

Filming Incentives Missing From California's Fiscal Year Budget For 2006-'07

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SACRAMENTO, Calif., July 14, 2006, --- As numerous states have adopted major incentives, primarily tax credits, to attract filming, California's Assembly Bill 777 has fallen by the wayside, at least for the time being. AB 777 was designed to encourage production of features, telefilms and commercials in the Golden State.

The industry had harbored hope that AB 777 provisions would be reflected in California's 2006-'07 budget. However, the state's first on-time fiscal year budget in six years failed to include any production incentives program. The budget was passed by the State Assembly and Senate, and then signed by Gov. Arnold Schwarzenegger (R-CA) on June 30.

AB 777 proposed a refundable tax credit of 12 percent on qualified wages, as well as on certain production and post expenditures incurred in the making of spots in California. If it had passed, the program would have applied to new commercialmaking business in California, meaning that the qualifying expenditures for a production house would be those that exceed the amount that the company spent in California during the previous year. The program was tied to annual spending by a company instead of being paid out on a per-project basis.

It had been thought in some circles that New York State's recent passage of an extensive tax credits package to keep and attract commercialmaking might spur California to follow suit with an anti-runaway tax credit program of its own. Furthermore, Illinois recently passed a measure which significantly boosted its previous financial incentive from a tax credit on wages to one that covers virtually all production expenditures made in the state on features, TV, commercials and longer form ad content.

However, in the big picture, California has other considerations which translated into AB 777 not being able to generate enough support in Sacramento. The granting of tax concessions to the filmmaking industry may have been difficult for some legislators to reconcile at a time when the state faces a major budget deficit that could translate into further cuts in core services.

Still, provisions of AB 777—or other incentives—could be considered when the state legislature reconvenes in August.