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Assembly California Legislature

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AB 986 – Diversity Film Tax Credit (*Introduced*)

PURPOSE

Assembly Bill (AB) 986 seeks to create a statewide tax credit specific to the independent film industry to promote diversity.

BACKGROUND

Across the U.S., state legislatures and film offices offer a variety of film tax credits and film tax incentive programs to entice productions to film in their state. Georgia, New Mexico and even Canada have become new hotspots for the film industry due to favorable tax incentives.

In California, the economic output of the film industry totals roughly \$50 billion annually that is approximately 2 percent of the state's \$2.5 trillion economy. The California Film & Television Tax Credit Program 3.0 provides tax credits for qualified productions that are filmed in California. The program allocates \$330 million of tax credits each fiscal year.

Unfortunately, tax credits over the last several years did not include smaller, independent production companies. The funding of the current independent film category is 8% or \$26.4 million. Independent films must have a \$1 million minimum budget, but current credits apply only to the first \$10 million of qualified expenditures.

This new tax credit will ensure that smaller and often more diverse independent film production companies have the opportunity and are given their fair-share of incentives. This will help them grow and bring more jobs to underrepresented and marginalized groups in the industry, ensuring California has tools to be competitive with other states' expanding film

footprints and help incentivize that sector of the industry to stay in California.

EXISTING LAW

Current law provides credits, for the production of a qualified motion picture in California, that is in its 2nd or subsequent years of receiving a tax credit allocation, in an aggregate amount not to exceed 5% of the qualified expenditures of that motion picture relating to original photography outside of the Los Angeles zone, as defined.

It also provides additional credits, for the production of those same qualified motion pictures in an amount equal to 10% of qualified wages paid for services performed relating to original photography outside of the Los Angeles zone to qualified individuals who reside in the state but outside the Los Angeles zone.

Existing law authorizes a qualified taxpayer to sell any of the film credits attributable to an independent film. *California Revenue and Taxation Code (RTC), §§ 17053.98.*

SUMMARY

This bill seeks to create a \$200 million ongoing tax credit to establish a new statewide diversity tax credit for independent film companies and increase the qualified expenditure from \$10 million to \$30 million.

SUPPORT

- California State Treasurer Fiona Ma (sponsor)

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