
SENATE COMMITTEE ON APPROPRIATIONS

Senator Anna Caballero, Chair
2025 - 2026 Regular Session

AB 1377 (McKinnor) - Income taxes: credits: motion picture credit

Version: February 21, 2025

Urgency: No

Hearing Date: August 18, 2025

Policy Vote: REV. & TAX. 4 - 0

Mandate: No

Consultant: Robert Ingenito

Bill Summary: AB 1377 would prospectively remove the option for film tax credit applicants to make a good faith effort to meet the diversity goals in their diversity work plans to receive the additional four percent of credit value.

Fiscal Impact:

- The Franchise Tax Board (FTB) notes that the revenue impact of this bill is unknown. To calculate the magnitude of its potential impact to the General Fund, FTB would need to know (1) the frequency of taxpayers meeting the diversity workplan goal, and (2) the amount of additional credits allocated. FTB assumes that the motion picture credit will be fully allocated each year, and assumes that if taxpayers meet the requisite diversity plan requirements, they would generate more credits than they would have otherwise. The annual impact would likely be less than \$100,000.
- The California Film Commission (CFC) indicates that it would incur annual General Fund costs of \$919,000 to support five positions to implement the provisions of the bill. Additionally, CFC estimates a one-time General Fund cost of \$150,000 to update forms and contract for external consulting and software services to support to tutorial and educational materials (See Staff Comments).

Background: In response to the proliferation of state-level tax credits and other incentives for film and TV production in the early 2000s, the Legislature approved the creation of its own credit in 2009. As noted above, applications for the credit are evaluated by CFC, who then allocate and issue credits to successful applicants based on the amount of qualified expenditures the proposed production would make in California. The amount of credits available annually under the program has grown from \$100 million in 2009 to \$330 million as of 2015. The credit can be used to defray corporation, personal income, or sales tax liabilities.

SB 144 (Portantino), Chapter 114, Statutes of 2021, created the similar Soundstage Filming Tax Credit Program (Soundstage Program), which allows, for taxable years beginning on or after January 1, 2022, and before January 1, 2032, a tax credit for a qualified motion picture produced at a certified studio construction project.

Current law requires applicants for these tax credits to submit a workplan addressing the project's diversity goals in terms of race, ethnicity, gender, and disability status for both qualified wages and for individuals whose wages are excluded from qualified wages ("above-the-line" wages, such as those for actors and directors). Under current

law, CFC determines whether a qualified taxpayer under the Motion Picture Tax Credit 4.0 or Soundstage Program has met, or made a “good faith effort” to meet, the diversity goals in the applicant’s diversity workplan. If so, an applicant under the Motion Picture Tax Credit 4.0 will receive the final four percent of credits and an applicant under the Soundstage Program will receive two percent of credits for meeting the goals for the general workforce employed and two percent of credits for meeting the goals for individuals whose wages are excluded from qualified wages. This requirement was carried into the 4.0 credit program.

Proposed Law: This bill would, commencing in taxable year 2025, amend the soundstage and 4.0 credits in the Personal Income and Corporation Tax laws to delete the option for applicants to show a good faith effort for CFC to certify an additional 4 percent credit amount. Alternatively, the 4 percent augmentation would be contingent on a finding by the CFC that the qualified taxpayer has met the diversity goals in its diversity work plan.

Related Legislation:

- AB 1138 (Zbur, Chapter 27, Statutes of 2025) modifies the motion picture tax credit 4.0 by expanding the definition of a qualified motion picture, increasing the percentage of credit allowed for qualifying projects, and increasing the total amount of credits awarded to \$750 million per fiscal year.
- SBx3 15 (Calderon, Chapter 17, Statutes of 2009), Third Extraordinary Session, and ABx3 15, (Krekorian, Chapter 10, Statutes of 2009), Third Extraordinary Session, established California’s first film and television production tax credit program, known as the Motion Picture Tax Credit 1.0.
- AB 1069 (Fuentes, Chapter 731, Statutes of 2011), extended the sunset of the 1.0 program through 2014-15. AB 2026 (Fuentes, Chapter 841, Statutes of 2012) extended the 1.0 program an additional two years through 2016-17 and required the LAO to prepare a report on the Motion Picture Tax Credit’s administration and economic effects.
- AB 1839 (Gatto, Chapter 413, Statutes of 2014) replaced the original Motion Picture Tax Credit with an expanded credit program known as the Motion Picture Tax Credit 2.0.
- SB 871 (Committee on Budget and Fiscal Review, Chapter 54, Statutes of 2018) extended the Motion Picture Tax Credit program, which became the Motion Picture Tax Credit 3.0.

Staff Comments: The enacted 2023 state budget augmented CFC’s staff by three positions (1) to implement the Soundstage Program & Program 4.0 diversity provisions prior to the expansion of its program, and (2) new diversity provisions required in AB 1138. The existing staff will review diversity workplans, interim assessments, and final reports for over 100 awardees each year under the \$330 million annual allocation for Program 4.0.

However, CFC estimates that it will need an additional five positions to administer the provisions of this bill. Specifically, CFC anticipates that, since its actions and determinations have a high likelihood of being litigated in court, it will experience increased workload related to the assessment of diversity workplans. Additional workload would be driven by ensuring its Diversity, Equity, Inclusion, and Accessibility (DEIA) team is conducting broader and more consistent outreach with its stakeholders, updating regulations, and outlining an appeals process. Overall, CFC is estimating that it would need to increase its DEIA staff by an additional five positions, whose resulting costs total \$919,000 annually.

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