those metrics. In researching the reports, the Legislative Analyst's Office may do all of the following:

(A) Request and receive all information of California Film Commission applicants for which a credit allocation decision has been made, including, but not limited to, applicants that did not receive a credit allocation, provided to the California Film Commission pursuant to subdivision (g) of this section and Sections 17053.95, 17053.98, 23695, 23698, and 23698.1.

(B) Request and receive all information provided to the Franchise Tax Board relating to the sale or assignment of credits pursuant to subdivision (c) of this section and Sections 17053.95, 17053.98, 23695, 23698, and 23698.1.

(C) Request and receive all information provided to the California Department of Tax and Fee Administration pursuant to subdivisions (c) and (g) of Section 6902.5.

(4) Notwithstanding Section 19542, the California Film Commission, the California Department of Tax and Fee Administration, the Franchise Tax Board, the Employment Development Department, and all other relevant state agencies shall provide additional information, as requested by the Legislative Analyst's Office, as necessary to research the report required by this subdivision.

(5) (A) The information received by the Legislative Analyst's Office pursuant to this section shall be considered confidential taxpayer information subject to Sections 7056, 7056.5, and 19542 of this code and Section 1094 of the Unemployment Insurance Code, and shall be subject to the appropriate confidentiality requirements of the participating state agency.

(B) The Legislative Analyst's Office may publish statistics in conjunction with the reports required by this section that are derived from information provided to the Legislative Analyst's Office pursuant to this section, if the published statistics are classified to prevent the identification of particular taxpayers, reports, and tax returns and the publication of the percentage of dividends paid by a corporation that is deductible by the recipient under Part 11 (commencing with Section 23001) of Division 2.

SEC. 3. Section 23696 is added to the Revenue and Taxation Code, to read:

23696. (a) Notwithstanding anything to the contrary in Sections 23685 and 23695, a credit, or any portion thereof, allowed under Section 23685 or 23695 and generated by a disregarded single member limited liability company shall not be ineligible for assignment to a corporation that, directly or indirectly, owns the disregarded single member limited liability company, or to an affiliated corporation of that corporation, based on either of the following.

(1) The disregarded single member limited liability company is not considered a qualified taxpayer, as defined in subdivision (b) of Sections 23685 and 23695.

(2) The amount of credit allowed under Sections 23685 and 23695 does not exceed the tax liability of the disregarded single

member limited liability company for purposes of paragraph (1) of subdivision (c) of Section 23685 or Section 23695.

(b) For purposes of this section, "affiliated corporation" has the same meaning as defined in paragraph (1) of subdivision (c) of Sections 23685 and 23695.

(c) This section shall apply only when the credits affected by this section were assigned and claimed on a tax return timely filed with the Franchise Tax Board on or before January 1, 2025.

SEC. 4. Section 23698 of the Revenue and Taxation Code is amended to read:

23698. (a) (1) For taxable years beginning on or after January 1, 2020, there shall be allowed to a qualified taxpayer a credit against the "tax," as defined in Section 23036, subject to a computation and ranking by the California Film Commission in subdivision (g) and the allocation amount categories described in subdivision (i), in an amount equal to 20 percent or 25 percent, whichever is the applicable credit percentage described in paragraph (4), of the qualified expenditures for the production of a qualified motion picture in California. A credit shall not be allowed under this section for any qualified expenditures for the production of a motion picture in California if a credit has been claimed for those same expenditures under Section 23685 or 23695.

(2) Except as otherwise provided in this section, the credit shall be allowed for the taxable year in which the California Film Commission issues the credit certificate pursuant to subdivision (g) for the qualified motion picture, but in no instance prior to July 1, 2020, and shall be for the applicable percentage of all qualified expenditures paid or incurred by the qualified taxpayer in all taxable years for that qualified motion picture.

(3) (A) The amount of the credit allowed to a qualified taxpayer shall be limited to the amount specified in the credit certificate issued to the qualified taxpayer by the California Film Commission pursuant to subdivision (g).

(B) In determining the amount specified in the credit certificate in subparagraph (A), the California Film Commission shall be limited to the following amounts of qualified expenditures for each qualified motion picture:

(i) (I) In the case of a feature, up to one hundred million dollars ($100,000,000).

(II) Notwithstanding subclause (I), for taxable years beginning on or after January 1, 2025, and only for purposes of the credit allowed in subdivision (k), in the case of a feature, up to one hundred twenty million dollars ($120,000,000).

(ii) (I) In the case of a miniseries described in clause (ii) of subparagraph (A) of paragraph (18) of subdivision (b), up to one hundred million dollars ($100,000,000).

(II) Notwithstanding subclause (I), for taxable years beginning on or after January 1, 2025, and only for purposes of the credit allowed in subdivision (k), in the case of a miniseries described in clause (ii) of subparagraph (A) of paragraph (18) of subdivision (b), up to one hundred twenty million dollars ($120,000,000).

(iii) (I) In the case of a television series described in clause (iii) or clause (v) of subparagraph (A) of paragraph (18) of subdivision (b), up to one hundred million dollars ($100,000,000) per season.

(II) Notwithstanding subclause (I), for taxable years beginning on or after January 1, 2025, and only for purposes of the credit allowed in subdivision (k), in the case of a television series described in clause (iii) or clause (v) of subparagraph (A) of paragraph (18) of subdivision (b), up to one hundred twenty million dollars ($120,000,000).

(iv) In the case of an independent film, up to ten million dollars ($10,000,000).

(4) For purposes of paragraphs (1) and (2), the applicable credit percentage shall be:

(A) Twenty percent of the qualified expenditures attributable to the production of a qualified motion picture in California, including, but not limited to, a feature or a television series that relocated to California that is in its second or subsequent years of receiving a tax credit allocation pursuant to this section, Section 23685, or Section 23695.

(B) Twenty-five percent of the qualified expenditures attributable to the production of a qualified motion picture in California where the qualified motion picture is a television series that relocated to California in its first year of receiving a tax credit allocation pursuant to this section.

(C) Twenty-five percent of the qualified expenditures attributable to the production of a qualified motion picture that is an independent film.

(D) Additional credits shall be allowed for the production of a qualified motion picture whose applicable credit percentage is determined pursuant to subparagraph (A), in an aggregate amount not to exceed 5 percent of the qualified expenditures under that subparagraph, as follows:

(i) (I) Five percent of qualified expenditures, excluding qualified wages described in subparagraph (E), relating to original photography outside the Los Angeles zone.

(II) For purposes of this clause and subparagraph (E):

(ia) “Applicable period” means the period that commences with preproduction and ends when original photography concludes. The applicable period includes the time necessary to strike a remote location and return to the Los Angeles zone.

(ib) “Los Angeles zone” means the area within a circle 30 miles in radius from Beverly Boulevard and La Cienega Boulevard, Los Angeles, California, and includes Agua Dulce, Castaic, including Castaic Lake, Leo Carrillo State Beach, Ontario International Airport, Piru, and Pomona, including the Los Angeles County Fairgrounds. The Metro-Goldwyn-Mayer, Inc. Conejo Ranch property is within the Los Angeles zone.

(ic) “Original photography” includes principal photography and reshooting original footage.

(id) “Qualified expenditures relating to original photography outside the Los Angeles zone” means amounts paid or incurred during the applicable period for tangible personal property purchased or leased and used or consumed outside the Los Angeles zone and relating to original photography outside the Los Angeles zone and qualified wages paid for services performed outside the Los Angeles zone and relating to original photography outside the Los Angeles zone.

(ii) Five percent of the qualified expenditures relating to qualified visual effects attributable to the production of a qualified motion picture in California.

(E) (i) Notwithstanding subparagraph (D), an amount equal to 10 percent of qualified wages paid for services performed relating to original photography outside of the Los Angeles zone to qualified individuals who reside in California but outside the Los Angeles zone shall be allowed as an additional credit for the production of a qualified motion picture whose applicable credit percentage is determined pursuant to subparagraph (A).

(ii) Notwithstanding subparagraph (D), an amount equal to 5 percent of qualified wages paid for services performed relating to original photography outside of the Los Angeles zone to qualified individuals who reside in California but outside the Los Angeles zone shall be allowed as an additional credit for the production of a qualified motion picture whose applicable credit percentage is determined pursuant to subparagraph (B) or (C).

(b) For purposes of this section:

(1) "Ancillary product" means any article for sale to the public that contains a portion of, or any element of, the qualified motion picture.

(2) "Budget" means an estimate of all expenses paid or incurred during the production period of a qualified motion picture. It shall be the same budget used by the qualified taxpayer and production company for all qualified motion picture purposes.

(3) "Clip use" means a use of any portion of a motion picture, other than the qualified motion picture, used in the qualified motion picture.

(4) "Credit certificate" means the certificate issued by the California Film Commission pursuant to subparagraph (D) of paragraph (3) of subdivision (g).

(5) (A) "Employee fringe benefits" means the amount allowable as a deduction under this part to the qualified taxpayer involved in the production of the qualified motion picture, exclusive of any amounts contributed by employees, for any year during the production period with respect to any of the following:

(i) Employer contributions under any pension, profit-sharing, annuity, or similar plan.

(ii) Employer-provided coverage under any accident or health plan for employees.

(iii) The employer's cost of life or disability insurance provided to employees.

(B) Any amount treated as wages under clause (i) of subparagraph (A) of paragraph (21) shall not be taken into account under this paragraph.

(6) (A) "Independent film" means a motion picture with a minimum budget of one million dollars ($1,000,000) that is produced by a company that is not publicly traded and publicly traded companies do not own, directly or indirectly, more than 25 percent of the producing company.

(B) Notwithstanding subparagraph (A), for taxable years beginning on or after January 1, 2025, and only for purposes of the credit allowed in subdivision (k), a motion picture with a minimum budget of one million dollars ($1,000,000) that is produced by a company that is not publicly traded and publicly traded companies do not own, directly or indirectly, more than 30 percent of the producing company.

(7) "Jobs ratio" means the amount of qualified wages paid to qualified individuals divided by the amount of tax credit, not including any additional credit allowed pursuant to subparagraphs (D) and (E) of paragraph (4) of subdivision (a), as computed by the California Film Commission. For the purposes of the calculation of the jobs ratio only, 70 percent of qualified expenditures for visual effects paid to third-party vendors for work performed in California shall be deemed to be qualified wages paid to a qualified individual.

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

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

(10) "Pilot for a new television series" means the initial episode produced for a proposed television series.

(11) (A) "Postproduction" means the final activities in a qualified motion picture's production, including editing, foley recording, automatic dialogue replacement, sound editing, scoring, music track recording by musicians and music editing, beginning and end credits, negative cutting, negative processing and duplication, the addition of sound and visual effects, sound mixing, film-to-tape transfers, encoding, and color correction.

(B) "Postproduction" does not include the manufacture or shipping of release prints or their equivalent.

(12) "Preproduction" means the process of preparation for actual physical production which begins after a qualified motion picture has received a firm agreement of financial commitment, or is greenlit, with, for example, the establishment of a dedicated production office, the hiring of key crew members, and includes, but is not limited to, activities that include location scouting and execution of contracts with vendors of equipment and stage space.

(13) “Principal photography” means the phase of production during which the motion picture is actually shot, as distinguished from preproduction and postproduction.

(14) “Production period” means the period beginning with preproduction and ending upon completion of postproduction.

(15) “Qualified entity” means a personal service corporation as defined in Section 269A(b)(1) of the Internal Revenue Code, a payroll services corporation, or any entity receiving qualified wages with respect to services performed by a qualified individual.

(16) “Qualified expenditures” means amounts paid or incurred for tangible personal property purchased or leased, and used, within this state in the production of a qualified motion picture and payments, including qualified wages, for services performed within this state in the production of a qualified motion picture.

(17) (A) “Qualified individual” means any individual who performs services during the production period in an activity related to the production of a qualified motion picture.

(B) “Qualified individual” shall not include either of the following:

(i) Any individual related to the qualified taxpayer as described in subparagraph (A), (B), or (C) of Section 51(i)(1) of the Internal Revenue Code.

(ii) Any 5-percent owner, as defined in Section 416(i)(1)(B) of the Internal Revenue Code, of the qualified taxpayer.

(18) (A) “Qualified motion picture” means a motion picture that is produced for distribution to the general public, regardless of medium, that is one of the following:

(i) A feature with a minimum production budget of one million dollars ($1,000,000).

(ii) A miniseries consisting of two or more episodes, each longer than 40 minutes of running time, exclusive of commercials, that is produced in California, with a minimum production budget of one million dollars ($1,000,000) per episode.

(iii) A new television series of episodes longer than 40 minutes each of running time, exclusive of commercials, that is produced in California, with a minimum production budget of one million dollars ($1,000,000) per episode.

(iv) An independent film.

(v) A television series that relocated to California.

(vi) (I) A pilot for a new television series that is longer than 40 minutes of running time, exclusive of commercials, that is produced in California, and with a minimum production budget of one million dollars ($1,000,000). For purposes of the credit allowed in subdivision (k), this subclause shall only apply for taxable years beginning before January 1, 2025.

(II) For taxable years beginning on or after January 1, 2025, and only for purposes of the credit allowed in subdivision (k), a pilot for a new live action or animated series that is at least 20 minutes of running time, exclusive of commercials, and is produced in California with a minimum production budget of one million dollars ($1,000,000) per episode.

(vii) For taxable years beginning on or after January 1, 2025, and only for purposes of the credit allowed in subdivision (k), a live action or animated series, averaging across a season at least 20 minutes of running time per episode, exclusive of commercials, that is produced in California, with a minimum production budget of one million dollars ($1,000,000) per episode.

(viii) For taxable years beginning on or after January 1, 2025, and only for purposes of the credit allowed in subdivision (k), an animated film that is produced in California, with a minimum production budget of one million dollars ($1,000,000).

(ix) For taxable years beginning on or after January 1, 2025, and only for purposes of the credit allowed in subdivision (k), a large-scale competition show, not including traditional reality, game shows, talk shows, or docufollow television programming, that is produced in California, with a minimum production budget of one million dollars ($1,000,000) per episode.

(B) To qualify as a "qualified motion picture," all of the following conditions shall be satisfied:

(i) At least 75 percent of the principal photography days occur wholly in California or 75 percent of the production budget is incurred for payment for services performed within the state and the purchase or rental of property used within the state.

(ii) Production of the qualified motion picture is completed within 30 months from the date on which the qualified taxpayer's application is approved by the California Film Commission. For purposes of this section, a qualified motion picture is "completed" when the process of postproduction has been finished.

(iii) The copyright for the motion picture is registered with the United States Copyright Office pursuant to Title 17 of the United States Code.

(iv) Principal photography of the qualified motion picture commences after the date on which the application is approved by the California Film Commission, but no later than 180 days after the date of that approval if the qualified motion picture has a budget with qualified expenditures of less than one hundred million dollars ($100,000,000), and no later than 240 days after the date of that approval in the case of a qualified motion picture with a budget of qualified expenditures with at least one hundred million dollars ($100,000,000), unless death, disability, or disfigurement of the director or of a principal cast member; an act of God, including, but not limited to, fire, flood, earthquake, storm, hurricane, or other natural disaster; terrorist activities; or government sanction has directly prevented a production's ability to begin principal photography within the prescribed 180- or 240-day commencement period.

(C) For the purposes of subparagraph (A), in computing the total wages paid or incurred for the production of a qualified motion picture, all amounts paid or incurred by all persons or entities that share in the costs of the qualified motion picture shall be aggregated.

(D) "Qualified motion picture" shall not include commercial advertising, music videos, a motion picture produced for private noncommercial use, such as weddings, graduations, or as part of an educational course and made by students, a news program, current events or public events program, talk show, game show, sporting event or activity, awards show, telethon or other production that solicits funds, reality television program, except as specified in clause (ix) of subparagraph (A), clip-based programming if more than 50 percent of the content is comprised of licensed footage, documentaries, variety programs, daytime dramas, strip shows, one-half hour (air time) episodic television shows, except as specified in clause (vii) of subparagraph (A), or any production that falls within the recordkeeping requirements of Section 2257 of Title 18 of the United States Code.

(19) (A) "Qualified taxpayer" means a taxpayer, or a single member limited liability company that is disregarded for tax purposes pursuant to Section 23038, who has paid or incurred

qualified expenditures, participated in the Career Readiness requirement in Section 23695 and has been issued a credit certificate by the California Film Commission pursuant to subdivision (g).

(B) (i) In the case of any pass-thru entity, the determination of whether a taxpayer is a qualified taxpayer under this section shall be made at the entity level and any credit under this section is not allowed to the pass-thru entity but shall be passed through to the partners or shareholders in accordance with applicable provisions of Part 10 (commencing with Section 17001) or Part 11 (commencing with Section 23001). For purposes of this paragraph, "pass-thru entity" means any entity taxed as a partnership or "S" corporation.

(ii) In the case of an "S" corporation, the credit allowed under this section shall not be used by an "S" corporation as a credit against a tax imposed under Chapter 4.5 (commencing with Section 23800) of Part 11 of Division 2.

(20) "Qualified visual effects" means visual effects where at least 75 percent or a minimum of ten million dollars ($10,000,000) of the qualified expenditures for the visual effects are paid or incurred in California.

(21) (A) "Qualified wages" means all of the following:

(i) Any wages subject to withholding under Division 6 (commencing with Section 13000) of the Unemployment Insurance Code that were paid or incurred by any taxpayer involved in the production of a qualified motion picture with respect to a qualified individual for services performed on the qualified motion picture production within this state.

(ii) The portion of any employee fringe benefits paid or incurred by any taxpayer involved in the production of the qualified motion picture that are properly allocable to qualified wage amounts described in clauses (i), (iii), and (iv).

(iii) Any payments made to a qualified entity for services performed in this state by qualified individuals within the meaning of paragraph (17).

(iv) Remuneration paid to an independent contractor who is a qualified individual for services performed within this state by that qualified individual.

(B) "Qualified wages" shall not include any of the following:

(i) Expenses, including wages, related to new use, reuse, clip use, licensing, secondary markets, or residual compensation, or the creation of any ancillary product, including, but not limited to, a soundtrack album, toy, game, trailer, or teaser.

(ii) Expenses, including wages, paid or incurred with respect to acquisition, development, turnaround, or any rights thereto.

(iii) Expenses, including wages, related to financing, overhead, marketing, promotion, or distribution of a qualified motion picture.

(iv) Expenses, including wages, paid per person per qualified motion picture for writers, directors, music directors, music composers, music supervisors, producers, and performers, other than background actors with no scripted lines.

(22) "Recurring television series" means any television series that was previously approved and issued a credit allocation letter under this section.

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

(24) "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.

(25) "Secondary markets" means media in which a qualified motion picture is exhibited following the initial media in which it is exhibited.

(26) "Television series that relocated to California" means a television series, without regard to episode length or initial media exhibition, with a minimum production budget of one million dollars ($1,000,000) per episode, that filmed at least 75 percent of principal photography days in its most recent season outside of California or has filmed all seasons outside of California and for which the taxpayer certifies that the credit provided pursuant to this section is the primary reason for relocating to California.

(27) "Visual effects" means the creation, alteration, or enhancement of images that cannot be captured on a set or location during live action photography and therefore is accomplished in postproduction. It includes, but is not limited to, matte paintings, animation, set extensions, computer-generated objects, characters and environments, compositing (combining two or more elements in a final image), and wire removals. "Visual effects" does not

include fully animated projects, whether created by traditional or digital means.

(c) (1) ~~Notwithstanding subdivision (i) of Section 23036, in the case where the credit allowed by this section exceeds the taxpayer's tax liability computed under this part, a~~ *A* qualified taxpayer may elect to assign any portion of the credit allowed under this section to one or more affiliated corporations for each taxable year in which the credit is allowed. For purposes of this subdivision, "affiliated corporation" has the meaning provided in subdivision (b) of Section 25110 as of the last day of the taxable year in which the credit is allowed, except that "100 percent" is substituted for "more than 50 percent" wherever it appears in the section, and "voting common stock" is substituted for "voting stock" wherever it appears in the section. In the event the qualified taxpayer is a single member limited liability company that is disregarded for tax purposes pursuant to Section 23038, the qualified taxpayer may elect to assign any portion of the credit allowed under this section to one or more affiliated corporations as if that single member limited liability company made the federal election to be classified as an association taxable as a corporation.

(2) The election provided in paragraph (1):

(A) May be based on any method selected by the qualified taxpayer that originally receives the credit.

(B) Shall be irrevocable for the taxable year the credit is allowed, once made.

(C) May be changed for any subsequent taxable year if the election to make the assignment is expressly shown on each of the returns of the qualified taxpayer and the qualified taxpayer's affiliated corporations that assign and receive the credits.

(D) Shall be reported to the Franchise Tax Board, in the form and manner specified by the Franchise Tax Board, along with all required information regarding the assignment of the credit, including the corporation number, the federal employer identification number, or other taxpayer identification number of the assignee, and the amount of the credit assigned.

(3) (A) Notwithstanding any other law, a qualified taxpayer may sell any credit allowed under this section that is attributable to an independent film, as defined in paragraph (6) of subdivision (b), to an unrelated party.

(B) The qualified taxpayer shall report to the Franchise Tax Board prior to the sale of the credit, in the form and manner specified by the Franchise Tax Board, all required information regarding the purchase and sale of the credit, including the social security or other taxpayer identification number of the unrelated party to whom the credit has been sold, the face amount of the credit sold, and the amount of consideration received by the qualified taxpayer for the sale of the credit.

(4) In the case where the credit allowed under this section exceeds the “tax,” the excess credit may be carried over to reduce the “tax” in the following taxable year, and succeeding eight taxable years, if necessary, until the credit has been exhausted.

(5) A credit shall not be sold pursuant to this subdivision to more than one taxpayer, nor may the credit be resold by the unrelated party to another taxpayer or other party.

(6) A party that has been assigned or acquired tax credits under this subdivision shall be subject to the requirements of this section.

(7) In no event may a qualified taxpayer assign or sell any tax credit to the extent the tax credit allowed by this section is claimed on any tax return of the qualified taxpayer.

(8) In the event that both the taxpayer originally allocated a credit under this section by the California Film Commission and a taxpayer to whom the credit has been sold both claim the same amount of credit on their tax returns, the Franchise Tax Board may disallow the credit of either taxpayer, so long as the statute of limitations upon assessment remains open.

(9) Chapter 3.5 (commencing with Section 11340) of Part 1 of Division 3 of Title 2 of the Government Code does not apply to any standard, criterion, procedure, determination, rule, notice, or guideline established or issued by the Franchise Tax Board pursuant to this subdivision.

(10) Subdivision (g) or (i) of Section 23036 shall not apply to any credit sold or assigned pursuant to this subdivision.

(11) For purposes of this subdivision:

(A) An affiliated corporation or corporations that are assigned a credit pursuant to paragraph (1) shall be treated as a qualified taxpayer pursuant to paragraph (1) of subdivision (a).

(B) The unrelated party or parties that purchase a credit pursuant to paragraphs (3) to (10), inclusive, shall be treated as a qualified taxpayer pursuant to paragraph (1) of subdivision (a).

(d) (1) No credit shall be allowed pursuant to this section unless the qualified taxpayer provides the following to the California Film Commission:

(A) Identification of each qualified individual.

(B) The specific start and end dates of production.

(C) The total wages paid.

(D) The total amount of qualified wages paid to qualified individuals.

(E) Aggregate data for individuals whose wages are excluded from qualified wages by clause (iv) of subparagraph (B) of paragraph (21) of subdivision (b), including their gender, ethnic, and racial makeup.

(F) The copyright registration number, as reflected on the certificate of registration issued under the authority of Section 410 of Title 17 of the United States Code, relating to registration of claim and issuance of certificate. The registration number shall be provided on the return claiming the credit.

(G) The total amounts paid or incurred to purchase or lease tangible personal property used in the production of a qualified motion picture.

(H) Information to substantiate its qualified expenditures.

(I) Information required by the California Film Commission under regulations promulgated pursuant to subdivision (g) necessary to verify the amount of credit claimed.

(J) Data regarding the diversity of the workforce employed by the applicant on the qualified motion picture, as described in subdivision (g).

(K) Documentation verifying completion of the Career Readiness requirement.

(L) Documentation verifying that the qualified taxpayer paid a fee as described in subdivision (e).

(2) (A) Based on the information provided in paragraph (1), the California Film Commission shall recompute the jobs ratio previously computed in subdivision (g) and compare this recomputed jobs ratio to the jobs ratio that the qualified taxpayer previously listed on the application submitted pursuant to subdivision (g).

(B) (i) If the California Film Commission determines that the jobs ratio has been reduced by more than 10 percent for a qualified motion picture, the California Film Commission shall reduce the

amount of credit allowed by an equal percentage, unless the qualified taxpayer demonstrates, and the California Film Commission determines, that reasonable cause exists for the jobs ratio reduction.

(ii) If the California Film Commission determines that the jobs ratio has been reduced by more than 20 percent for a qualified motion picture, the California Film Commission shall not accept an application described in subdivision (g) from that qualified taxpayer or any member of the qualified taxpayer's controlled group for a period of not less than one year from the date of that determination, unless the qualified taxpayer demonstrates, and the California Film Commission determines, that reasonable cause exists for the jobs ratio reduction.

(C) For the purposes of this paragraph, "reasonable cause" means unforeseen circumstances beyond the control of the qualified taxpayer, such as, but not limited to, the cancellation of a television series prior to the completion of the scheduled number of episodes or other similar circumstances as determined by the California Film Commission in regulations to be adopted pursuant to subdivision (e).

(e) (1) (A) Subject to the Administrative Procedure Act (Chapter 3.5 (commencing with Section 11340) of Part 1 of Division 3 of Title 2 of the Government Code), the California Film Commission shall adopt rules and regulations to implement a pilot Career Pathways Training program including a fee to be paid by the qualified taxpayer, if the qualified taxpayer receives a credit under this section, to fund technical skills training to individuals from underserved communities for entry into film and television industry jobs. The California Film Commission shall (i) identify a not-for-profit fiscal agent with direct relationships to industry skills training programs to manage the funds; and (ii) engage labor-management jointly administered training programs with skills training focused on the entertainment industry to implement the program with California Film Commission approval and oversight. With regard to the Career Readiness requirement in Section 23695, the California Film Commission shall identify training and public service opportunities that may include, but not be limited to, hiring interns, public service announcements, and community outreach shall continue. The California Film Commission may prescribe rules and regulations to carry out the purposes of this section, including, subparagraph (D) of paragraph (4) of subdivision (a) and clause (iv) of subparagraph (D) of paragraph (2) of subdivision (g), and including any rules and regulations necessary to establish procedures, processes, requirements, application fee structure, and rules identified in or required to implement this section, including credit and logo requirements and credit allocation procedures over multiple fiscal years where the qualified taxpayer is producing a series of features that will be filmed concurrently.

(B) Notwithstanding any other law, prior to preparing a notice of proposed action pursuant to Section 11346.4 of the Government Code and prior to making any revision to the proposed regulation other than a change that is nonsubstantial or solely grammatical in nature, the Governor's Office of Business and Economic Development shall first approve the proposed regulation or proposed change to a proposed regulation regarding allocating the credit pursuant to subdivision (i), computing the jobs ratio as described in subdivisions (d) and (g), and defining "reasonable cause" pursuant to subparagraph (C) of paragraph (2) of subdivision (d).

(2) (A) Implementation of this section for the 2020–21 fiscal year is deemed an emergency and necessary for the immediate preservation of the public peace, health, and safety, or general welfare and, therefore, the California Film Commission is hereby authorized to adopt emergency regulations to implement this section during the 2020–21 fiscal year in accordance with the rulemaking provisions of the Administrative Procedure Act (Chapter 3.5 (commencing with Section 11340) of Part 1 of Division 3 of Title 2 of the Government Code).

(B) Nothing in this paragraph shall be construed to require the Governor's Office of Business and Economic Development to approve emergency regulations adopted pursuant to this paragraph.

(3) The California Film Commission shall not be required to prepare an economic impact analysis pursuant to the Administrative Procedure Act (Chapter 3.5 (commencing with Section 11340) of Part 1 of Division 3 of Title 2 of the Government Code) with regard to any rules and regulations adopted pursuant to this subdivision.

(f) If the qualified taxpayer fails to provide the copyright registration number as required in subparagraph (E) of paragraph (1) of subdivision (d), the credit shall be disallowed and assessed

and collected under Section 19051 until the procedures are satisfied.

(g) For purposes of this section, the California Film Commission shall do the following:

(1) Subject to the requirements of subparagraphs (A) to (E), inclusive, of paragraph (2), on or after July 1, 2020, and before July 1, 2025, in two or more allocation periods per fiscal year, allocate tax credits to applicants.

(2) (A) Establish a procedure for applicants to file with the California Film Commission a written application, on a form jointly prescribed by the California Film Commission and the Franchise Tax Board for the allocation of the tax credit. The application shall include, but not be limited to, the following information:

(i) The budget for the motion picture production.

(ii) The number of production days.

(iii) A financing plan for the production.

(iv) The diversity of the workforce employed by the applicant, including, but not limited to, the ethnic and racial makeup of the individuals employed by the applicant during the production of the qualified motion picture, to the extent possible.

(v) All members of a combined reporting group, if known at the time of the application.

(vi) The amount of qualified wages the applicant expects to pay to qualified individuals.

(vii) The amount of tax credit the applicant computes the qualified motion picture will receive, applying the applicable credit percentages described in paragraph (4) of subdivision (a).

(viii) A statement establishing that the tax credit described in this section is a significant factor in the applicant's choice of location for the qualified motion picture. The statement shall include information about whether the qualified motion picture is at risk of not being filmed or specify the jurisdiction or jurisdictions in which the qualified motion picture will be located in the absence of the tax credit. The statement shall be signed by an officer or executive of the applicant.

(ix) The applicant's written policy against unlawful harassment, including, but not limited to, sexual harassment, which includes procedures for reporting and investigating harassment claims, a phone number for an individual who will be responsible for receiving harassment claims, and a statement that the company will not retaliate against an individual who reports harassment. The applicant shall also indicate how the policy will be distributed to employees and include a summary of education training resources, including the prohibition against, and prevention and correction of, sexual harassment and remedies available.

(x) The ethnic and racial makeup and gender of individuals whose wages are excluded from qualified wages as set forth in clause (iv) of subparagraph (B) of paragraph (21) of subdivision (b).

(xi) A summary of the applicant's voluntary programs to increase the representation of minorities and women in the job classifications that are not included in qualified wages as set forth in clause (iv) of subparagraph (B) of paragraph (21) of subdivision (b) and information about how these programs are publicized to interested parties. The officer or executive referenced in clause (x) who is signing the statement shall provide additional information about these programs, if needed and upon request, to the California Film Commission.

(xii) Any other information deemed relevant by the California Film Commission or the Franchise Tax Board.

(B) Establish criteria, consistent with the requirements of this section, for allocating tax credits.

(C) Determine and designate applicants who meet the requirements of this section.

(D) (i) For purposes of allocating the credit amounts subject to the categories described in subdivision (i) in any fiscal year, the California Film Commission shall do all of the following:

(ii) For each allocation date and for each category, list each applicant from highest to lowest according to the jobs ratio as computed by the California Film Commission.

(iii) Subject to the applicable credit percentage, allocate the credit to each applicant according to the highest jobs ratio, working down the list, until the credit amount is exhausted.

(iv) (I) Pursuant to regulations adopted pursuant to subdivision (e), the California Film Commission may increase the jobs ratio by up to 25 percent if a qualified motion picture increases economic activity in California according to criteria developed by the California Film Commission that would include, but not be limited to, such factors as, the amount of the production and postproduction spending in California, the utilization of scoring musicians in

California, and other criteria measuring economic impact in California as determined by the California Film Commission.

(II) For qualified motion pictures that are described in subparagraph (D) of paragraph (8) of subdivision (k), the jobs ratio shall be equal to the product of the jobs ratio calculated in paragraph (7) of subdivision (b) and 133 percent.

(v) Notwithstanding any other law, any television series, relocating television series, or any new television series based on a pilot for a new television series that has been approved and issued a credit allocation by the California Film Commission under this section, including subdivision (k), Section 17053.98, including subdivision (k), or Section 17053.85, 17053.95, 23685, or 23695 shall be issued a credit for each subsequent season, for the life of that television series whenever credits are allocated within a fiscal year. For taxable years beginning before January 1, 2025, the California Film Commission shall limit the amount of credits any recurring television series receives in a subsequent season to no more than the amount reserved in its prior fiscal year Credit Allocation Letter or Letters, or if no amounts were reserved in the prior fiscal year, the most immediate prior fiscal year in which a Credit Allocation Letter or Letters were received. For taxable years beginning on or after January 1, 2025, the California Film Commission shall limit the amount of credits any recurring television series receives in a subsequent season to no more than the recurring television allocation amount, as defined in paragraph (23) of subdivision (b) of Section 23698.1. In the event that insufficient tax credits are available to fund all recurring television series pursuant to this clause for any fiscal year or in the event the California Film Commission projects, in collaboration with the Department of Finance, that there will be insufficient tax credits available to fund all recurring television series in either of the subsequent two fiscal years, the California Film Commission shall make the following adjustments in the order given until the shortfall, or any projected shortfall for the two subsequent fiscal years, for recurring television series is eliminated:

(I) Notwithstanding clause (iii) of subparagraph (A) of paragraph (2) of subdivision (i), the California Film Commission may redirect up to 100 percent of the credit amounts allocated to the relocating television series category to recurring television series for that fiscal year until the shortfall or projected shortfall is eliminated.

(II) Notwithstanding clause (iv) of subparagraph (A) of paragraph (2) of subdivision (i), the California Film Commission may redirect up to 100 percent of the credit amounts allocated to a new television series to recurring television series for that fiscal year until the shortfall or projected shortfall is eliminated.

(III) Notwithstanding clause (ii) of subparagraph (A) of paragraph (2) of subdivision (i), the California Film Commission may redirect up to 100 percent of the credit allocations from the features category to the recurring television series category for that fiscal year until the shortfall is eliminated.

(IV) Allocate up to 25 percent of total credit allocations that would otherwise be allocated in the 2024–25 fiscal year to recurring television series in the current fiscal year until the shortfall is eliminated. Any amounts transferred for allocation in the current fiscal year shall be subtracted from the amount allowed to be allocated in the 2024–25 fiscal year as specified in subdivision (i). Notwithstanding paragraph (3), the credit allocations that are subtracted from 2024–25 shall not be certified until July 1, 2025, or later.

(V) The California Film Commission shall consult with the qualified taxpayers who are producing the recurring television series for purposes of negotiating a minimally impactful reduction in the amount of credits awarded to each recurring television series for that fiscal year until the shortfall is eliminated.

(E) Subject to the annual cap and the allocation credit amounts based on categories described in subdivision (i), allocate an aggregate amount of credits under this section and Section 17053.98, and allocate any carryover of unallocated or unused credits from prior years and Sections 17053.85, 17053.95, 23685, and 23695, and the amount of any credits reduced pursuant to paragraph (2) of subdivision (d).

(3) Certify tax credits allocated to qualified taxpayers.

(A) Establish a verification procedure to update the information in subparagraph (A) of paragraph (2) of subdivision (g), including, but not limited to, all of the following:

(i) The amounts of qualified expenditures paid or incurred by the applicant.

(ii) The diversity of the workforce employed by the applicant.

(iii) The ethnic and racial makeup and gender of individuals whose wages are excluded from qualified wages by clause (iv) of subparagraph (B) of paragraph (21) of subdivision (b).

(B) Establish audit requirements that shall be satisfied before a credit certificate may be issued by the California Film Commission.

(C) (i) Establish a procedure for a qualified taxpayer to report to the California Film Commission, prior to the issuance of a credit certificate, the following information:

(I) If readily available, a list of the states, provinces, or other jurisdictions in which any member of the applicant's combined reporting group in the same business unit as the qualified taxpayer that, in the preceding calendar year, has produced a qualified motion picture intended for release in the United States market. For purposes of this clause, "qualified motion picture" shall not include any episodes of a television series that were complete or in production prior to July 1, 2020.

(II) Whether a qualified motion picture described in subclause (I) was awarded any financial incentive by the state, province, or other jurisdiction that was predicated on the performance of primary principal photography or postproduction in that location.

(ii) The California Film Commission may provide that the report required by this subparagraph be filed in a single report provided on a calendar year basis for those qualified taxpayers that receive multiple credit certificates in a calendar year.

(D) Issue a credit certificate to a qualified taxpayer upon completion of the qualified motion picture reflecting the credit amount allocated after qualified expenditures have been verified and the jobs ratio computed under this section. The amount of credit shown on the credit certificate shall not exceed the amount of credit allocated to that qualified taxpayer pursuant to this section.

(4) Obtain, when possible, the following information from applicants that do not receive an allocation of credit:

(A) Whether the qualified motion picture that was the subject of the application was completed.

(B) If completed, in which state or foreign jurisdiction was the primary principal photography completed.

(C) Whether the applicant received any financial incentives from the state or foreign jurisdiction to make the qualified motion picture in that location.

(5) Provide the Legislative Analyst's Office, upon request, any or all application materials or any other materials received from, or submitted by, applicants for which a credit allocation decision has been made, including, but not limited to, applicants that did not receive a credit allocation. Materials provided to the Legislative Analyst's Office shall be in electronic format when available and include, but not be limited to, information provided pursuant to clauses (i) to (xii), inclusive, of subparagraph (A) of paragraph (2) and the diversity workplans provided pursuant to clause (iv) of subparagraph (B) of paragraph (2) of subdivision (k).

(6) The information provided to the California Film Commission pursuant to this section shall constitute confidential tax information for purposes of Article 2 (commencing with Section 19542) of Chapter 7 of Part 10.2.

(7) (A) Notwithstanding any other law, on or after July 1, 2025, the California Film Commission may allocate, pursuant to this section, any previously allocated credits not certified that have not previously been added to credit amounts available for allocation under this section or a successor section or sections.

(B) For purposes of this section, "previously allocated credits not certified" means either:

(i) Credits allocated under paragraph (1) for which the qualified taxpayer to which the credit amounts were originally allocated has notified the California Film Commission in writing that the qualified taxpayer will not request certification for the allocated credits.

(ii) The difference between the amount of credits allocated under paragraph (1) to a qualified taxpayer and the amount of credits the California Film Commission certified, for that qualified taxpayer. For purposes of calculating the difference, the California Film Commission shall not consider any credit amounts for which the qualified taxpayer notifies the California Film Commission under clause (i).

(8) Notwithstanding any other law, on or after July 1, 2025, the California Film Commission may allocate, pursuant to this section, any credit amounts described in subparagraphs (B) and (E) of paragraph (1) of subdivision (i) that have not previously been added to credit amounts available for allocation under this section or a successor section or sections.

(9) The California Film Commission shall submit a report to the Legislature, on an annual basis beginning January 1, 2022, on aggregate diversity information for the productions allocated tax credits allowed in this section and the diversity of the motion picture production industry in California more generally.

(h) (1) The California Film Commission shall annually provide the Legislative Analyst's Office, the Franchise Tax Board, and the California Department of Tax and Fee Administration with a list of qualified taxpayers and the tax credit amounts allocated to each qualified taxpayer by the California Film Commission. The list shall include the names and taxpayer identification numbers, including taxpayer identification numbers of each partner or shareholder, as applicable, of the qualified taxpayer.

(2) (A) Notwithstanding paragraph (6) of subdivision (g), the California Film Commission shall annually post on its internet website and make available for public release the following:

(i) A table which includes all of the following information: a list of qualified taxpayers and the tax credit amounts allocated to each qualified taxpayer by the California Film Commission, the number of production days in California the qualified taxpayer represented in its application would occur, the number of California jobs that the qualified taxpayer represented in its application would be directly created by the production, and the total amount of qualified expenditures expected to be spent by the production.

(ii) A narrative staff summary describing the production of the qualified taxpayer as well as background information regarding the qualified taxpayer contained in the qualified taxpayer's application for the credit.

(iii) For qualified taxpayers allocated a credit, the aggregate diversity information collected pursuant to clauses (iv) and (xii) of subparagraph (A) of paragraph (2) of subdivision (g) organized per production and an aggregate compilation describing the voluntary programs collected pursuant to clause (xiii) of subparagraph (A) of paragraph (2) of subdivision (g).

(B) Nothing in this subdivision shall be construed to make the information submitted by an applicant for a tax credit under this section a public record, including for the purposes of the California Public Records Act (Division 10 (commencing with Section 7920.000) of Title 1 of the Government Code).

(3) The California Film Commission shall provide each city and county in California with an instructional guide that includes, but is not limited to, a review of best practices for facilitating motion picture production in local jurisdictions, resources on hosting and encouraging motion picture production, and the California Film Commission's Model Filming Ordinance. The California Film Commission shall maintain on its internet website a list of initiatives by locality that encourage motion picture production in regions across the state. The list shall be distributed to each approved applicant for the program to highlight local jurisdictions that offer incentives to facilitate film production.

(i) (1) (A) The aggregate amount of credits that may be allocated for a fiscal year pursuant to this section and Section 17053.98, except as provided in subdivision (k) of this section and subdivision (k) of Section 17053.98, is three hundred thirty million dollars ($330,000,000), plus any amount described in subparagraph (B), (C), (D), or (E) in credits for the 2020–21 fiscal year and each fiscal year thereafter, through and including the 2024–25 fiscal year, except as provided in paragraph (7) of subdivision (g), plus the amount described in subparagraph (F) in credits for the 2021–22 and 2022–23 fiscal years.

(B) (i) Subject to clauses (ii) and (iii), the unused allocation credit amount, if any, for the preceding fiscal year.

(ii) The amount of unused credit allocation attributable to independent films shall only be allocated according to clause (i) of subparagraph (A) of paragraph (2).

(iii) The total amount of any unused credit allocation amount that is remaining shall only be allocated pursuant to clause (iv) of subparagraph (A) of paragraph (2).

(C) The amount of previously allocated credits not certified.

(D) The amount of any credits reduced pursuant to paragraph (2) of subdivision (d).

(E) That portion of any unused allocation credit amount, if any, attributable to Section 17053.85, 17053.95, 23685, or 23695 available for that fiscal year in a manner as determined by regulations promulgated by the California Film Commission.

(F) (i) For fiscal years 2021–22 and 2022–23, the California Film Commission shall allocate an additional fifteen million dollars ($15,000,000) in credits to be granted exclusively to television series that relocate to California.

(I) Notwithstanding subparagraph (A) of paragraph (2) of this subdivision and clause (v) of subparagraph (D) of paragraph (2) of subdivision (g), the moneys allocated pursuant to this subparagraph shall not be redirected or reallocated.

(II) Notwithstanding paragraph (25) of subdivision (b), for purposes of this subparagraph, a "television series that relocated to California" means a television series, without regard to episode length or initial media exhibition, with a minimum production budget of one million dollars ($1,000,000) per episode that both filmed at least 75 percent of principal photography days for at least one episode outside of California and has not filmed more than 25 percent of principal photography days for any episode inside of California.

(ii) For fiscal years 2021–22 and 2022–23, the California Film Commission shall allocate an additional seventy-five million dollars ($75,000,000) in credits to be granted exclusively to recurring television series.

(2) (A) Notwithstanding the foregoing, and subject to paragraph (4) of this subdivision and changes in allocations pursuant to clause (v) of subparagraph (D) of paragraph (2) of subdivision (g), the California Film Commission shall allocate the credit amounts subject to the following categories:

(i) Independent films with qualified expenditures of ten million dollars ($10,000,000) or less shall be allocated 4.8 percent of the amount specified in paragraph (1). Independent films with qualified expenditures in excess of ten million dollars ($10,000,000) shall be allocated 3.2 percent of the amount specified in paragraph (1). These amounts shall be in addition to any unused allocation credit amount, if any, for the preceding fiscal year as described in subparagraph (B) of paragraph (1).

(ii) Features shall be allocated 35 percent of the amount specified in paragraph (1).

(iii) A relocating television series shall be allocated 17 percent of the amount specified in paragraph (1).

(iv) A new television series, pilots for a new television series, miniseries, and recurring television series shall be allocated 40 percent of the amount specified in paragraph (1), plus any unused allocation credit amount, if any, for the preceding fiscal year as described in subparagraph (B) of paragraph (1).

(B) Within any allocation period for credits to a relocating television series, any unused amount shall be reallocated to the category described in clause (iv) of subparagraph (A) and, if any unused amount remains, reallocated in the next allocation period for credits to a relocating television series.

(C) With respect to a relocating television series issued a credit in a subsequent year pursuant to clause (v) of subparagraph (D) of paragraph (2) of subdivision (g), that subsequent credit amount shall be allowed from the allocation amount described in clause (iv) of subparagraph (A).

(3) Any act that reduces the amount that may be allocated pursuant to paragraph (1) constitutes a change in state taxes for the purpose of increasing revenues within the meaning of Section 3 of Article XIII A of the California Constitution and may be passed by not less than two-thirds of all Members elected to each of the two houses of the Legislature.

(4) A qualified motion picture, as defined in subdivision (k), shall not be eligible for an allocation under subdivisions (a) to (j), inclusive, if it receives a credit under subdivision (k) during that fiscal year.

(j) The California Film Commission shall have the authority to allocate tax credits in accordance with this section and in accordance with any regulations prescribed pursuant to subdivision (e) upon adoption.

(k) (1) For taxable years beginning on or after January 1, 2022, and before January 1, 2032, there shall be allowed to a qualified taxpayer a credit against the "tax," as defined in Section 23036, subject to allocation by the California Film Commission, in an amount equal to:

(A) For credits allocated before July 1, 2025, 20 percent or 25 percent, whichever is the applicable credit percentage described in paragraph (4) of subdivision (a), as modified by paragraph (3) of this subdivision, of the qualified expenditures for the production of a qualified motion picture produced in the state at a certified studio construction project.

(B) For credits allocated on or after July 1, 2025, 35 percent or 40 percent, whichever is the applicable credit percentage described in paragraph (4) of subdivision (a) of Section 23698.1, as modified by paragraph (3) of this subdivision, of the qualified expenditures for the production of a qualified motion picture produced in the state at a certified studio construction project.

(2) For purposes of this subdivision, the definitions in subdivision (b) shall apply except as otherwise provided in this subdivision.

(A) "Certified studio construction project" means a construction or renovation project certified for a period of five years by the California Film Commission as having met all of the following criteria:

(i) The project provides for the construction or renovation of one or more soundstages located in the state.

(ii) Actual construction or renovation expenditures are not less than twenty-five million dollars ($25,000,000) of actual construction or renovation expenditures made over not more than five continuous calendar years.

(iii) The construction or renovation of each certified studio construction project is performed in accordance with Section 17053.99.

(iv) The construction or renovation of each certified studio construction project commences pursuant to a foundation permit or a structural building permit for the construction or renovation that is issued after the effective date of the act adopting this subdivision.

(v) The certified studio construction project applicant or its affiliates shall not have received a California Competes Grant under Section 12096.6 of the Government Code for wages or investment related to construction of the studio construction project.

(B) "Qualified motion picture" means a qualified motion picture, as defined in subdivision (b), that meets all of the following requirements:

(i) During the production period, the qualified motion picture films at least 50 percent of its principal photography stage shooting days on a soundstage or soundstages certified as a certified studio construction project.

(ii) During the production period, the qualified motion picture pays or incurs at least five million dollars ($5,000,000) in qualified wages for filming on a soundstage or soundstages certified as a certified studio construction project.

(iii) For taxable years beginning before January 1, 2025, is produced by a qualified taxpayer that is either of the following:

(I) More than 50 percent owned, directly or indirectly, by the same owner or owners of the soundstage or soundstages that is part of a certified studio construction project on which the production is filmed.

(II) Entered into a contract or lease of 10 years or more with the owner or owners of a certified studio construction project on which the production is filmed.

(iv) Provides a diversity workplan that is approved by the California Film Commission.

(C) For purposes of this subdivision, a qualified taxpayer and a taxpayer include a passthrough entity and a disregarded entity.

(3) (A) The diversity workplan required pursuant to clause (iv) of subparagraph (B) of paragraph (2) shall include all of the following:

(i) A statement of the diversity goals the motion picture will seek to achieve in terms of qualified wages paid by race, ethnicity, gender, disability status, and for taxable years beginning on or after January 1, 2025, veteran status.

(ii) A statement of the diversity goals the motion picture will seek to achieve for individuals whose wages are excluded from qualified wages as set forth in clause (iv) of subparagraph (B) of paragraph (21) of subdivision (b), with respect to both compensation and to the representation of diversity in the creative aspects of the motion picture.

(iii) A plan of what strategies the motion picture will employ to achieve the goals in clauses (i) and (ii).

(B) The diversity workplan shall include goals that are broadly reflective of California's population, in terms of race, ethnicity, gender, disability status, and for taxable years beginning on or after January 1, 2025, veteran status. For taxable years beginning on or after January 1, 2025, the diversity workplan shall indicate the ZIP Code for those members of the workforce whose wages are qualified expenditures and those whose wages are not qualified expenditures.

(C) The California Film Commission shall approve or reject the diversity workplan of an applicant, to the extent allowed by federal and state law.

(D) (i) The California Film Commission shall not certify any tax credit under this subdivision until they have received a final diversity report from the qualified motion picture applicant.

(ii) The final diversity report shall calculate and provide evidence for the extent to which the applicant met the diversity goals laid out in their diversity workplan.

(iii) The California Film Commission shall have the authority to audit the final diversity report to determine if the diversity goals set forth in the applicant's diversity workplan for the motion picture production were achieved.

(iv) If the California Film Commission determines that the qualified motion picture applicant has met or made a good faith effort to meet the diversity goals in its diversity workplan, the applicant's credit percentage described in paragraph (1) shall be increased by up to four percentage points as follows:

(I) By two percentage points if the California Film Commission determines that the applicant has met or made a good faith effort to meet the diversity goals with respect to the diversity of the workforce employed by the applicant in its diversity workplan statement.

(II) By two percentage points if the California Film Commission determines that the applicant has met or made a good faith effort to meet the diversity goals with respect to individuals whose wages are excluded from qualified wages as set forth in clause (iv) of subparagraph (B) of paragraph (21) of subdivision (b), in its diversity workplan statement.

(E) The California Film Commission, in consultation with the Governor's Office of Business and Economic Development, shall establish guidelines to evaluate diversity workplans as described in this paragraph. The guidelines shall be posted on the California Film Commission's internet website.

(4) The credit allowed under this subdivision shall be administered in accordance with subdivisions (a), (b), (c), (d), (h), and (*l*), except that paragraph (1) of subdivision (a) shall not apply, paragraph (7) of subdivision (b) shall not apply, and paragraph (2) of subdivision (d) shall not apply.

(5) Subparagraph (A) of paragraph (2), subparagraphs (A), (B), and (C) of paragraph (3), and paragraphs (4), (5), and (6) of subdivision (g) shall apply.

(6) A conflict between this subdivision and any other subdivisions in this section shall be reconciled in favor of this subdivision.

(7) The aggregate amount of credit allocated by the California Film Commission pursuant to subdivisions (a) to (j), inclusive, of this section and Section 17053.98 shall not be reduced by the tax credit allowed pursuant to this subdivision. The amount of credit allowed by this subdivision shall not be limited by subdivision (i).

(8) (A) The credit allocated pursuant to this subdivision shall be allowed for the taxable year in which the California Film Commission issues a credit certificate in accordance with the procedures provided for in subdivision (g) for the qualified motion picture. The California Film Commission shall issue a credit certificate to a qualified taxpayer upon completion of the qualified motion picture reflecting the credit amount allocated after qualified expenditures have been verified.

(B) The California Film Commission, commencing with fiscal year 2021–22, shall allocate tax credits each year to qualified motion pictures meeting the criteria of this subdivision. The total amount of credits that may be allocated under this subdivision is one hundred fifty million dollars ($150,000,000). For taxable years beginning before January 1, 2025, the amount of credit that may be allocated to a qualified motion picture under this subdivision shall not exceed the greater of twelve million dollars ($12,000,000), or seven hundred fifty thousand dollars ($750,000) per episode, for a season of a television series. For taxable years beginning on or after January 1, 2025, the amount of credit that may be allocated to a qualified motion picture under this subdivision shall not exceed the greater of twenty-one million dollars ($21,000,000) or one million three hundred thousand dollars ($1,300,000) per episode, for a season of a television series. Recurring television series receiving an initial allocation under this subdivision shall be allocated for subsequent seasons no more than allowed under this paragraph.

(C) In any year the tax credits under this paragraph have been allocated by the California Film Commission, a qualified motion picture or a recurring television series that satisfies the criteria of this subdivision, but have not received an allocation of credits, may apply to receive an allocation of credits pursuant to subdivision (i).

(D) A qualified motion picture that satisfies the criteria of this subdivision, other than a recurring television series described in subparagraph (E) of this paragraph, that does not receive a credit allocation under this subdivision because the total amount of credits authorized for the program in subparagraph (B) has been allocated or the qualified motion picture commenced production during the sixth year the certified studio construction project has been certified by the California Film Commission, or any year thereafter, may apply for a credit allocation under subdivisions (a) through (j), inclusive, subject to the jobs ratio enhancement in subclause (II) of clause (iv) of subparagraph (D) of paragraph (2) of subdivision (g).

(E) A recurring television series that satisfies the criteria of this subdivision and that is no longer eligible for a credit allocation under this subdivision for a reason described in subparagraph (D) shall receive a credit allocation under subdivisions (a) through (j), inclusive, pursuant to clause (v) of subparagraph (D) of paragraph (2) of subdivision (g).

(F) Credits shall be allocated based on the assumption that the motion picture meets the diversity criteria specified in clause (iv) of subparagraph (D) of paragraph (3).

(G) If any successor tax credit program that modifies or replaces the program specified in subdivisions (a) through (j), inclusive, of this section or Section 17053.98 is enacted, both of the following shall apply:

(i) A qualified motion picture described in subparagraph (D) may apply to receive an allocation of credits under the successor program.

(ii) A recurring television series described in subparagraph (E) shall receive an allocation of credits under the successor program.

(9) A qualified motion picture meeting the requirements of this subdivision that receives a credit allocation during the five-year period the certified studio construction project is certified by the California Film Commission shall be allowed a credit under this subdivision for subsequent seasons for the life of that recurring television series as long as the qualified motion picture continues to satisfy the criteria of this subdivision and to the extent the total credit amount the California Film Commission is permitted to allocate pursuant to subparagraph (B) of paragraph (8) has not previously been allocated.

(10) Within six months of the effective date of this subdivision, the California Film Commission shall:

(A) Establish procedures to certify a certified studio construction project.

(B) Establish procedures to verify a qualified motion picture has met the criteria established in this section for filming in a certified studio construction project facility. That procedure shall include a requirement that the qualified motion picture pay 0.5 percent of the approved credit amount to the Career Pathways Training program specified in subdivision (e).

(C) (i) Implementation of this subdivision for the 2023–24 fiscal year is deemed an emergency and necessary for the immediate preservation of the public peace, health, and safety, or general welfare and, therefore, the California Film Commission is hereby authorized to adopt emergency regulations to implement this subdivision during the 2023–24 fiscal year in accordance with the rulemaking provisions of the Administrative Procedure Act (Chapter 3.5 (commencing with Section 11340) of Part 1 of Division 3 of Title 2 of the Government Code).

(ii) The California Film Commission shall adopt regulations in order to implement this paragraph.

(iii) The California Film Commission shall not be required to prepare an economic impact analysis pursuant to the Administrative Procedure Act (Chapter 3.5 (commencing with Section 11340) of Part 1 of Division 3 of Title 2 of the Government Code) with regard to any rules and regulations adopted pursuant to this subdivision.

(11) In the case where the credit allowed by this subdivision exceeds the taxpayer’s tax liability computed under this part, the excess credit may be carried over to reduce the “tax” in the following taxable year, and succeeding eight taxable years, if necessary, until the credit has been exhausted.

(12) Upon completion of construction or renovation of the soundstage or soundstages, the certified studio construction project applicant shall certify to the California Film Commission that all contractors and subcontractors performing construction work on the soundstage or soundstages were required to use a skilled and trained workforce to perform such work in accordance with subdivision (b) of Section 17053.99.

(13) (A) Upon completion of construction or renovation of the soundstage or soundstages, the soundstage or soundstages shall

be continuously operated, maintained, and repaired by any of the following:

(i) A workforce that is paid at least the general prevailing rate of per diem wages for the type of work and geographic area, as determined by the Director of Industrial Relations pursuant to Sections 1773 and 1773.9 of the Labor Code, if such services are performed by a workforce that is employed directly, or indirectly through a motion picture payroll services company, by the owner or affiliate of the owner of the soundstage or lessee of the soundstage described in subclause (II) of clause (iii) of subparagraph (B) of paragraph (2) of this subdivision.

(ii) A skilled and trained workforce as defined in Chapter 2.9 (commencing with Section 2600) of Part 1 of Division 2 of the Public Contract Code, if such services are provided by third-party vendors.

(B) Each year following completion of construction or renovation of the soundstage or soundstages that a qualified motion picture is allocated a tax credit pursuant to this subdivision, the certified studio construction project applicant shall certify to the California Film Commission both of the following:

(i) The total amount of payments to third-party vendors or qualified wages for operation, maintenance, and repair of the certified soundstage.

(ii) The amount and percentage of the total amount of payments to third-party vendors or qualified wages for operation, maintenance, and repair of the certified soundstage performed by each workforce described in subparagraph (A).

(C) If the percentage paid to workers in clause (i) of subparagraph (A) is certified to be 90 percent of the total amount under clause (i) of subparagraph (B) or greater, the qualified taxpayer shall be entitled to 100 percent of the applicable credit issued under this subdivision for the period. If the percentage paid to workers in clause (i) of subparagraph (A) is certified to be less than 90 percent of the total amount under clause (i) of subparagraph (B) but greater than or equal to 75 percent of the total amount under clause (i) of subparagraph (B), the qualified taxpayer shall be entitled to 50 percent of the applicable credit issued under this subdivision for the period. If the percentage paid to workers in clause (i) of subparagraph (A) is certified to be less than 75 percent of the total amount under clause (i) of subparagraph (B), the qualified taxpayer shall not be entitled to any credit issued under this subdivision for the applicable period.

(14) (A) Except as provided in subparagraph (B), the changes made to this subdivision by the act adding this paragraph shall apply to taxable years beginning on or after January 1, 2023.

(B) The changes made to subparagraphs (A) and (B) of paragraph (2) by the act adding this paragraph shall apply for all taxable years to any certified studio construction project that has been certified, and any qualified motion picture that has been allocated a credit, pursuant to this subdivision.

(*l*) Section 41 shall not apply to the credits allowed by this section.

SEC. 5. Section 23698.1 of the Revenue and Taxation Code is amended to read:

23698.1. (a) (1) For taxable years beginning on or after January 1, 2025, there shall be allowed to a qualified taxpayer a credit against the "tax," as defined in Section 23036, subject to a computation and ranking by the California Film Commission in subdivision (g) and the allocation amount categories described in subdivision (i), in an amount equal to 35 or 40 percent, whichever is the applicable credit percentage described in paragraph (4), of the qualified expenditures for the production of a qualified motion picture in California. A credit shall not be allowed under this section for any qualified expenditures for the production of a motion picture in California if a credit has been claimed for those same expenditures under Section 23685, 23695, or 23698.

(2) Except as otherwise provided in this section, the credit shall be allowed for the taxable year in which the California Film Commission issues the credit certificate pursuant to subdivision (g) for the qualified motion picture, but in no instance prior to July 1, 2025, and shall be for the applicable percentage of all qualified expenditures paid or incurred by the qualified taxpayer in all taxable years for that qualified motion picture.

(3) (A) The amount of the credit allowed to a qualified taxpayer shall be limited to the amount specified in the credit certificate issued to the qualified taxpayer by the California Film Commission pursuant to subdivision (g).

(B) In determining the amount specified in the credit certificate in subparagraph (A), the California Film Commission shall be

limited to the following amounts of qualified expenditures for each qualified motion picture:

(i) In the case of a feature, up to one hundred twenty million dollars ($120,000,000).

(ii) In the case of a miniseries or limited series described in clause (ii) of subparagraph (A) of paragraph (19) of subdivision (b), up to one hundred twenty million dollars ($120,000,000).

(iii) In the case of a television series described in clause (iii) or clause (v) of subparagraph (A) of paragraph (19) of subdivision (b), up to one hundred twenty million dollars ($120,000,000) per season.

(iv) In the case of an independent film, up to twenty million dollars ($20,000,000).

(4) For purposes of paragraphs (1) and (2), the applicable credit percentage shall be as follows:

(A) Thirty-five percent of the qualified expenditures attributable to the production of a qualified motion picture in California, including, but not limited to, a feature or a television series that relocated to California that is in its second or subsequent years of receiving a tax credit allocation pursuant to this section, or Section 23685, 23695, or 23698.

(B) Forty percent of the qualified expenditures attributable to the production of a qualified motion picture in California where the qualified motion picture is a television series that relocated to California in its first year of receiving a tax credit allocation pursuant to this section.

(C) Thirty-five percent of the qualified expenditures attributable to the production of a qualified motion picture that is an independent film.

(D) Additional credits shall be allowed for the production of a qualified motion picture which applicable credit percentage is determined pursuant to subparagraph (A), in an aggregate amount not to exceed 5 percent of the qualified expenditures under that subparagraph, as follows:

(i) (I) Five percent of qualified expenditures, excluding qualified wages described in subparagraph (E), relating to original photography outside the Los Angeles zone.

(II) For purposes of this clause and subparagraph (E):

(ia) “Applicable period” means the period that commences with preproduction and ends when original photography concludes. The applicable period includes the time necessary to strike a remote location and return to the Los Angeles zone.

(ib) "Los Angeles zone" means the area within a circle 30 miles in radius from Beverly Boulevard and La Cienega Boulevard, Los Angeles, California, and includes Agua Dulce, Castaic, including Castaic Lake, Leo Carrillo State Beach, Ontario International Airport, Piru, and Pomona, including the Los Angeles County Fairgrounds. The Metro-Goldwyn-Mayer, Inc. Conejo Ranch property is within the Los Angeles zone.

(ic) "Original photography" includes principal photography and reshooting original footage.

(id) "Qualified expenditures relating to original photography outside the Los Angeles zone" means amounts paid or incurred during the applicable period for tangible personal property purchased or leased and used or consumed outside the Los Angeles zone and relating to original photography outside the Los Angeles zone and qualified wages paid for services performed outside the Los Angeles zone and relating to original photography outside the Los Angeles zone.

(ii) Five percent of the qualified expenditures relating to qualified visual effects attributable to the production of a qualified motion picture in California.

(E) (i) Notwithstanding subparagraph (D), an amount equal to 10 percent of qualified wages paid for services performed relating to original photography outside of the Los Angeles zone to qualified individuals who reside in California but outside the Los Angeles zone shall be allowed as an additional credit for the production of a qualified motion picture which applicable credit percentage is determined pursuant to subparagraph (A) or (C).

(ii) Notwithstanding subparagraph (D), an amount equal to 5 percent of qualified wages paid for services performed relating to original photography outside of the Los Angeles zone to qualified individuals who reside in California but outside the Los Angeles zone shall be allowed as an additional credit for the production of a qualified motion picture which applicable credit percentage is determined pursuant to subparagraph (B).

(b) For purposes of this section:

(1) "Ancillary product" means any article for sale to the public that contains a portion of, or any element of, the qualified motion picture.

(2) "Budget" means an estimate of all expenses paid or incurred during the production period of a qualified motion picture. It shall be the same budget used by the qualified taxpayer and production company for all qualified motion picture purposes.

(3) "Clip use" means a use of any portion of a motion picture, other than the qualified motion picture, used in the qualified motion picture.

(4) "Credit certificate" means the certificate issued by the California Film Commission pursuant to subparagraph (D) of paragraph (3) of subdivision (g).

(5) "Diversity workplan checklist" means a checklist developed by regulation by the California Film Commission that may include consideration of inclusive hiring above the line, inclusive hiring below the line, equity education, industry capacity building and supplier diversity as part of any diversity workplan.

(6) (A) "Employee fringe benefits" means the amount allowable as a deduction under this part to the qualified taxpayer involved in the production of the qualified motion picture, exclusive of any amounts contributed by employees, for any year during the production period with respect to any of the following:

(i) Employer contributions under any pension, profit sharing, annuity, or similar plan.

(ii) Employer-provided coverage under any accident or health plan for employees.

(iii) The employer's cost of life or disability insurance provided to employees.

(B) Any amount treated as wages under clause (i) of subparagraph (A) of paragraph (21) shall not be taken into account under this paragraph.

(7) "Independent film" means a motion picture with a minimum budget of one million dollars ($1,000,000) that is produced by a company that is not publicly traded and publicly traded companies do not own, directly or indirectly, more than 30 percent of the producing company.

(8) "Jobs ratio" means the amount of qualified wages paid to qualified individuals divided by the amount of tax credit, not including any additional credit allowed pursuant to subparagraphs (D) and (E) of paragraph (4) of subdivision (a), as computed by the California Film Commission. For the purposes of the calculation of the jobs ratio only, 70 percent of qualified

expenditures for visual effects paid to third-party vendors for work performed in California shall be deemed to be qualified wages paid to a qualified individual.

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

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

(11) "Pilot for a new television series" means the initial episode produced for a proposed television series.

(12) (A) "Postproduction" means the final activities in a qualified motion picture's production, including editing, foley recording, automatic dialogue replacement, sound editing, scoring, music track recording by musicians and music editing, beginning and end credits, negative cutting, negative processing and duplication, the addition of sound and visual effects, sound mixing, film-to-tape transfers, encoding, and color correction.

(B) "Postproduction" does not include the manufacture or shipping of release prints or their equivalent.

(13) "Preproduction" means the process of preparation for actual physical production which begins after a qualified motion picture has received a firm agreement of financial commitment, or is greenlit, with, for example, the establishment of a dedicated production office, the hiring of key crew members, and includes, but is not limited to, activities that include location scouting and execution of contracts with vendors of equipment and stage space.

(14) "Principal photography" means the phase of production during which the motion picture is actually shot, as distinguished from preproduction and postproduction.

(15) "Production period" means the period beginning with preproduction and ending upon completion of postproduction.

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

(17) "Qualified expenditures" means amounts paid or incurred for tangible personal property purchased or leased, and used, within this state in the production of a qualified motion picture and payments, including qualified wages, for services performed within this state in the production of a qualified motion picture.

(18) (A) "Qualified individual" means any individual who performs services during the production period in an activity related to the production of a qualified motion picture.

(B) "Qualified individual" shall not include either of the following:

(i) Any individual related to the qualified taxpayer as described in subparagraph (A), (B), or (C) of Section 51(i)(1) of the Internal Revenue Code.

(ii) Any 5-percent owner, as defined in Section 416(i)(1)(B) of the Internal Revenue Code, of the qualified taxpayer.

(19) (A) "Qualified motion picture" means a motion picture that is produced for distribution to the general public, regardless of medium, that is one of the following:

(i) A feature with a minimum production budget of one million dollars ($1,000,000).

(ii) A miniseries or limited series consisting of two or more episodes, each longer than 40 minutes of running time, exclusive of commercials, that is produced in California, with a minimum production budget of one million dollars ($1,000,000) per episode.

(iii) An independent film.

(iv) A television series that relocated to California.

(v) A pilot for a new live action or animated television series that is at least 20 minutes of running time, exclusive of commercials, that is produced in California, and with a minimum production budget of one million dollars ($1,000,000).

(vi) A live action or animated series, averaging across a season at least 20 minutes of running time per episode, exclusive of commercials, that is produced in California, with a minimum production budget of one million dollars ($1,000,000) per episode.

(vii) An animated film that is produced in California, with a minimum production budget of one million dollars ($1,000,000).

(viii) A large-scale competition show, not including traditional reality, game shows, talk shows, or docufollow television programming, that is produced in California, with a minimum production budget of one million dollars ($1,000,000) per episode.

(B) To qualify as a "qualified motion picture," all of the following conditions shall be satisfied:

(i) At least 75 percent of the principal photography days occur wholly in California or 75 percent of the production budget is incurred for payment for services performed within the state and the purchase or rental of property used within the state.

(ii) Production of the qualified motion picture is completed within 30 months from the date on which the qualified taxpayer's application is approved by the California Film Commission. For purposes of this section, a qualified motion picture is "completed" when the process of postproduction has been finished.

(iii) The copyright for the motion picture is registered with the United States Copyright Office pursuant to Title 17 of the United States Code.

(iv) (I) Except as provided in subclause (II), principal photography of the qualified motion picture commences after the date on which the application is approved by the California Film Commission, but no later than 180 days after the date of that approval if the qualified motion picture has a budget with qualified expenditures of less than one hundred million dollars ($100,000,000), and no later than 240 days after the date of that approval in the case of a qualified motion picture with a budget of qualified expenditures with at least one hundred million dollars ($100,000,000), unless death, disability, or disfigurement of the director or of a principal cast member; an act of God, including, but not limited to, fire, flood, earthquake, storm, hurricane, or other natural disaster; terrorist activities; or government sanction has directly prevented a production's ability to begin principal photography within the prescribed 180- or 240-day commencement period.

(II) Notwithstanding subclause (I), a production that has not previously received an allocation under this section or Section 23685, 23695, or 23698, and that completed principal photography of the previous season more than 48 months prior to the application for a credit allocation under this section, shall be deemed not to have commenced principal photography prior to the date on which the application for an allocation of credit under this section is approved by the California Film Commission.

(III) Notwithstanding subclauses (I) and (II), a television series that did not commence principal photography prior to July 1, 2025, and applied for but did not receive an allocation under this section for its first season filming in California and makes an application for allocation of credit for its second season filming in California shall be deemed not to have commenced principal photography prior to the date on which the application for an allocation of credit under this section is approved by the California Film Commission.

(v) (I) At least 75 percent of production costs for picture editing and postproduction sound labor and services shall be incurred in California.

(II) This requirement shall only apply to a qualified motion picture applying for an allocation of credits under this section pursuant to subparagraph (G) of paragraph (8) of subdivision (k) of Section 17053.98 or Section 23698.

(vi) Provides a diversity workplan checklist.

(C) For the purposes of subparagraph (A), in computing the total wages paid or incurred for the production of a qualified motion picture, all amounts paid or incurred by all persons or entities that share in the costs of the qualified motion picture shall be aggregated.

(D) "Qualified motion picture" shall not include commercial advertising, music videos, a motion picture produced for private noncommercial use, such as weddings, graduations, or as part of an educational course and made by students, a news program, current events or public events program, talk show, game show, sporting event or activity, awards show, telethon or other production that solicits funds, reality television program, except as specified in clause (ix) of subparagraph (A), clip-based programming if more than 50 percent of the content is comprised of licensed footage, documentaries, variety programs, daytime dramas, strip shows, or any production that falls within the recordkeeping requirements of Section 2257 of Title 18 of the United States Code.

(20) (A) "Qualified taxpayer" means a taxpayer, or a single member limited liability company that is disregarded for tax purposes pursuant to Section 23038, who has paid or incurred qualified expenditures, participated in the Career Readiness requirement in Section 23695, and has been issued a credit certificate by the California Film Commission pursuant to subdivision (g).

(B) In the case of any pass-thru entity, the determination of whether a taxpayer is a qualified taxpayer under this section shall be made at the entity level and any credit under this section is not allowed to the pass-thru entity, but shall be passed through to the partners or shareholders in accordance with applicable provisions of Part 10 (commencing with Section 17001) or Part 11 (commencing with Section 23001). For purposes of this paragraph, “pass-thru entity” means any entity taxed as a partnership or “S” corporation.

(C) In the case of an “S” corporation, the credit allowed under this section shall not be used by an “S” corporation as a credit against a tax imposed under Chapter 4.5 (commencing with Section 23800) of Part 11 of Division 2.

(21) “Qualified visual effects” means visual effects where at least 75 percent or a minimum of ten million dollars ($10,000,000) of the qualified expenditures for the visual effects are paid or incurred in California.

(22) (A) “Qualified wages” means all of the following:

(i) Any wages subject to withholding under Division 6 (commencing with Section 13000) of the Unemployment Insurance Code that were paid or incurred by any taxpayer involved in the production of a qualified motion picture with respect to a qualified individual for services performed on the qualified motion picture production within this state.

(ii) The portion of any employee fringe benefits paid or incurred by any taxpayer involved in the production of the qualified motion picture that are properly allocable to qualified wage amounts described in clauses (i), (iii), and (iv).

(iii) Any payments made to a qualified entity for services performed in this state by qualified individuals within the meaning of paragraph (17).

(iv) Remuneration paid to an independent contractor who is a qualified individual for services performed within this state by that qualified individual.

(B) “Qualified wages” shall not include any of the following:

(i) Expenses, including wages, related to new use, reuse, clip use, licensing, secondary markets, or residual compensation, or the creation of any ancillary product, including, but not limited to, a soundtrack album, toy, game, trailer, or teaser.

(ii) Expenses, including wages, paid or incurred with respect to acquisition, development, turnaround, or any rights thereto.

(iii) Expenses, including wages, related to financing, overhead, marketing, promotion, or distribution of a qualified motion picture.

(iv) Expenses, including wages, paid per person per qualified motion picture for writers, directors, music directors, music composers, music supervisors, producers, and performers, other than background actors with no scripted lines.

(23) (A) "Recurring television allocation amount" means the sum of the base year allocation and the product of all of the following:

(i) The base year allocation.

(ii) The number of subsequent years.

(iii) Three percent.

(B) For purposes of this paragraph, the following definitions apply:

(i) "Base year allocation" means the amount received by the recurring television series in its fiscal year 2025–26 Credit Allocation Letter or Letters, or if no amounts were reserved in fiscal year 2025–26, in the next fiscal year in which a Credit Allocation Letter or Letters were received.

(ii) "The number of subsequent years" means the number of full or partial fiscal years that have elapsed since the fiscal year in with the base year allocation was made.

(24) "Recurring television series" means any television series that was previously approved and issued a credit allocation letter under this section.

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

(26) "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.

(27) "Secondary markets" means media in which a qualified motion picture is exhibited following the initial media in which it is exhibited.

(28) "Television series that relocated to California" means a television series, without regard to episode length or initial media exhibition, with a minimum production budget of one million dollars ($1,000,000) per episode, that filmed at least 75 percent of principal photography days in its most recent season outside of California or has filmed all seasons outside of California and for which the taxpayer certifies that the credit provided pursuant to this section is the primary reason for relocating to California.

(c) (1) (A) ~~Notwithstanding subdivision (i) of Section 23036, in the case where the credit allowed by this section exceeds the taxpayer's tax liability computed under this part, a~~ *A* qualified taxpayer may elect to assign any portion of the credit allowed under this section to one or more affiliated corporations for each taxable year in which the credit is allowed. In the event the qualified taxpayer is a single member limited liability company that is disregarded for tax purposes pursuant to Section 23038, the qualified taxpayer may elect to assign any portion of the credit allowed under this section to one or more affiliated corporations as if that single member limited liability company made the federal election to be classified as an association taxable as a corporation.

(B) For purposes of the election provided in subparagraph (A), all of the following shall apply:

(i) The election may be based on any method selected by the qualified taxpayer that originally receives the credit.

(ii) Once the election is made, it shall be irrevocable for the taxable year the credit is allowed.

(iii) The election may be changed for any subsequent taxable year if the election to make the assignment is expressly shown on each of the returns of the qualified taxpayer and the qualified taxpayer's affiliated corporations that assign and receive the credits.

(iv) The election shall be reported to the Franchise Tax Board, in the form and manner specified by the Franchise Tax Board, along with all required information regarding the assignment of the credit, including the corporation number, the federal employer identification number, or other taxpayer identification number of the assignee, and the amount of the credit assigned.

(C) For purposes of this paragraph, "affiliated corporation" has the same meaning provided in subdivision (b) of Section 25110, as of the last day of the taxable year in which the credit is allowed, except that "100 percent" is substituted for "more than 50 percent" wherever it appears in the section, and "voting common stock" is substituted for "voting stock" wherever it appears in the section.

(2) Notwithstanding any other law, a qualified taxpayer may sell any credit allowed under this section that is attributable to an independent film, as defined in paragraph (7) of subdivision (b), to an unrelated party.

(3) The qualified taxpayer shall report to the Franchise Tax Board prior to the sale of the credit, in the form and manner

specified by the Franchise Tax Board, all required information regarding the purchase and sale of the credit, including the social security or other taxpayer identification number of the unrelated party to whom the credit has been sold, the face amount of the credit sold, and the amount of consideration received by the qualified taxpayer for the sale of the credit.

(4) In the case where the credit allowed under this section exceeds the "tax," the excess credit may be carried over to reduce the "tax" in the following taxable year, and succeeding eight taxable years, if necessary, until the credit has been exhausted.

(5) A credit shall not be sold pursuant to this subdivision to more than one taxpayer, nor may the credit be resold by the unrelated party to another taxpayer or other party.

(6) A party that has been assigned or acquired tax credits under this subdivision shall be subject to the requirements of this section.

(7) In no event may a qualified taxpayer assign or sell any tax credit to the extent the tax credit allowed by this section is claimed on any tax return of the qualified taxpayer.

(8) In the event that both the taxpayer originally allocated a credit under this section by the California Film Commission and a taxpayer to whom the credit has been sold both claim the same amount of credit on their tax returns, the Franchise Tax Board may disallow the credit of either taxpayer, so long as the statute of limitations upon assessment remains open.

(9) Chapter 3.5 (commencing with Section 11340) of Part 1 of Division 3 of Title 2 of the Government Code does not apply to any standard, criterion, procedure, determination, rule, notice, or guideline established or issued by the Franchise Tax Board pursuant to this subdivision.

(10) Subdivision (g) or (i) of Section 23036 shall not apply to any credit sold or assigned pursuant to this subdivision.

(11) For purposes of this subdivision, the following shall apply:

(A) The unrelated party or parties that purchase a credit pursuant to paragraphs (2) to (10), inclusive, shall be treated as a qualified taxpayer pursuant to paragraph (1) of subdivision (a).

(B) An affiliated corporation or corporations that are assigned a credit pursuant to paragraph (1) shall be treated as a qualified taxpayer pursuant to paragraph (1) of subdivision (a).

(d) (1) No credit shall be allowed pursuant to this section unless the qualified taxpayer provides the following to the California Film Commission:

(A) Identification of each qualified individual.

(B) The specific start and end dates of production.

(C) The total wages paid.

(D) The total amount of qualified wages paid to qualified individuals.

(E) Aggregate data for individuals whose wages are excluded from qualified wages by clause (iv) of subparagraph (B) of paragraph (22) of subdivision (b), including their gender, ethnic, and racial makeup.

(F) The copyright registration number, as reflected on the certificate of registration issued under the authority of Section 410 of Title 17 of the United States Code, relating to registration of claim and issuance of certificate. The registration number shall be provided on the return claiming the credit.

(G) The total amounts paid or incurred to purchase or lease tangible personal property used in the production of a qualified motion picture.

(H) Information to substantiate its qualified expenditures.

(I) Information required by the California Film Commission under regulations promulgated pursuant to subdivision (g) necessary to verify the amount of credit claimed.

(J) Data regarding the diversity of the workforce employed by the applicant on the qualified motion picture, as described in subdivision (g).

(K) Documentation verifying completion of the Career Readiness requirement.

(L) Documentation verifying that the qualified taxpayer paid the Career Pathways Program fee.

(2) (A) Based on the information provided in paragraph (1), the California Film Commission shall recompute the jobs ratio previously computed in subdivision (g) and compare this recomputed jobs ratio to the jobs ratio that the qualified taxpayer previously listed on the application submitted pursuant to subdivision (g).

(B) (i) If the California Film Commission determines that the jobs ratio has been reduced by more than 10 percent for a qualified motion picture, the California Film Commission shall reduce the

amount of credit allowed by an equal percentage, unless the qualified taxpayer demonstrates, and the California Film Commission determines, that reasonable cause exists for the jobs ratio reduction.

(ii) If the California Film Commission determines that the jobs ratio has been reduced by more than 20 percent for a qualified motion picture, the California Film Commission shall not accept an application described in subdivision (g) from that qualified taxpayer or any member of the qualified taxpayer's controlled group for a period of not less than one year from the date of that determination, unless the qualified taxpayer demonstrates, and the California Film Commission determines, that reasonable cause exists for the jobs ratio reduction.

(C) For the purposes of this paragraph, "reasonable cause" means unforeseen circumstances beyond the control of the qualified taxpayer, such as, but not limited to, the cancellation of a television series prior to the completion of the scheduled number of episodes or other similar circumstances as determined by the California Film Commission in regulations to be adopted pursuant to subdivision (e).

(e) (1) (A) Subject to the Administrative Procedure Act (Chapter 3.5 (commencing with Section 11340) of Part 1 of Division 3 of Title 2 of the Government Code), the California Film Commission shall prescribe rules and regulations to carry out the purposes of this section, including, but not limited to, the following:

(i) Subparagraph (D) of paragraph (4) of subdivision (a) and clause (iv) of subparagraph (D) of paragraph (2) of subdivision (g).

(ii) Any rules and regulations necessary to establish procedures, processes, requirements, and applications.

(iii) (I) Continuing a Career Pathways Program established pursuant to subdivision (e) of Sections 17053.98 and 23698, and pursuant to paragraph (10) of subdivision (g) of this section and Section 17053.98.1, to fund technical skills training for individuals from underserved communities for entry into film and television jobs. The program shall be funded by a fee equal to 0.5 percent of the approved credit amount for a qualified motion picture. The program shall work with nonprofit organizations that have an established record of training and job placement in the entertainment industry, focus on training individuals from traditionally underserved communities, and offer training courses focused on skilled, technical positions that would be eligible for qualified wages if performed on a qualified motion picture as well as administrative- and industry-related technical occupations or soft skills training for the motion picture industry.

(II) Notwithstanding subclause (I), independent films are required to pay a fee equal to 0.25 percent of the approved credit amount for a qualified motion picture.

(iv) (I) Beginning January 1, 2028, the California Film Commission, in collaboration with labor and industry stakeholders, has the authority to increase the Career Pathways Training program fee by 0.25 percent per year, up to 1 percent of the approved credit amount for a qualified motion picture, based on evaluation of available information, including, but not limited to, the number of jobs available, job growth in the industry, and information included in the annual reports of the Career Pathways Training program required pursuant to paragraph (11) of subdivision (g). The evaluation shall be included in the annual report to the Legislature.

(II) Independent films are not subject to an increase to the fee pursuant to subclause (I).

(B) Notwithstanding any other law, prior to preparing a notice of proposed action pursuant to Section 11346.4 of the Government Code and prior to making any revision to the proposed regulation other than a change that is nonsubstantial or solely grammatical in nature, the Governor's Office of Business and Economic Development shall first approve the proposed regulation or proposed change to a proposed regulation regarding allocating the credit pursuant to subdivision (i), computing the jobs ratio as described in subdivisions (d) and (g), and defining "reasonable cause" pursuant to subparagraph (C) of paragraph (2) of subdivision (d).

(2) The California Film Commission shall not be required to prepare an economic impact analysis pursuant to the Administrative Procedure Act (Chapter 3.5 (commencing with Section 11340) of Part 1 of Division 3 of Title 2 of the Government Code) with regard to any rules and regulations adopted pursuant to this subdivision.

(f) If the qualified taxpayer fails to provide the copyright registration number as required in subparagraph (E) of paragraph (1) of subdivision (d), the credit shall be disallowed and assessed

and collected under Section 19051 until the procedures are satisfied.

(g) For purposes of this section, the California Film Commission shall do all of the following:

(1) (A) Subject to the requirements of subparagraphs (A) to (E), inclusive, of paragraph (2), on or after July 1, 2025, and before July 1, 2030, in four or more allocation periods per fiscal year, allocate tax credits to applicants.

(B) The California Film Commission shall increase the total credit amount allocated to an applicant by up to 2 percent of the initial credit amount allocated under this section, as determined by the California Film Commission, for qualified productions that employ trainees from a Career Pathways Program pursuant to subparagraph (E) of paragraph (10).

(2) (A) Establish a procedure for applicants to file with the California Film Commission a written application, on a form jointly prescribed by the California Film Commission and the Franchise Tax Board for the allocation of the tax credit. The application shall include, but not be limited to, all of the following information:

(i) The budget for the motion picture production.

(ii) The number of production days.

(iii) A financing plan for the production.

(iv) The diversity of the workforce employed by the applicant, including, but not limited to, the ethnic and racial makeup of the individuals employed by the applicant during the production of the qualified motion picture, to the extent possible.

(v) The amount of qualified wages the applicant expects to pay to qualified individuals.

(vi) The amount of tax credit the applicant computes the qualified motion picture will receive, applying the applicable credit percentages described in paragraph (4) of subdivision (a).

(vii) A statement establishing that the tax credit described in this section is a significant factor in the applicant's choice of location for the qualified motion picture. The statement shall include information about whether the qualified motion picture is at risk of not being filmed or specify the jurisdiction or jurisdictions in which the qualified motion picture will be located in the absence of the tax credit. The statement shall be signed by an officer or executive of the applicant.

(viii) The applicant's written policy against unlawful harassment, including, but not limited to, sexual harassment, which includes procedures for reporting and investigating harassment claims, a phone number for an individual who will be responsible for receiving harassment claims, and a statement that the company will not retaliate against an individual who reports harassment. The applicant shall also indicate how the policy will be distributed to employees and include a summary of education training resources, including the prohibition against, and prevention and correction of, sexual harassment and remedies available.

(ix) If applicable, summary of the applicant's voluntary programs to increase the representation of minorities and women in the job classifications that are not included in qualified wages as set forth in clause (iv) of subparagraph (B) of paragraph (22) of subdivision (b) and information about how these programs are publicized to interested parties. The officer or executive referenced in clause (xi) who is signing the statement shall provide additional information about these programs, if needed and upon request, to the California Film Commission.

(x) Any other information deemed relevant by the California Film Commission or the Franchise Tax Board.

(B) Establish criteria, consistent with the requirements of this section, for allocating tax credits.

(C) Determine and designate applicants who meet the requirements of this section.

(D) For purposes of allocating the credit amounts subject to the categories described in subdivision (i) in any fiscal year, the California Film Commission shall do all of the following:

(i) For each allocation date and for each category, list each applicant from highest to lowest according to the jobs ratio as computed by the California Film Commission.

(ii) Subject to the applicable credit percentage, allocate the credit to each applicant according to the highest jobs ratio, working down the list, until the credit amount is exhausted.

(iii) (I) Pursuant to regulations adopted pursuant to subdivision (e), the California Film Commission may increase the jobs ratio by up to 25 percent if a qualified motion picture increases economic activity in California according to criteria developed by the California Film Commission that would include, but not be limited to, those factors as, the amount of the production and postproduction spending in California, the employment of scoring musicians in California, and other criteria measuring economic impact in California as determined by the California Film Commission. The criteria developed by the California Film Commission shall not assess fewer points for the employment of scoring musicians in California than any other category within the jobs ratio bonus.

(II) For qualified motion pictures that are described in clause (i) of subparagraph (G) of paragraph (8) of subdivision (k) of Section 17053.98 and Section 23698, the jobs ratio shall be equal to the product of the jobs ratio calculated in paragraph (8) of subdivision (b) and 133 percent.

(iv) (I) Notwithstanding any other law, any television series, relocating television series, or any new television series based on a pilot for a new television series that has been approved and issued a credit allocation by the California Film Commission under this section or Section 17053.85, 17053.95, 17053.98, 17053.98.1, 23685, 23695, or 23698 shall be issued a credit for each subsequent season, for the life of that television series whenever credits are allocated within a fiscal year.

(II) Notwithstanding subclause (I), a recurring television series that does not request a credit allocation within 18 months from the date of completion of principal photography of the previous season is deemed to have waived the credit allocation guarantee provided by this clause and must reapply for a credit allocation. The California Film Commission may by regulation determine the appropriate priority to be given in a reapplication process for a recurring series reapplying pursuant to this subclause.

(III) The California Film Commission shall limit the amount of credits any recurring television series, including a recurring television series under subdivision (k) of Section 23698, receives in a subsequent season to no more than the recurring television allocation amount.

(IV) In the event that insufficient tax credits are available to fund all recurring television series pursuant to this clause for any fiscal year or in the event the California Film Commission projects, in collaboration with the Department of Finance, that there will be insufficient tax credits available to fund all recurring television series in either of the subsequent two fiscal years, the California Film Commission shall make the following adjustments in the order given until the shortfall, or any projected shortfall for the two subsequent fiscal years, for recurring television series is eliminated:

(V) (ia) Notwithstanding clause (iii) of subparagraph (A) of paragraph (2) of subdivision (i), the California Film Commission may redirect up to 100 percent of the credit amounts allocated to the relocating television series category to recurring television series for that fiscal year until the shortfall or projected shortfall is eliminated.

(ib) Notwithstanding clause (iv) of subparagraph (A) of paragraph (2) of subdivision (i), the California Film Commission may redirect up to 100 percent of the credit amounts allocated to a new television series to recurring television series for that fiscal year until the shortfall or projected shortfall is eliminated.

(ic) Notwithstanding clause (ii) of subparagraph (A) of paragraph (2) of subdivision (i), the California Film Commission may redirect up to 100 percent of the credit allocations from the features category to the recurring television series category for that fiscal year until the shortfall is eliminated.

(id) Allocate up to 25 percent of total credit allocations that would otherwise be allocated in the 2029–30 fiscal year to recurring television series in the current fiscal year until the shortfall is eliminated. Any amounts transferred for allocation in the current fiscal year shall be subtracted from the amount allowed to be allocated in the 2029–30 fiscal year as specified in subdivision (i). Notwithstanding paragraph (3), the credit allocations that are subtracted from the 2029–30 fiscal year shall not be certified until July 1, 2030, or later.

(ie) The California Film Commission shall consult with the qualified taxpayers who are producing the recurring television series for purposes of negotiating a minimally impactful reduction in the amount of credits awarded to each recurring television series for that fiscal year until the shortfall is eliminated.

(E) Subject to the annual cap and the allocation credit amounts based on categories described in subdivision (i), allocate an aggregate amount of credits under this section and Section 17053.98.1, and allocate any carryover of unallocated or unused credits from prior years and Sections 17053.85, 17053.95, 17053.98, 23685, 23695, and 23698 and the amount of any credits reduced pursuant to paragraph (2) of subdivision (d).

(3) Certify tax credits allocated to qualified taxpayers and do all of the following:

(A) Establish a verification procedure to do both of the following:

(i) Update the information in subparagraph (A) of paragraph (2) of subdivision (g), including, but not limited to, the amounts of qualified expenditures paid or incurred by the applicant.

(ii) Ensure that the final safety evaluation report required pursuant to Section 9152 of the Labor Code has been submitted.

(B) Establish audit requirements that shall be satisfied before a credit certificate may be issued by the California Film Commission.

(C) Issue a credit certificate to a qualified taxpayer upon completion of the qualified motion picture reflecting the credit amount allocated after qualified expenditures have been verified and the jobs ratio computed under this section. The amount of credit shown on the credit certificate shall not exceed the amount of credit allocated to that qualified taxpayer pursuant to this section.

(D) (i) Notwithstanding any other law, the California Film Commission shall certify a credit amount equal to 96 percent of the total credit allocated to the qualified taxpayer, unless the qualified taxpayer chooses to submit a diversity workplan and the California Film Commission determines that the qualified taxpayer has met or made a good-faith effort to meet the diversity goals in its diversity workplan, pursuant to clause (ii).

(ii) The California Film Commission shall certify an additional credit amount equal to 4 percent of the total credit allocated to the qualified taxpayer if a qualified taxpayer submits to the California Film Commission, in the form and manner required by the commission, all of the following:

(I) A diversity workplan within 30 days after receiving a credit allocation letter. The workplan shall be consistent with the diversity workplan checklist to address diversity and be broadly reflective of California's population in terms of race, ethnicity, gender, disability status, and veteran status, and shall include all of the following:

(ia) A statement of the diversity goals the motion picture will seek to achieve in terms of qualified wages.

(ib) A statement of the diversity goals the motion picture will seek to achieve for individuals whose wages are excluded from qualified wages.

(ic) A plan of what strategies the motion picture will employ to achieve the goals in this subclause and subclause (II).

(id) Other requirements as the California Film Commission shall determine by regulation.

(II) An interim assessment on the qualified taxpayer's efforts to meet the diversity workplan prior to the commencement of principal photography. Upon review pursuant to a procedure prescribed in regulations, the California Film Commission shall determine whether the interim assessment indicates that the qualified motion picture is making a good-faith effort to meet the goals of the diversity workplan and shall notify the qualified motion picture of its findings.

(III) A final diversity assessment that includes information about how the project met or made a good-faith effort to meet the diversity workplan, including, but not limited to, aggregate data voluntarily self-reported by individuals whose wages are included in qualified wages and individuals whose wages are excluded from qualified wages, with regard to their race, ethnicity, gender, disability status, veteran status, and ZIP Code.

(iii) The California Film Commission, in consultation with the Governor's Office of Business and Economic Development, shall establish guidelines to evaluate diversity workplans as described in this subparagraph. The guidelines shall be posted on the California Film Commission's internet website.

(iv) The California Film Commission shall approve or reject the diversity workplan of an applicant, to the extent allowed by federal and state law.

(v) This subparagraph shall not apply to an independent film with qualified expenditures of ten million dollars ($10,000,000) or less.

(vi) The requirements of this subparagraph shall not apply to a recurring television series receiving an allocation of credits under this section pursuant to clause (ii) of subparagraph (G) of paragraph (8) of subdivision (k) of Section 17053.98 or Section 23698 and fulfills the diversity workplan and report requirements pursuant to subdivision (k) of Section 17053.98 or Section 23698.

(vii) A qualified motion picture described in subparagraph (D) of paragraph (8) of subdivision (k) of Section 17053.98 or Section 23698 that applies for an allocation of credits under this section shall be subject to the requirements of this subparagraph and not those of clause (iv) of subparagraph (B) of paragraph (2) of subdivision (k) of Sections 17053.98 and 23698 and paragraph (3) of subdivision (k) of Sections 17053.98 and 23698.

(4) Obtain, when possible, the following information from applicants that do not receive an allocation of credit:

(A) Whether the qualified motion picture that was the subject of the application was completed.

(B) If completed, in which state or foreign jurisdiction was the primary principal photography completed.

(C) Whether the applicant received any financial incentives from the state or foreign jurisdiction to make the qualified motion picture in that location.

(5) Provide the Legislative Analyst's Office, upon request, any or all application materials or any other materials received from, or submitted by, applicants for which a credit allocation decision has been made, including, but not limited to, applicants that did not receive a credit allocation. Materials provided to the Legislative Analyst's Office shall be in electronic format when available and include, but not be limited to, information provided pursuant to subclause (I) to (III), inclusive, of clause (ii) of subparagraph (D) of paragraph (3).

(6) The information provided to the California Film Commission pursuant to this section shall constitute confidential tax information for purposes of Article 2 (commencing with Section 19542) of Chapter 7 of Part 10.2.

(7) (A) Notwithstanding any other law, on or after July 1, 2030, the California Film Commission may allocate, pursuant to this section, any previously allocated credits not certified that have not previously been added to credit amounts available for allocation under this section or a successor section or sections.

(B) For purposes of this section, "previously allocated credits not certified" means either of the following:

(i) Credits allocated under paragraph (1) for which the qualified taxpayer to which the credit amounts were originally allocated has notified the California Film Commission in writing that the qualified taxpayer will not request certification for the allocated credits.

(ii) The difference between the amount of credits allocated under paragraph (1) to a qualified taxpayer and the amount of credits the California Film Commission certified, for that qualified taxpayer.

For purposes of calculating the difference, the California Film Commission shall not consider any credit amounts for which the qualified taxpayer notifies the California Film Commission under clause (i).

(8) Notwithstanding any other law, on or after July 1, 2030, the California Film Commission may allocate, pursuant to this section, any credit amounts described in subparagraphs (B) and (E) of paragraph (1) of subdivision (i) that have not previously been added to credit amounts available for allocation under this section or a successor section or sections.

(9) The California Film Commission shall submit a report to the Legislature, on an annual basis beginning June 30, 2027, containing diversity data provided by the applicants. The report shall contain, in the aggregate and per project, an assessment of whether the diversity workplan goals required by this section were met for qualified motion pictures that submitted the final assessment to the California Film Commission in the prior fiscal year. The assessment shall contain an account of diversity workplans submitted, interim assessments submitted, and final assessments submitted, as well as which categories of the diversity workplan checklist established pursuant to paragraph (5) of subdivision (b) were included. In the event that a report is required pursuant to paragraph (9) of subdivision (g) of Section 17053.98 and Section 23698 in the same year as a report is required under this paragraph, the reports may be combined into one report. The California Film Commission shall submit each such assessment to the Legislature in compliance with Section 9795 of the Government Code.

(10) (A) The California Film Commission shall expand the number of nonprofit organizations that partner with the Career Pathways program to build upon their ongoing efforts to provide access to the widest cross section of Californians, including historically disadvantaged and underrepresented individuals seeking training and employment opportunities in motion picture and television production.

(B) (i) The California Film Commission shall establish an application process for career-based nonprofit organizations to obtain approval as a Career Pathways Program.

(ii) The application shall be submitted to the California Film Commission's fiscal agent during a request for proposal process initiated by the fiscal agent.

(iii) The first request for proposal process shall be initiated by the California Film Commission or its fiscal agent prior to the first allocation of credits allowed under this section.

(iv) The second request for proposal process shall be initiated by the California Film Commission or its fiscal agent as needed in response to changes in program revenue or training partners, but no later than July 1, 2027.

(v) Subsequent request for proposal processes shall be initiated by the California Film Commission or its fiscal agent as the commission deems necessary.

(C) The California Film Commission shall approve Career Pathways programs. Career Pathways programs shall meet all of the following requirements:

(i) Be conducted by a nonprofit organization that has an established record of training and job placement in the entertainment industry.

(ii) Be focused on training individuals 18 years or older from traditionally underserved communities.

(iii) Offer training courses focused on one or more of the following:

(I) Skilled, technical positions that would be eligible for qualified wages if performed on a qualified motion picture.

(II) Administrative- and industry-related technical occupations.

(III) Soft skills training for the motion picture industry.

(iv) Meet minimum qualifications and standards for high-quality, skill-based training programs, as determined by the California Film Commission through regulations and in consultation with stakeholders.

(D) To ensure the Career Pathways Program is successful and has a meaningful impact, the California Film Commission and its fiscal agent shall, in addition to the requirements specified in subparagraph (C), consider the following aspects when evaluating applications:

(i) Availability of participants.

(ii) Fiscal agent administrative resources.

(iii) Overlap with the focus areas of currently approved organizations, including, but not limited to, industry role focus and student outreach focus.

(iv) Specific industry labor needs, as determined by the fiscal agent and based on information provided by industry and labor stakeholders.

(E) Before July 1, 2026, the California Film Commission shall develop criteria to incentivize supplemental placement of 1 to 4 trainees from the Career Pathways Program per qualified production. The placement of the trainees shall not displace otherwise anticipated or necessary hiring of experienced employees. Trainee wages shall be excluded from a production's qualified wages for purposes of the jobs ratio and incentive calculation.

(11) Beginning January 1, 2025, the California Film Commission shall collect information to the extent available and based on data provided by the Career Pathways Training program, about the breakdown of spending by the Career Pathways Program, how participation in the Career Pathways Program by both program partners and participants has changed in comparison to prior years, whether graduates of the program are accessing jobs in the film industry upon completion of the program, what projects the students have worked on, whether those projects received a tax credit, whether students are employed in California or another state, and the aggregated self-reported and voluntarily provided ethnic, racial, gender, disability status, veteran status, and ZIP Code of those individuals. The California Film Commission shall report to the Legislature, in compliance with Section 9795 of the Government Code, and publish on its internet website an annual report about the Career Pathways Training program, with the above information. Such information shall be reported for participants for five years following a participant's completion of the Career Pathways Training program, to the extent the information is available. This paragraph shall be applicable consistent with federal and state law.

(h) (1) The California Film Commission shall annually provide the Legislative Analyst's Office, the Franchise Tax Board, and the California Department of Tax and Fee Administration with a list of qualified taxpayers and the tax credit amounts allocated to each qualified taxpayer by the California Film Commission. The list shall include the names and taxpayer identification numbers, including taxpayer identification numbers of each partner or shareholder, as applicable, of the qualified taxpayer.

(2) (A) Notwithstanding paragraph (6) of subdivision (g), the California Film Commission shall annually post on its internet website and make available for public release all of the following:

(i) A table which includes all of the following information: a list of qualified taxpayers and the tax credit amounts allocated to each qualified taxpayer by the California Film Commission, the number of production days in California the qualified taxpayer represented in its application would occur, the number of California jobs that the qualified taxpayer represented in its application would be directly created by the production, and the total amount of qualified expenditures expected to be spent by the production.

(ii) A narrative staff summary describing the production of the qualified taxpayer as well as background information regarding the qualified taxpayer contained in the qualified taxpayer's application for the credit.

(iii) The diversity report submitted annually to the Legislature described in paragraph (2) of subdivision (g) organized per production and an aggregate compilation describing the voluntary programs collected pursuant to clause (xiii) of subparagraph (A) of paragraph (2) of subdivision (g).

(B) Nothing in this subdivision shall be construed to make the information submitted by an applicant for a tax credit under this section a public record, including for the purposes of the California Public Records Act (Division 10 (commencing with Section 7920.000) of Title 1 of the Government Code).

(3) The California Film Commission shall provide each city and county in California with an instructional guide that includes, but is not limited to, a review of best practices for facilitating motion picture production in local jurisdictions, resources on hosting and encouraging motion picture production, and the California Film Commission's Model Filming Ordinance. The California Film Commission shall maintain on its internet website a list of initiatives by locality that encourage motion picture production in regions across the state. The list shall be distributed to each approved applicant for the program to highlight local jurisdictions that offer incentives to facilitate film production.

(i) (1) (A) The aggregate amount of credits that may be allocated for a fiscal year pursuant to this section and Section 17053.98.1, except as provided in subdivision (k) of Section 23698 and subdivision (k) of Section 17053.98, is seven hundred fifty million dollars ($750,000,000), plus any amount described in subparagraph (B), (C), (D), or (E) in credits for the 2025–26 fiscal year and each fiscal year thereafter, through and including the 2029–30 fiscal year, except as provided in paragraph (7) of subdivision (g).

(B) (i) Subject to clauses (ii) and (iii), the unused allocation credit amount, if any, for the preceding fiscal year.

(ii) The amount of unused credit allocation attributable to independent films shall only be allocated according to clause (i) of subparagraph (A) of paragraph (2).

(iii) The total amount of any unused credit allocation amount that is remaining shall only be allocated pursuant to clause (iv) of subparagraph (A) of paragraph (2).

(C) The amount of previously allocated credits not certified.

(D) The amount of any credits reduced pursuant to paragraph (2) of subdivision (d).

(E) That portion of any unused allocation credit amount, if any, attributable to Section 17053.85, 17053.95, 17053.98, 23685, 23695, or 23698 available for that fiscal year in a manner as determined by regulations promulgated by the California Film Commission.

(2) (A) Notwithstanding the foregoing, and subject to paragraph (4) of this subdivision and changes in allocations pursuant to clause (v) of subparagraph (D) of paragraph (2) of subdivision (g), the California Film Commission shall allocate the credit amounts subject to the following categories, but shall have discretion to reallocate up to 30 percent of the funds within any category amongst the remaining categories to maximize the amount of total credits allocated:

(i) Independent films with qualified expenditures of ten million dollars ($10,000,000) or less shall be allocated 5 percent of the amount specified in paragraph (1). Independent films with qualified expenditures in excess of ten million dollars ($10,000,000) shall be allocated 5 percent of the amount specified in paragraph (1). These amounts shall be in addition to any unused allocation credit amount, if any, for the preceding fiscal year as described in subparagraph (B) of paragraph (1).

(ii) Features and animated films shall be allocated 35 percent of the amount specified in paragraph (1).

(iii) A relocating television series shall be allocated 15 percent of the amount specified in paragraph (1).

(iv) A television series described in clause (ii), (v), (vi), or (viii) of subparagraph (A) of paragraph (19) of subdivision (b) and a recurring television series shall be allocated 40 percent of the amount specified in paragraph (1), plus any unused allocation credit amount, if any, for the preceding fiscal year as described in subparagraph (B) of paragraph (1).

(B) Within any allocation period for credits to a relocating television series, any unused amount shall be reallocated to the category described in clause (iv) of subparagraph (A) and, if any unused amount remains, reallocated in the next allocation period for credits to a relocating television series.

(C) With respect to a relocating television series issued a credit in a subsequent year pursuant to clause (v) of subparagraph (D) of paragraph (2) of subdivision (g), that subsequent credit amount shall be allowed from the allocation amount described in clause (iv) of subparagraph (A).

(3) Any act that reduces the amount that may be allocated pursuant to paragraph (1) constitutes a change in state taxes for the purpose of increasing revenues within the meaning of Section 3 of Article XIII A of the California Constitution and may be passed by not less than two-thirds of all Members elected to each of the two houses of the Legislature.

(4) A qualified motion picture, as defined in subdivision (k) of Sections 17053.98 and 23698, shall not be eligible for an allocation under subdivisions (a) to (j), inclusive, if it receives a credit under subdivision (k) of Section 17053.98 or Section 23698 during that fiscal year.

(j) The California Film Commission shall have the authority to allocate tax credits in accordance with this section and in accordance with any regulations prescribed pursuant to subdivision (e) upon adoption.

(k) (1) A qualified taxpayer may make a one-time election to be paid a refund for each taxable year of the refundable period, not to exceed the annual refundable amount.

(2) For purposes of this subdivision, the following definitions shall apply:

(A) "Annual refundable amount" means 20 percent of the total refundable amount.

(B) (i) "Credit amount" means the credit amount specified in the credit certificate issued to the qualified taxpayer by the California Film Commission pursuant to subdivision (g).

(ii) In the case of a pass-thru entity, the "credit amount" means the pro rata share or distributive share of the credit passed through to the partner or shareholder of the qualified taxpayer. For purposes of this clause, the term "pass-thru entity" means any partnership, "S" corporation, or limited liability company treated as a partnership.

(iii) In the case of an assigned credit, the "credit amount" means the credit amount that was assigned to the taxpayer.

(C) "Refundable period" means the first taxable year that the credit certificate is issued to the qualified taxpayer by the California Film Commission pursuant to subdivision (g), and the succeeding four taxable years.

(D) "Total refundable amount" means 90 percent of the credit amount that exceeds the "tax" in the first taxable year of the refundable period.

(3) The refund shall be computed as follows:

(A) (i) In the first taxable year of the refundable period, the credit amount shall be allowed against the "tax" computed under this part for the taxable year.

(ii) If the credit allowed by this section exceeds the "tax" in the first taxable year of the refundable period, the annual refundable amount shall be refunded to the qualified taxpayer.

(B) (i) In each taxable year after the first taxable year of the refundable period, the annual refundable amount shall be allowed as a credit against the "tax" computed under this part for the taxable year, and the excess, if any, shall be refunded to the qualified taxpayer.

(ii) If the qualified taxpayer's tax liability for the taxable year exceeds the annual refundable amount, only the annual refundable amount shall be allowed as a credit against the qualified taxpayer's "tax."

(4) (A) In the first taxable year of the refundable period, the total refundable amount, less the annual refundable amount, shall be carried over to the succeeding taxable year.

(B) In each taxable year other than the first taxable year of the refundable period, the total refundable amount, less the annual refundable amount allowed as a credit against the qualified taxpayer's "tax" or refunded in the current and prior taxable years in the refundable period, shall be carried over to the next succeeding year of the refundable period.

(C) Notwithstanding paragraph (3) of subdivision (c), if an election is made pursuant to this subdivision, no amount of credit shall be allowed after the refundable period.

(5) Any refund pursuant to this subdivision shall be credited against other amounts due, if any, and the balance, if any, shall be paid from the Tax Relief and Refund Account and refunded to the qualified taxpayer upon their election.

(6) An election made pursuant to this subdivision shall be irrevocable and shall be made on an original, timely filed return required under Part 10.2 (commencing with Section 18401) for the taxable year that the credit certificate is issued in the form and manner as prescribed by the Franchise Tax Board.

(7) A taxpayer that purchases a credit pursuant to subdivision (c) cannot elect to be paid a refund pursuant to this subdivision.

SEC. 6. The provisions of this act are severable. If any provision of this act or its application is held invalid, that invalidity shall not affect other provisions or applications that can be given effect without the invalid provision or application.

SEC. 7. This act is an urgency statute necessary for the immediate preservation of the public peace, health, or safety within the meaning of Article IV of the California Constitution and shall go into immediate effect. The facts constituting the necessity are:

In order to ensure the motion picture credit incorporates revisions for the current taxable year as soon as possible, it is necessary for this act to take effect immediately.

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