SENATE COMMITTEE ON BUDGET AND FISCAL REVIEW

Senator John Laird, Chair
2025 - 2026 Regular

Bill No:	AB 186	**Hearing Date:**	August 31, 2026
Author:	Committee on Budget		
Version:	August 28, 2026 As amended		
Urgency:	No	**Fiscal:**	Yes
Consultant:	Elisa Wynne		

Subject: Revenue

Summary: This bill is a revenue trailer bill for the 2026-27 Budget. This bill contains various statutory changes related to the Film Tax Credit necessary to implement the Budget Act of 2026.

Proposed Law: This bill:

1) Provides that the general $5 million cap on business credit utilization applicable for taxable years beginning on or after January 1, 2024, and before January 1, 2030, shall not apply to film tax credits allowed by Revenue and Taxation Code (R&TC) sections 17053.95 and 23695 (Film Tax Credit 2.0), 17053.98 and 23698 (Film Tax Credit 3.0), or Film Tax Credit 4.0 that were originally allocated to independent films, as that term is defined in existing law. This modification shall be operative for taxable years beginning on or after January 1, 2027.

2) Provides that the business credit limitation appliable to taxable years beginning on or after January 1, 2030, shall not apply to film tax credits allowed by Film Tax Credit 2.0, Film Tax Credit 3.0, or Film Tax Credit 4.0 that were originally allocated to independent films, as that term is defined in existing law.

3) Make the following modifications to the Film Tax Credit 2.0 and Film Tax Credit 3.0:

   a) Extends the credit carryforward period on all credits earned from 9 to 15 years;

   b) Provides that, for the 10th through 15th year, the carryforward for a credit shall be extended only if the qualified taxpayer or related company, as specified, is an active participant in the motion picture 4.0 program. Provides that failure to be an active participant in one year, does not preclude the carryover of the unused credit to a subsequent taxable year within the carryover period and does not extend the carryover period beyond the 15 years;

   c) Defines a qualified taxpayer or related company as an active participant in the motion picture 4.0 program if they have an outstanding credit allocation pursuant to R&TC sections 17053.98.1 or 23698.1 for which a credit certificate has not been issued or has been issued a credit certificate under R&TC sections 17053.98.1 or 23698.1 for the taxable year; and

d) Applies the credit carryovers beginning January 1, 2025, including a credit carryover for which the carryover period had expired under this section before the operative date of this bill.

4) Makes the following modifications to Film Tax Credit 4.0:

a) Extends the credit carryforward period from 9 years to 15;

b) Makes the following changes to increase the value of the credit's elective refundability provisions:

i) Provides that the "annual refundable amount" means 50% (instead of 20%) of the total refundable amount;

ii) Provides that the "refundable period" means the first taxable year that the credit certificate is issued to the qualified taxpayer by the California Film Commission, and the succeeding taxable year, instead of the succeeding four taxable years; and,

iii) Provides that the "total refundable amount" means 95%, instead of 90%, of the credit amount that exceeds the taxpayer's tax liability in the first taxable year of the refundable period.

Fiscal Effect: The revenue impacts of the provisions of the bill are estimated to be $9.5 million in 2026-27, $60.9 million in 2027-28, $129.8 million in 2028-29 and $167.9 million in 2029-30.

Support: None on File

Opposed: None on File

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