



JULY 7, 2010

Production Alert: **California Film & Television Tax Credit Program**

Revised Expenditure Charts

The California Film Commission (CFC), which administers the California Film & Television Tax Credit Program, provides periodic program updates. The CFC is continually updating our Qualified Expenditure Charts so as to conform to the statute and provide clarity to applicants.

For productions whose Credit Allocation Letter date is prior to July 1, 2010, the following guidelines apply with respect to travel and living and payroll expenditures:

- **Luggage fees** qualify for travel within the state only.
- **Travel Agency Fees** incurred from a California travel agency qualify for both intrastate and out of state travel;
- **Payroll handling fees** charged by a California payroll service qualify for labor performed in state or out of state. Payroll handling fees for non-qualified labor qualify if performed by a CA payroll service.
- **Insurance package costs** qualify if purchased from a CA broker (excludes Errors & Omissions coverage)

After further review, the CFC is clarifying these expenditures. **The following changes will be in effect beginning July 1, 2010 and apply only to productions whose Credit Allocation Letter issue date is July 1, 2010 or later.**

- **Luggage fees** qualify for travel within the state only.
- **Travel Agency Fees** incurred from a California travel agency qualify for intrastate travel only.
- **Payroll handling fees** charged by a California payroll service qualify for qualified labor for work performed within the state. Payroll handling fees do not qualify for non-qualified individuals regardless of where the work is performed.
- **Insurance package costs** qualify if purchased from a CA broker for work performed in CA (excluding E&O coverage); any out of state work days must be pro rated and deducted from the insurance package cost.

The following additions and clarifications are included in the newest iteration of the Qualified Expenditure Charts and apply to **all** productions:

Account #	Description	Qualified	Comments
150-53	Location Permits	YES	
364-57	DCP (Digital Cinema Package)	NO	Distribution expense
470-13	Bank Fees (account, wire transfers, currency exchange)	NO	
470-19	Legal Expenses	YES	Does not include legal fees associated with financing, distribution, or marketing.
470-71	Studio Charges For Specific Items	YES	All related party transactions subject to review
470-84	Work Visa Fees	NO	
470-85	CA Sales Taxes	YES	
471-11	Insurance deductibles	NO	

The expenditure charts, along with an updated [Expenditure Tracking Tips](http://www.film.ca.gov/Incentives.htm), can be found at <http://www.film.ca.gov/Incentives.htm>.

Tagging Expenditures

When applying for the Tax Credit Certificate, production companies are required to fill out the Expenditure Summary Report, with specific information such as your Total Expenditures on Taxable Goods and Services incurred or used in the state (the total amount of purchases and rentals including the California sales and use taxes for which the production has been charged). Unless these items are initially tagged, it will be very burdensome to extract this information from your general ledger in order to provide this information.

Below please find some suggestions you may find helpful in order to properly tag these and other expenditures that will need to be tracked:

Qualified Expenditure (non-taxable): All non-wage costs that are sales tax exempt.

Qualified Taxable: All non-wage costs for which the production has been charged sales tax (include any sales and/or use tax paid in totals).

Qualified Wage: including all labor and qualified fringes, whether employee or vendor labor in California

Not Applicable: All non-qualified wages and expenditures

Prior or Past Approval: All expenditures which were incurred prior to issuance of Credit Allocation Letter or paid more than 30 days after the creation of the final elements

Request for Tax Credit Certificate

Productions applying for their Tax Credit Certificates are requested to include paper copies for all the items required in their submission package (see Section VIII in the program Guidelines - "Process for Obtaining the Tax Credit Certificate"). Electronic versions of all requested documents should be included on a CD or USB flash drive. Please do not email documents separately unless specifically requested to do so.

Please feel free to contact the California Film Commission with any questions or comments you may have regarding the California Film & Television Tax Credit program 323-860-2960 x110.