



CALIFORNIA FILM INCENTIVE

Screen Actors Guild

March 2009

HISTORY

- SAG began proposing incentives since the 1980s
- Attempted to pass incentive bills under last four governors
- Worked in coalition with sister unions, MPAA, AICP, CA state and city film commissions, small business, post production houses, etc.
- Each attempt failed in the 11th hour at the hands of both democratic and republican leadership

AND FINALLY....A CALIFORNIA PRODUCTION INCENTIVE

On February 20, 2009, Governor Arnold Schwarzenegger signed legislation creating tax credits for film and television productions as part of an economic stimulus provision in the new state budget. The California Film Commission is developing guidelines and application procedures. Applications will not be accepted prior to July 1, 2009.

Productions Not Eligible For CA Tax Credit

- ◆ COMMERCIALS
- ◆ REALITY SHOWS
- ◆ MUSIC VIDEOS
- ◆ NEWS PROGRAMS
- ◆ CURRENT EVENTS OR PUBLIC AFFAIRS PROGRAMS
- ◆ TALK SHOWS
- ◆ GAME SHOWS
- ◆ SPORTING EVENTS
- ◆ HALF HOUR EPISODIC TV SHOWS (SITCOMS)
- ◆ AWARDS SHOWS
- ◆ PRODUCTIONS THAT SOLICIT FUNDS
- ◆ STUDENT FILMS
- ◆ INDUSTRIAL FILMS
- ◆ CLIP BASED PROGRAMMING (MORE THAN 50% OF CONTENT IS COMPRISED OF LICENSED FOOTAGE)
- ◆ DOCUMENTARIES
- ◆ VARIETY PROGRAMS
- ◆ DAYTIME DRAMAS
- ◆ ADULT FILMS.

Tax Credit and Definition of “Qualified Motion Picture”

Qualified taxpayers are allowed a credit against income or sales and use taxes, based on qualified expenditures, for taxable years beginning on or after January 1, 2011.

Only tax credits issued to an “independent film” may be transferred or sold to an unrelated party. Other qualified taxpayers may carryover tax credits for 5 years and transfer tax credits to an affiliate.

Funding Allocation

- \$100 million annually beginning fiscal year 2009/2010 through fiscal year 2013/2014
 - \$10 million of the annual funding shall be set aside for independent films
- Any unused funds carryover to the next fiscal year

20% Tax Credit for a "qualified motion picture" which includes:

- Feature Films - \$1 million minimum - \$75 million maximum production budget
- Movies of the Week or Miniseries- \$500,000 minimum production budget
- New television series licensed for original distribution on basic cable-(\$1 million minimum budget; one-half hour shows and other exclusions apply.

25% Tax Credit for a "qualified motion picture," that is:

- A television series, without regard to episode length, that filmed all of its prior season or seasons outside of California.
OR
- An "independent film" \$1 million – \$10 million budget that is produced by a company that is not publicly traded and that publicly traded companies do not own more than 25% of the producing company.

Eligibility Requirements

- A "qualified motion picture" must be one of the above and meet the following conditions:
- 75% test= Production days or total production budget in California
- Principal photography must commence no later than 180 days after application approval
- Postproduction completed within 30 months of receiving tax credit application approval
- Registration of copyright for the motion picture with US Copyright Office

Qualified In-State Spend

- "Qualified expenditures" are amounts paid or incurred for the purchase or lease of tangible personal property and qualified wages for services performed in California.
- Above the Line wages are **not** qualified expenditures: writers, directors, music directors, music composers, music supervisors, producers and actors, other than background actors.

NEXT STEPS...

- California Film Commission gears up for July 2009 applications
- Coalition focus on improving and funding. ADD Commercials!
- Educate members & companies in San Diego, San Francisco and Los Angeles
- SAG First V.P. “Thank you” lobby day in Sacramento.

THANK YOU

TO AMY LEMISCH AT THE CALIFORNIA FILM COMMISSION FOR
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