



Bill Analysis

Author: Schultz, et al.

Bill Number: AB 2319

SUBJECT

Motion Picture Post-Production Tax Credit

SUMMARY

This bill would, under the Personal Income Tax Law (PITL) and Corporation Tax Law (CTL), for taxable years beginning on or after January 1, 2027, allow a tax credit to a qualified taxpayer for qualified expenditures for the post-production of a qualified motion picture in California.

REASON FOR THE BILL

The reason for the bill is to establish a post-production tax credit to encourage film and television post-production work in California.

ANALYSIS

This bill would, under the PITL and CTL, for taxable years beginning on or after January 1, 2027, allow qualified taxpayers a tax credit, subject to a computation by the California Film Commission (CFC), in an amount equal to the applicable percentage of qualified expenditures for the post-production of a qualified motion picture in California. A qualified taxpayer may make a one-time irrevocable election to receive a refundable tax credit. Qualified taxpayers under the PITL or CTL may sell the credit. Under the CTL, qualified taxpayers may additionally assign the credit.

The CFC would issue a credit certificate based on applicable percentage of all qualified expenditures paid or incurred by the taxpayer in all taxable years for the qualified motion picture. A credit would not be allowed for qualified expenditures to the extent that the Motion Picture Credit 3.0 or 4.0 has been claimed for the same qualified motion picture.

The credit may reduce net tax and tax below the tentative minimum tax under both the PITL and the CTL, respectively.

Tax Credit Calculation

The credit allowed to a qualified taxpayer for each qualified motion picture would be limited to the following expenditure amounts.

In the case of:

- A qualified expenditure, excluding those relating to visual effects, up to \$6 million.
- A qualified expenditure relating to visual effects, up to \$6 million.

The applicable credit percentage would be 35% of qualified expenditures attributable to editorial expenditures of the post-production of a qualified motion picture in California.

The applicable credit percentage for the 35% category could be increased by up to 15% of qualified expenditures as follows:

- 5% of qualified expenditures for expenditures relating to post-production outside the Los Angeles zone, excluding qualified wages.
- 10% of qualified expenditures for qualified wages paid for services performed relating to post-production outside of the Los Angeles zone to qualified individuals who reside in California but outside the Los Angeles zone.
- 15% of qualified expenditures for expenditures relating to music scoring.

These additional credit amounts would not be subject to the qualified expenditure limitations, as defined, and would not be considered in determining whether those limitations have been reached or exceeded.

An additional credit in the amount of 5% of qualified expenditures if at least 50% of principal photography days are performed in the state.

Credit Assignment

Under the CTL, a qualified taxpayer may elect to make an irrevocable assignment of any portion of the credit allowed to one or more affiliated corporations, as defined, for each taxable year the credit is allowed. If the qualified taxpayer is a single member limited liability company (SMLLC) that is disregarded for tax purposes, the qualified taxpayer may elect to assign any portion of the credit allowed to one or more affiliated corporations as if that SMLLC made the federal election to be classified as an association taxable as a corporation. For purposes of the election, all of the following would apply:

- The election may be based on any method selected by the qualified taxpayer that originally receives the credit.

- Once the election is made, it is irrevocable for the taxable year the credit is allowed.
- The election may be changed for any subsequent taxable year if the election to make the assignment is expressly shown on each of the returns of the qualified taxpayer and the qualified taxpayer's affiliated corporations that assign and receive the credits.
- The election to make the assignment would be required to be expressly shown on each of the tax returns of the qualified taxpayer and the qualified taxpayer's affiliated corporations the credits that would be assigned and received, and would be required to be reported to the FTB, along with all required information regarding the assignment of the credit, as specified.

For purposes of these provisions, "affiliated corporation" means a corporation that is a member of a commonly controlled group as defined in Revenue and Taxation Code (RTC) section 25105, as of the last day of the taxable year in which the credit is allowed, except that "100 percent" is substituted for "more than 50 percent" wherever it appears in the section, and "voting common stock" is substituted for "voting stock" wherever it appears in the section.

Selling of Credit

A qualified taxpayer could sell the credit that is attributable to an independent film, as defined in this bill, to an unrelated party.

The qualified taxpayer would be required to report to the FTB prior to the sale of the credit, in the form and manner specified by the FTB, all required information regarding the purchase and sale of the credit, including the:

- Social security number or other taxpayer identification number of the unrelated party to whom the credit has been sold,
- Face amount of the credit sold, and
- Amount of consideration received by the qualified taxpayer for the sale of the credit.

A credit could not be sold to more than one taxpayer, and the credit could not be resold by the unrelated party to another taxpayer or other party. A taxpayer that has been assigned, under the CTL, or acquired, under the PITL or CTL, a tax credit would be subject to the requirements of this provision.

In no event could a qualified taxpayer assign or sell any credit to the extent the credit is claimed on any tax return of the qualified taxpayer. If the taxpayer, originally allocated a credit by the CFC, and a taxpayer to whom the credit has been sold both claim the same amount of credit on their tax returns, the FTB could disallow the credit of either taxpayer so long as the statute of limitations upon assessment remains open.

For purposes of the bill, the unrelated party or parties that purchase a credit would be treated as a qualified taxpayer. Under the CTL, the affiliated corporation that is assigned a credit would be treated as a qualified taxpayer.

Data Sharing

The CFC would be required to monthly provide the Legislative Analyst Office (LAO) and the FTB with a list of qualified taxpayers and the tax credit amounts allocated to each qualified taxpayer. The list would include the names and taxpayer identification numbers, including taxpayer identification numbers of each partner or shareholder, as applicable, of the qualified taxpayer.

CFC Credit Allocation

The aggregate amount of credits that could be allocated for fiscal year 2027-28 and each fiscal year thereafter, through and including the 2032-33 fiscal year, would be determined by the Legislature in the annual Budget Act, plus:

- The unused allocation credit amount, if any, for the preceding fiscal year, or
- The amount of previously allocated credits not certified.

The CFC would have the authority to allocate tax credits in accordance with any regulations prescribed upon adoption.

Refundable Credit

This bill, under the PITL and CTL, would allow a qualified taxpayer an option to make a one-time irrevocable election to be paid a refund if the credit exceeds the qualified taxpayer's tax liability. The qualified taxpayer would apply the credit against the tax liability in the first year and distribute 90% of the remaining credit amount over 5 taxable years, not to annually exceed 20% of the total refundable amount.

This provision would define the following terms:

- "Annual refundable amount" would mean 20% of the total refundable amount.
- "Credit amount" would mean the credit amount specified in the credit certificate issued to the qualified taxpayer by the CFC, as specified. In the case of a pass-thru entity (PTE), the "credit amount" would mean the pro rata share or distributive share of the credit passed through to the partner or shareholder. For purposes of this subclause, the term PTE would mean any partnership, S corporation, or LLC treated as a partnership. In the case of an assigned credit, the "credit amount" would mean the credit amount that was assigned to the taxpayer.
- "Refundable period" would mean the first taxable year that the credit certificate is issued to the qualified taxpayer by the CFC, and the succeeding four taxable years.

- “Total refundable amount” would mean 90% of the credit amount that exceeds the net tax or tax in the first taxable year of the refundable period.

Credit Carryover

The credit carryover amount would be computed and carried over to the next succeeding year of the refundable period as follows:

- In the first taxable year of the refundable period, the total refundable amount, less the annual refundable amount, would be carried over to the succeeding taxable year.
- In each taxable year after the first taxable year of the refundable period, the total refundable amount, less the annual refundable amount allowed against the qualified taxpayer’s net tax or tax, or refunded in the current and prior taxable years in the refundable period would be carried over to the next succeeding year of the refundable period.

This credit could be carried over for up to 9 taxable years until exhausted. However, if the qualified taxpayer makes an irrevocable election for the refundable credit, no amount of credit would be allowed after the refundable period. The refund would be credited against other amounts due, if any, and the balance, if any, would be paid from the Corporation Tax Fund and Tax Relief and Refund Account.

To be paid a refund, the qualified taxpayer would be required to make an irrevocable election on an original, timely filed return in the taxable year that the credit certificate is issued in the form and manner as prescribed by the FTB.

A taxpayer that purchases a credit, as specified, would not be allowed to elect to be paid a refund.

Reporting Requirements

On or before May 1, 2030, the LAO would be required to provide to the Assembly Committee on Revenue and Taxation, the Senate Committee on Revenue and Taxation, and the public, a report evaluating the effectiveness of the Post-Production Tax Credit program in achieving the metrics, as specified, including an assessment of the refundability of the tax credit in achieving those metrics.

Notwithstanding the general prohibition against disclosure of confidential taxpayer information, upon the LAO’s request, the CFC, the FTB, the Employment Development Department, and all other relevant state agencies would be required to provide information as necessary for LAO’s research to prepare required reporting. The information received by the LAO would be considered confidential taxpayer information subject to appropriate confidentiality requirements of the participating state agencies.

Double-Jointing Language

This bill includes double-jointing language to incorporate changes proposed by AB 2222 (Ward, et al., 2025/2026) to prevent chaptering issues if both bills are enacted and this bill is enacted last.

Effective/Operative Date

This bill would be effective January 1, 2027, and specifically operative for taxable years beginning on or after January 1, 2027.

Section 6 of this bill provides that Sections 2.5 and 4.5 of this bill would only become operative if all of the following occur:

1. Both bills (AB 2222 and AB 2319) are enacted and become effective on January 1, 2027,
2. Each bill amends Sections 17039 and 23036 of the Revenue and Taxation Code, and
3. This bill is enacted after Assembly Bill 2222, in which case Sections 2 and 4 of this bill would not become operative.

Federal/State Law

Federal Law

No comparable credit in federal law.

State Law

For taxable years beginning on or after January 1, 2020, and January 1, 2025, for Motion Picture Credits 3.0 and 4.0, respectively, state law allows qualified taxpayers a tax credit in an amount equal to the applicable percentage of the qualified expenditures for the production of a qualified motion picture in California. Credit amounts are allocated and certified by the CFC. No credit is allowed for any otherwise qualified expenditures to the extent that another Motion Picture Credit has been claimed for the same expenditures.

For Motion Picture Credit 4.0, the credit, under the PITL and CTL, allows a qualified taxpayer an option to make a one-time irrevocable election to receive a refundable tax credit. The qualified taxpayer would apply the credit against the tax liability in the first year and evenly distribute 90% of the remaining credit amount equally over the subsequent four taxable years.

The credit allowed to a qualified taxpayer is limited to the amount specified in the credit certification issued by the CFC.

State law, under the PITL and the CTL, amended the existing motion picture credits to add an additional credit for taxable years beginning on or after January 1, 2022, and before January 1, 2032, equal to 20% or 5%, or as modified by up to 4%, of the qualified expenditures paid or incurred by a qualified motion picture produced at a certified studio construction project in California. New credits are allocated based on the assumption that the motion picture meets the diversity goals provided in the diversity workplan.

A qualified motion picture that receives a motion picture credit under the existing provisions is not eligible for an allocation under the new credit provisions. However, any television series, relocating television series, recurring television series, or any new television series based on a pilot for a new television series that is no longer eligible for the motion picture and film credit are eligible to apply for an allocation under the existing credits.

Implementation Considerations

None noted.

Technical Considerations

None noted.

Policy Considerations

None noted.

LEGISLATIVE HISTORY

SB 186 (Senate Committee on Budget and Fiscal Review, 2025/2026), under the PITL and CTL, would extend the carryover period for the Motion Picture Credit 2.0 and 3.0 if the taxpayer is an active participant in the Motion Picture Credit 4.0, modify the application of the credit limitation, and modify some technical changes to Motion Picture Credit 4.0, relating to the refundability of the credit. On August 31, 2026, SB 186 was ordered to engrossing and enrolling.

AB 2403 (Elhawary, et al., 2025/2026) under the PITL and the CTL, for taxable years beginning on or after January 1, 2027, and before January 1, 2032, would have allowed a credit to a qualified commercial production company that produces a qualified commercial in the state and is allocated a credit by the CFC in an amount equal to 20% or 30%, as applicable, of qualified production costs in excess of \$500,000, as specified. This bill was held in the Senate Appropriations Committee without further action.

AB 1138 (Zbur, et al., Chapter 27, Statutes of 2025), under the PITL and CTL, for purposes of the Motion Picture Credits 3.0 and 4.0, modified the definitions of “independent film,” “qualified motion picture,” and “qualified taxpayer,” modified the credit percentage amounts allowed for a qualified motion picture, and for the purposes of a certified studio construction project, modified the qualified taxpayer requirement. This bill also removed the requirement that a credit exceed the qualified taxpayer's tax liability in order to assign any portion of the credit. Additionally, this bill, under CTL, for purposes of the Motion Picture Credits 1.0 and 2.0, allows credit assignment by a disregarded SMLLC for credits assigned and claimed on a timely filed tax return filed with the FTB on or before January 1, 2025.

SB 132 (Senate Committee on Budget and Fiscal Review, Chapter 17, Statutes of 2025), for purposes of the Motion Picture Credit 4.0, increased the aggregate amount of credits that may be allocated annually by the CFC from \$330 million to \$750 million for the 2025-2026 fiscal year through the 2029-2030 fiscal year. The change made by this provision was also made by chaptered bill AB 1138 (Zbur, et al., Chapter 27, Statutes of 2025).

SB 863 (Senate Committee on Revenue and Taxation, Chapter 462, Statutes of 2025), under the CTL, allowed a credit assignment of the Motion Picture Credit 3.0 and the Certified Studio Construction Project Credit, by a disregarded SMLLC to an affiliated corporation for credits that were assigned and claimed on a timely filed tax return for taxable years beginning on or before January 1, 2025.

SB 132 (Senate Committee on Budget and Fiscal Review, Chapter 56, Statutes of 2023) allowed a new Motion Picture Credit 4.0 for taxable years beginning on or after January 1, 2025, to a qualified taxpayer for qualified expenditures to produce a qualified motion picture in California. In addition, a qualified taxpayer could make a one-time irrevocable election in the first taxable year to be paid a refund at a discounted rate, spread equally over 5 years. This bill also, for Motion Picture Credit 3.0, revised the definitions of “recurring television series” and “diversity plan,” increased the certification period for a certified studio construction project to 5 years, and made other nonsubstantive changes.

SB 144 (Portantino, et al., Chapter 114, Statutes of 2021) amended the existing motion picture credit under the PITL and CTL, to provide for an additional credit for expenditures related to the production of a qualified motion picture at a certified studio construction project. This bill also added new provisions relating to the certification procedures of a project that are administered by the CFC.

SB 871 (Senate Committee on Budget and Fiscal Review, Chapter 54, Statutes of 2018) allowed a new Motion Picture Credit 3.0 for taxable years beginning on or after January 1, 2020, to a qualified taxpayer for qualified expenditures to produce a qualified motion picture that is a certified studio construction project in California.

PROGRAM BACKGROUND

None noted.

OTHER STATES' INFORMATION

None noted.

FISCAL IMPACT

The FTB's estimated costs to implement this bill are approximately \$290,000 for fiscal year 2026-2027; \$342,000 for fiscal year 2027-2028; and \$3,000 for fiscal year 2028-2029 and ongoing.

ECONOMIC IMPACT

Revenue Estimate

In accordance with the bill provisions, staff defers to the Department of Finance (DOF) to determine the revenue impact of this bill.

Revenue Discussion

The amount and timing of the tax credit is subject to the credit certification issued by the CFC for each qualified taxpayer. Staff defers to the DOF for the estimated revenue loss for this credit.

LEGAL IMPACT

None noted.

EQUITY IMPACT

None noted.

APPOINTMENTS

None noted.

SUPPORT/OPPOSITION

Assembly Floor analysis, dated August 30, 2026.

Support

California Post Alliance.

Opposition

None on file.

VOTES

Location	Date	Yes Votes	No Votes
Concurrence	August 30, 2026	72	2
Senate Floor	August 30, 2026	33	5
Assembly Floor	May 26, 2026	73	3

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