

Introduced by Senator Smallwood-Cuevas

February 21, 2025

An act to amend Section 23698.1 of the Revenue and Taxation Code, relating to taxation.

LEGISLATIVE COUNSEL'S DIGEST

SB 756, as introduced, Smallwood-Cuevas. Corporation Tax Law: credit: motion picture.

The Personal Income Tax Law and the Corporation Tax Law allow various credits against the taxes imposed by those laws, including numerous motion picture credits. Most recently, existing law, for taxable years beginning on or after January 1, 2025, allows a motion picture credit (motion picture credit 4.0) to be allocated by the California Film Commission on or after July 1, 2025, and before July 1, 2030, in an amount equal to 20% or 25% of qualified expenditures for the production of a qualified motion picture in this state.

This bill would correct erroneous cross-references in the above-described motion picture credit provision within the Corporation Tax Law.

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

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

- 1 SECTION 1. Section 23698.1 of the Revenue and Taxation
- 2 Code is amended to read:
- 3 23698.1. (a) (1) For taxable years beginning on or after
- 4 January 1, 2025, there shall be allowed to a qualified taxpayer a
- 5 credit against the "tax," as defined in Section 23036, subject to a

1 computation and ranking by the California Film Commission in
2 subdivision (g) and the allocation amount categories described in
3 subdivision (i), in an amount equal to 20 or 25 percent, whichever
4 is the applicable credit percentage described in paragraph (4), of
5 the qualified expenditures for the production of a qualified motion
6 picture in California. A credit shall not be allowed under this
7 section for any qualified expenditures for the production of a
8 motion picture in California if a credit has been claimed for those
9 same expenditures under Section 23685, 23695, or 23698.

10 (2) Except as otherwise provided in this section, the credit shall
11 be allowed for the taxable year in which the California Film
12 Commission issues the credit certificate pursuant to subdivision
13 (g) for the qualified motion picture, but in no instance prior to July
14 1, 2025, and shall be for the applicable percentage of all qualified
15 expenditures paid or incurred by the qualified taxpayer in all
16 taxable years for that qualified motion picture.

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

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

25 (i) In the case of a feature, up to one hundred million dollars
26 (\$100,000,000).

27 (ii) In the case of a miniseries or limited series described in
28 clause (ii) of subparagraph (A) of paragraph (19) of subdivision
29 (b), up to one hundred million dollars (\$100,000,000).

30 (iii) In the case of a television series described in clause (iii) or
31 clause (v) of subparagraph (A) of paragraph (19) of subdivision
32 (b), up to one hundred million dollars (\$100,000,000) per season.

33 (iv) In the case of an independent film, up to ten million dollars
34 (\$10,000,000).

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

37 (A) Twenty percent of the qualified expenditures attributable
38 to the production of a qualified motion picture in California,
39 including, but not limited to, a feature or a television series that
40 relocated to California that is in its second or subsequent years of

1 receiving a tax credit allocation pursuant to this section, or Section
2 23685, 23695, or 23698.

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

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

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

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

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

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

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

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

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

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

4 (E) (i) Notwithstanding subparagraph (D), an amount equal to
5 10 percent of qualified wages paid for services performed relating
6 to original photography outside of the Los Angeles zone to
7 qualified individuals who reside in California but outside the Los
8 Angeles zone shall be allowed as an additional credit for the
9 production of a qualified motion picture which applicable credit
10 percentage is determined pursuant to subparagraph (A).

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

18 (b) For purposes of this section:

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

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

26 (3) “Clip use” means a use of any portion of a motion picture,
27 other than the qualified motion picture, used in the qualified motion
28 picture.

29 (4) “Credit certificate” means the certificate issued by the
30 California Film Commission pursuant to subparagraph (D) of
31 paragraph (3) of subdivision (g).

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

37 (6) (A) “Employee fringe benefits” means the amount allowable
38 as a deduction under this part to the qualified taxpayer involved
39 in the production of the qualified motion picture, exclusive of any

1 amounts contributed by employees, for any year during the
2 production period with respect to any of the following:

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

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

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

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

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

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

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

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

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

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

39 (B) "Postproduction" does not include the manufacture or
40 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.

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

5 (iv) An independent film.

6 (v) A television series that relocated to California.

7 (vi) A pilot for a new television series that is longer than 40
8 minutes of running time, exclusive of commercials, that is produced
9 in California, and with a minimum production budget of one
10 million dollars (\$1,000,000).

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

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

17 (ii) Production of the qualified motion picture is completed
18 within 30 months from the date on which the qualified taxpayer’s
19 application is approved by the California Film Commission. For
20 purposes of this section, a qualified motion picture is “completed”
21 when the process of postproduction has been finished.

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

25 (iv) Principal photography of the qualified motion picture
26 commences after the date on which the application is approved by
27 the California Film Commission, but no later than 180 days after
28 the date of that approval if the qualified motion picture has a budget
29 with qualified expenditures of less than one hundred million dollars
30 (\$100,000,000), and no later than 240 days after the date of that
31 approval in the case of a qualified motion picture with a budget
32 of qualified expenditures with at least one hundred million dollars
33 (\$100,000,000), unless death, disability, or disfigurement of the
34 director or of a principal cast member; an act of God, including,
35 but not limited to, fire, flood, earthquake, storm, hurricane, or other
36 natural disaster; terrorist activities; or government sanction has
37 directly prevented a production’s ability to begin principal
38 photography within the prescribed 180- or 240-day commencement
39 period.

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

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

8 (vi) Provides a diversity workplan checklist.

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

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

26 (20) (A) “Qualified taxpayer” means a taxpayer who has paid
27 or incurred qualified expenditures, participated in the Career
28 Readiness requirement in Section 23695, and has been issued a
29 credit certificate by the California Film Commission pursuant to
30 subdivision (g).

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

1 (C) In the case of an “S” corporation, the credit allowed under
2 this section shall not be used by an “S” corporation as a credit
3 against a tax imposed under Chapter 4.5 (commencing with Section
4 23800) of Part 11 of Division 2.

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

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

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

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

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

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

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

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

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

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

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

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

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

8 (25) “Reuse” means any use of a qualified motion picture in the
9 same medium for which it was created, following the initial use
10 in that medium.

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

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

22 (c) (1) (A) Notwithstanding subdivision (i) of Section 23036,
23 in the case where the credit allowed by this section exceeds the
24 taxpayer’s tax liability computed under this part, a qualified
25 taxpayer may elect to assign any portion of the credit allowed
26 under this section to one or more affiliated corporations for each
27 taxable year in which the credit is allowed.

28 (B) For purposes of the election provided in subparagraph (A),
29 all of the following shall apply:

30 (i) The election may be based on any method selected by the
31 qualified taxpayer that originally receives the credit.

32 (ii) Once the election is made, it shall be irrevocable for the
33 taxable year the credit is allowed.

34 (iii) The election may be changed for any subsequent taxable
35 year if the election to make the assignment is expressly shown on
36 each of the returns of the qualified taxpayer and the qualified
37 taxpayer’s affiliated corporations that assign and receive the credits.

38 (iv) The election shall be reported to the Franchise Tax Board,
39 in the form and manner specified by the Franchise Tax Board,
40 along with all required information regarding the assignment of

1 the credit, including the corporation number, the federal employer
2 identification number, or other taxpayer identification number of
3 the assignee, and the amount of the credit assigned.

4 (C) For purposes of this paragraph, “affiliated corporation” has
5 the same meaning provided in subdivision (b) of Section 25110,
6 as of the last day of the taxable year in which the credit is allowed,
7 except that “100 percent” is substituted for “more than 50 percent”
8 wherever it appears in the section, and “voting common stock” is
9 substituted for “voting stock” wherever it appears in the section.

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

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

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

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

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

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

34 (8) In the event that both the taxpayer originally allocated a
35 credit under this section by the California Film Commission and
36 a taxpayer to whom the credit has been sold both claim the same
37 amount of credit on their tax returns, the Franchise Tax Board may
38 disallow the credit of either taxpayer, so long as the statute of
39 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) of Section 23036 shall not apply to any credit sold 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.

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

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

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

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

14 (B) (i) If the California Film Commission determines that the
15 jobs ratio has been reduced by more than 10 percent for a qualified
16 motion picture, the California Film Commission shall reduce the
17 amount of credit allowed by an equal percentage, unless the
18 qualified taxpayer demonstrates, and the California Film
19 Commission determines, that reasonable cause exists for the jobs
20 ratio reduction.

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

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

37 (e) (1) (A) Subject to the Administrative Procedure Act
38 (Chapter 3.5 (commencing with Section 11340) of Part 1 of
39 Division 3 of Title 2 of the Government Code), the California Film

1 Commission shall prescribe rules and regulations to carry out the
2 purposes of this section, including, but not limited to, the following:

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

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

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

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

25 (iv) (I) Beginning in January 1, 2028, the California Film
26 Commission, in collaboration with labor and industry stakeholders,
27 has the authority to increase the Career Pathways Training program
28 fee by 0.25 percent per year, up to 1 percent of the approved credit
29 amount for a qualified motion picture, based on evaluation of
30 available information, including, but not limited to, the number of
31 jobs available, job growth in the industry, and information included
32 in the annual reports of the Career Pathways Training program
33 required pursuant to paragraph (10) of subdivision (g). The
34 evaluation shall be included in the annual report to the Legislature.

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

37 (B) Notwithstanding any other law, prior to preparing a notice
38 of proposed action pursuant to Section 11346.4 of the Government
39 Code and prior to making any revision to the proposed regulation
40 other than a change that is nonsubstantial or solely grammatical

1 in nature, the Governor’s Office of Business and Economic
2 Development shall first approve the proposed regulation or
3 proposed change to a proposed regulation regarding allocating the
4 credit pursuant to subdivision (i), computing the jobs ratio as
5 described in subdivisions (d) and (g), and defining “reasonable
6 cause” pursuant to subparagraph (C) of paragraph (2) of subdivision
7 (d).

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

13 (f) If the qualified taxpayer fails to provide the copyright
14 registration number as required in subparagraph (E) of paragraph
15 (1) of subdivision (d), the credit shall be disallowed and assessed
16 and collected under Section 19051 until the procedures are
17 satisfied.

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

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

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

29 (i) The budget for the motion picture production.

30 (ii) The number of production days.

31 (iii) A financing plan for the production.

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

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

38 (vi) The amount of tax credit the applicant computes the
39 qualified motion picture will receive, applying the applicable credit
40 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.

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

4 (iii) (I) Pursuant to regulations adopted pursuant to subdivision
5 (e), the California Film Commission may increase the jobs ratio
6 by up to 25 percent if a qualified motion picture increases economic
7 activity in California according to criteria developed by the
8 California Film Commission that would include, but not be limited
9 to, those factors as, the amount of the production and
10 postproduction spending in California, the utilization of scoring
11 musicians in California, and other criteria measuring economic
12 impact in California as determined by the California Film
13 Commission.

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

19 (iv) Notwithstanding any other law, any television series,
20 relocating television series, or any new television series based on
21 a pilot for a new television series that has been approved and issued
22 a credit allocation by the California Film Commission under this
23 section, Section 17053.85, 17053.95, 17053.98, 23685, ~~23695, or~~
24 ~~23698.1~~ *or* 23695 shall be issued a credit for each subsequent
25 season, for the life of that television series whenever credits are
26 allocated within a fiscal year. The California Film Commission
27 shall limit the amount of credits any recurring television series
28 receives in a subsequent season to no more than the amount
29 reserved in its prior fiscal year Credit Allocation Letter or Letters,
30 or if no amounts were reserved in the prior fiscal year, the most
31 immediate prior fiscal year in which a Credit Allocation Letter or
32 Letters were received. In the event that insufficient tax credits are
33 available to fund all recurring television series pursuant to this
34 clause for any fiscal year or in the event the California Film
35 Commission projects, in collaboration with the Department of
36 Finance, that there will be insufficient tax credits available to fund
37 all recurring television series in either of the subsequent two fiscal
38 years, the California Film Commission shall make the following
39 adjustments in the order given until the shortfall, or any projected

1 shortfall for the two subsequent fiscal years, for recurring television
2 series is eliminated:

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

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

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

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

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

32 (E) Subject to the annual cap and the allocation credit amounts
33 based on categories described in subdivision (i), allocate an
34 aggregate amount of credits under this section and ~~Section 23698.1,~~
35 ~~17053.98.1~~ and allocate any carryover of unallocated or unused
36 credits from prior years and Sections 17053.85, 17053.95,
37 17053.98, 23685, 23695, and 23698 and the amount of any credits
38 reduced pursuant to paragraph (2) of subdivision (d).

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

35 (vii) A qualified motion picture described in subparagraph (D)
36 of paragraph (8) of subdivision (k) of Section 17053.98 or Section
37 23698 that applies for an allocation of credits under this section
38 shall be subject to the requirements of this subparagraph and not
39 those of clause (iv) of subparagraph (B) of paragraph (2) of

1 subdivision (k) of Sections 17053.98 and 23698 and paragraph (3)
2 of subdivision (k) of Sections 17053.98 and 23698.

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

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

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

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

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

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

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

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

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

37 (ii) The difference between the amount of credits allocated under
38 paragraph (1) to a qualified taxpayer and the amount of credits the
39 California Film Commission certified, for that qualified taxpayer.
40 For purposes of calculating the difference, the California Film

1 Commission shall not consider any credit amounts for which the
2 qualified taxpayer notifies the California Film Commission under
3 clause (i).

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

10 (9) The California Film Commission shall submit a report to
11 the Legislature, on an annual basis beginning June 30, 2027,
12 containing diversity data provided by the applicants. The report
13 shall contain, in the aggregate and per project, an assessment of
14 whether the diversity workplan goals required by this section were
15 met for qualified motion pictures that submitted the final
16 assessment to the California Film Commission in the prior fiscal
17 year. The assessment shall contain an account of diversity
18 workplans submitted, interim assessments submitted, and final
19 assessments submitted, as well as which categories of the diversity
20 workplan checklist established pursuant paragraph (5) of
21 subdivision (b) were included. In the event that a report is required
22 pursuant to paragraph (9) of subdivision (g) of Section 17053.98
23 and Section 23698 in the same year as a report is required under
24 this paragraph, the reports may be combined to one report.

25 (10) Beginning January 1, 2025, the California Film Commission
26 shall collect information to the extent available and based on data
27 provided by the Career Pathways Training program, about the
28 breakdown of spending by the Career Pathways Program, how
29 participation in the Career Pathways Program by both program
30 partners and participants has changed in comparison to prior years,
31 whether graduates of the program are accessing jobs in the film
32 industry upon completion of the program, what projects the
33 students have worked on, whether those projects received a tax
34 credit, whether students are employed in California or another
35 state, and the aggregated self-reported and voluntarily provided
36 ethnic, racial, gender, and disability status of such individuals. The
37 California Film Commission shall report to the Legislature, in
38 compliance with Section 9795 of the Government Code, and
39 publish on its internet website an annual report about the Career
40 Pathways Training program, with the above information. Such

1 information shall be reported for participants for five years
2 following a participant's completion of the Career Pathways
3 Training program, to the extent the information is available. This
4 paragraph shall be applicable consistent with federal and state law.

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

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

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

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

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

33 (B) Nothing in this subdivision shall be construed to make the
34 information submitted by an applicant for a tax credit under this
35 section a public record, including for the purposes of the California
36 Public Records Act (Division 10 (commencing with Section
37 7920.000) of Title 1 of the Government Code).

38 (3) The California Film Commission shall provide each city
39 and county in California with an instructional guide that includes,
40 but is not limited to, a review of best practices for facilitating

1 motion picture production in local jurisdictions, resources on
2 hosting and encouraging motion picture production, and the
3 California Film Commission's Model Filming Ordinance. The
4 California Film Commission shall maintain on its internet website
5 a list of initiatives by locality that encourage motion picture
6 production in regions across the state. The list shall be distributed
7 to each approved applicant for the program to highlight local
8 jurisdictions that offer incentives to facilitate film production.

9 (i) (1) (A) The aggregate amount of credits that may be
10 allocated for a fiscal year pursuant to this section and Section
11 17053.98.1, except as provided in subdivision (k) of Section 23698
12 and subdivision (k) of Section 17053.98, is three hundred thirty
13 million dollars (\$330,000,000), plus any amount described in
14 subparagraph (B), (C), (D), or (E) in credits for the 2025–26 fiscal
15 year and each fiscal year thereafter, through and including the
16 2029–30 fiscal year, except as provided in paragraph (7) of
17 subdivision (g).

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

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

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

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

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

29 (E) That portion of any unused allocation credit amount, if any,
30 attributable to Section 17053.85, 17053.95, 17053.98, 23685,
31 23695, or 23698 available for that fiscal year in a manner as
32 determined by regulations promulgated by the California Film
33 Commission.

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

39 (i) Independent films with qualified expenditures of ten million
40 dollars (\$10,000,000) or less shall be allocated 4.8 percent of the

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

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

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

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

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

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

26 (3) Any act that reduces the amount that may be allocated
27 pursuant to paragraph (1) constitutes a change in state taxes for
28 the purpose of increasing revenues within the meaning of Section
29 3 of Article XIII A of the California Constitution and may be passed
30 by not less than two-thirds of all Members elected to each of the
31 two houses of the Legislature.

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

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

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

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

6 (A) “Annual refundable amount” means 20 percent of the total
7 refundable amount.

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

11 (ii) In the case of a pass-thru entity, the “credit amount” means
12 the pro rata share or distributive share of the credit passed through
13 to the partner or shareholder of the qualified taxpayer. For purposes
14 of this clause, the term “pass-thru entity” means any partnership,
15 “S” corporation, or limited liability company treated as a
16 partnership.

17 (iii) In the case of an assigned credit, the “credit amount” means
18 the credit amount that was assigned to the taxpayer.

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

23 (D) “Total refundable amount” means 90 percent of the credit
24 amount that exceeds the “tax” in the first taxable year of the
25 refundable period.

26 (3) The refund shall be computed as follows:

27 (A) (i) In the first taxable year of the refundable period, the
28 credit amount shall be allowed against the “tax” computed under
29 this part for the taxable year.

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

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

38 (ii) If the qualified taxpayer’s tax liability for the taxable year
39 exceeds the annual refundable amount, only the annual refundable

1 amount shall be allowed as a credit against the qualified taxpayer's
2 "tax."

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

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

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

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

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

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