STATE OF CALIFORNIA
Franchise Tax Board

Bill Analysis

Author: Allen, et al.

Sponsor:

Bill Number: SB 630

Related Bills: See Legislative History

Amended March 25, 2025

SUBJECT

Motion Picture and Television Production Credit (Motion Picture Credit) Allocation Increase

SUMMARY

This bill would, under Personal Income Tax Law (PITL) and Corporation Tax Law (CTL), modify the definition of “qualified motion picture”, modify the credit percentage amount allowed for a qualified motion picture, and for the purposes of a certified studio construction project, modify the credit percentage amount allowed for a qualified motion picture, and eliminate the requirement a qualified taxpayer must either own more than 50% of the soundstage or have a contract or lease of 10 years or more with the owner of the soundstage on which the production is filmed.

Additionally, this bill would, under PITL and CTL, for purposes of the Motion Picture Credit 4.0, modify the definition of “qualified motion picture”, increase the credit percentage amount allowed for a qualified motion picture, and make other technical, nonsubstantive changes.

RECOMMENDATION

No position—The three-member Franchise Tax Board has not formally voted or taken a position on this bill.

SUMMARY OF AMENDMENTS

The March 25, 2025, amendments removed intent language relating to the bill as introduced on February 20, 2025, and replaced it with the provisions discussed in this analysis.

This is the Franchise Tax Board’s (FTB) first analysis of the bill.

REASON FOR THE BILL

The reason for the bill is to support the film and television production industry by expanding the film credit.

ANALYSIS

Motion Picture Credit 3.0 (Sections 1 and 3)

This bill, for taxable years beginning on or after January 1, 2025, would modify the definition of "qualified motion picture" for the certified studio construction project credit (also known as the California Soundstage Filming Tax Credit) to include the following:

- A series consisting of two or more episodes, averaging across a season at least 20 minutes of running time per episode, exclusive of commercials, that is produced in California, with a minimum production budget of $1 million per episode.
- An animation film, series, or short that is produced in California, with a minimum production budget of $1 million.
- A large-scale competition show, not including traditional reality, game shows, talk shows, or documentary television programming, that is produced in California, with a minimum production budget of $1 million.

For the purposes of the certified studio construction project credit, this bill would increase the applicable credit percentage to 35%, instead of 20% or 25%, for amounts paid or incurred during the applicable period for tangible personal property purchased or leased and used or consumed, or for wages paid, inside the Los Angeles zone.

Additionally, for the purposes of a certified studio construction project, this bill would, for taxable years beginning on or after January 1, 2025, provide the following:

- Remove the requirement that a qualified taxpayer either own more than 50% of the soundstage or have a contract or lease of 10 years or more with the owner of the soundstage for which the production is filmed.
- Modify the amount that may be allocated by the California Film Commission (CFC) to any qualified motion picture for a season of a television series, from $12 million, or $750,000 per episode to an unspecified amount.

Motion Picture Credit 4.0 (Sections 2 and 4)

For the purposes of the Motion Picture Credit 4.0, this bill would remove the current qualified expenditure limits to unspecified amounts for the following:

- A feature.
- 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 $1 million per episode.

- A television series of episodes longer than 40 minutes each of running time, exclusive of commercials, that is produced in California, with a minimum production budget of $1 million per episode or a television series that relocated to California.
- An independent film.

For the purposes of the Motion Picture Credit 4.0, this bill would also increase the applicable credit percentage to 35%, instead of 20 %, for amounts paid or incurred during the applicable period for tangible personal property purchased or leased and used or consumed, or for wages paid, inside the Los Angeles zone. Current law provides additional credit equal to 5% of qualified expenditures for original photography outside the Los Angeles zone and this bill would expand the area to include economic opportunity zones. This bill provides that it is the intent of the Legislature to enact subsequent legislation that provides requirements for economic opportunity zones.

Additionally, for the purposes of the Motion Picture Credit 4.0, this bill would modify the credit percentages from 25% to an unspecified credit percentage for the following:

- Qualified expenditures attributable to the production of a qualified motion picture in California where the qualified motion picture is a television series that relocated to California in its first year of receiving an allocation of this tax credit.
- Qualified expenditures, up to $10 million, attributable to the production of a qualified motion picture that is an independent film.

For the purposes of the Motion Picture Credit 4.0, this bill would modify the definition of "qualified motion picture" to include:

- A series consisting of two or more episodes, averaging across a season at least 20 minutes of running time per episode, exclusive of commercials, that is produced in California, with a minimum production budget of $1 million per episode.
- An animation film, series, or short that is produced in California, with a minimum production budget of $1 million.
- A large-scale competition show, not including traditional reality, game shows, talk shows, or documentary television programming, that is produced in California, with a minimum production budget of $1 million.

This bill would increase the aggregate amount of credits that may be allocated by the CFC from $330 million to $750 million for the 2025-2026 fiscal year and for each fiscal year thereafter through and including fiscal year 2029-2030. In addition, this bill would modify the credit allocation rules applicable to independent films to make the qualified expenditure threshold and percent to be allocated unspecified.

Effective/Operative Date

This bill would be effective and operative on January 1, 2025. The amendments to the Motion Picture Credits 3.0 and 4.0 would be specifically operative for taxable years beginning on or after January 1, 2025.

The amendments to the studio construction project credit would be specifically operative for taxable years beginning on or after January 1, 2025, except for amendments to the "applicable credit percentage" for the purposes of studio construction project that would apply for all taxable years to any certified studio construction project that has been certified, and any qualified motion picture that has been allocated a credit.

Federal/State 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, this 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 5 taxable years.

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

The applicable credit percentages are:

- 20% of the qualified expenditures, up to $100 million, attributable to the production of a qualified motion picture in California including, but not limited to, a feature or a television series that relocated to California that is in its second or subsequent years of receiving an allocation for this tax credit.
- 25% of the qualified expenditures, up to $100 million, attributable to the production of a qualified motion picture in California where the qualified motion picture is a television series that relocated to California in its first year of receiving an allocation of this tax credit.

- 25% of the qualified expenditures, up to $10 million, attributable to the production of a qualified motion picture that is an independent film.

The applicable credit percentage for the 20% category, detailed above, could be increased by 5% of qualified expenditures relating to:

- Original photography outside of the Los Angeles zone.
- Qualified visual effects attributable to the production of a qualified motion picture in California.

An additional credit in the amount of 10% of qualified wages paid for services performed relating to original photography outside of the Los Angeles zone to qualified individuals that reside within California but outside of the Los Angeles zone is allowed for the production of a qualified motion picture within California where the applicable credit percentage is 20%.

An additional credit in the amount of 5% of qualified wages paid for services performed relating to original photography outside of the Los Angeles zone to qualified individuals that reside within California but outside of the Los Angeles zone is allowed for the production of a qualified motion picture within California where the applicable credit percentage is 25%.

Except for the refundable credit, the aggregate amount of the credits that may be allocated by the CFC is $330 million for the 2025-2026 fiscal year and for each fiscal year thereafter through and including the 2029-2030 fiscal year. Furthermore, the CFC may on or after July 1, 2030, allocate any previously allocated, but not certified credit amounts to credits available for allocation.

With some restrictions, a qualified taxpayer may sell the credit that is attributable to an independent film to an unrelated party. The unrelated party or parties that purchase a credit shall be treated as a qualified taxpayer.

On July 1, 2030, if the CFC determines that credits allocated remain unused and have not been added to credit amounts available for allocation under a successor section or sections, the CFC may continue to make allocations of the unused credits until such time as the unused credits are fully utilized.

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

The FTB has identified the following considerations and is available to work with the author's office to resolve these and other considerations that may be identified.

For consistency of terminology, the following changes are recommended:

- In Sections 17053.98.1(b)(19)(D) and 23698.1(b)(19)(D), replace both instances of "subparagraph (D)" with "subparagraph (A)."
- In Sections 17053.98.1(k)(7) and 23698.1(k)(7), replace "cannot elect to be paid a refund pursuant to this paragraph." with "cannot elect to be paid a refund under this subdivision."

The changes related to the studio construction project credit include specific operative date language for all changes except for the increased percentage for inside the Los Angeles zone, which would be applicable for all years that the studio construction project credit is available. If that is contrary to the author's intent, the author may want to amend the bill to specify the operative date for this amendment to the studio construction project credit.

Policy Considerations

None noted.

LEGISLATIVE HISTORY

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 PITL and CTL, to provide for an additional credit for expenditures related to the production of a qualified motion picture at a certified 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

FTB's costs to implement this bill have yet to be determined. As the bill moves through the legislative process, costs will be identified.

ECONOMIC IMPACT

Revenue Estimate

This bill would result in the following revenue loss:

Estimated Revenue Impact of SB 630 as Amended March 25, 2025
Assumed Enactment after June 30, 2025

($ in Millions)

Fiscal Year	Revenue
2025-2026	-$14.6
2026-2027	-$70.0
2027-2028	-$140.0

This analysis does not account for changes in employment, personal income, or gross state product that could result from this bill or for the net final payment method of accrual.

LEGAL IMPACT

None noted.

EQUITY IMPACT

None noted.

APPOINTMENTS

None noted.

SUPPORT/OPPOSITION

To be determined.

ARGUMENTS

To be determined.

LEGISLATIVE CONTACT

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