Date of Hearing: April 7, 2026

ASSEMBLY COMMITTEE ON ARTS, ENTERTAINMENT, SPORTS, AND TOURISM
Christopher M. Ward, Chair
AB 2319 (Schultz) – As Amended March 19, 2026

SUBJECT: Personal Income Tax Law: Corporation Tax Law: credits: qualified motion picture: postproduction

SUMMARY: AB 2319 creates the California Postproduction Tax Credit, a targeted incentive for qualified postproduction expenditures performed in California.

Specifically, **this bill**:

1) Allows, for taxable years starting on or after January 1, 2027, the California Film Commission (CFC) to issue a tax credit to qualified taxpayers for qualified expenditures for the postproduction of a qualified motion picture in California, if the qualified motion picture did not claim the production tax credit.

2) Limits the CFC to the following credit certificate amounts of qualified expenditures for each qualified motion picture:

   a) In the case of qualified expenditures, excluding those relating to visual effects, up to six million dollars ($6,000,000).

   b) In the case of qualified expenditures relating to visual effects, up to six million dollars ($6,000,000).

3) Aligns numerous provisions, including definitions, the Career Pathways Training Program, diversity workplan, and processes for CFC to allocate the credit, with the existing structure of the motion picture tax credit.

EXISTING LAW:

1) Defines "postproduction" as the final activities in a qualified motion picture's production, including editing, foley recording, automatic dialogue replacement, sound editing, scoring, music track recording by musicians and music editing, beginning and end credits, negative cutting, negative processing and duplication, the addition of sound and visual effects, sound mixing, film-to-tape transfers, encoding, and color correction. (Revenue and Taxation Code (RTC) Section 17053.98.1 and 23698.1 (b))

2) Requires, that in order to qualify as a "qualified motion picture" for the CFC motion picture tax credit, post production must be finished within 30 months from the date on which the qualified taxpayer's application is approved by the CFC.

3) Defines "visual effects" as the creation, alteration, or enhancement of images that cannot be captured on a set or location during live action photography and therefore is accomplished in postproduction. It includes, but is not limited to, matte paintings, animation, set extensions, computer-generated objects, characters and environments, compositing (combining two or more elements in a final image), and wire removals. "Visual effects" does not include fully animated projects, whether created by traditional or digital means.

4) Allows the CFC, for the purpose of allocating credits, to increase the jobs ratio by up to 25% if a qualified motion picture increases economic activity in California according to criteria developed by the CFC that would include, but not be limited to, such factors as, the amount of the production and postproduction spending in California, the utilization of scoring musicians in California, and other criteria measuring economic impact in California as determined by the CFC.

5) Allows, effective for taxable years starting on or after January 1, 2025, the California Film Commission (CFC) to issue a credit certificate to qualified taxpayers for a tax credit of either 35% or 40% of qualified expenditures for producing a qualified motion picture in California. (RTC 17053.98.1)

   a) A qualified motion picture is a feature with qualified expenditures of up to $120 million, a miniseries or limited series with qualified expenditures of up to $120 million, a television series with qualified expenditures of up to $120 million per season, or an independent film with qualified expenditures of up to $20 million.

   b) The applicable credit percentage of qualified expenditures is 35% for a feature or a television series that relocated to California that is in its second or subsequent years of receiving a tax credit allocation, 40% for a television series that relocated to California in its first year of receiving a tax credit allocation, and 35% for an independent film. An extra 5% credit is available for certain expenditures, such as those related to original photography outside the Los Angeles zone or qualified visual effects.

   c) In order to receive the credit, a qualified tax payer must provide information to CFC including the specific start and end dates of production; total wages paid; aggregate data for individuals whose wages are excluded from qualified wages including their gender, ethnic, and racial makeup; and data regarding the diversity of the workforce employed by an applicant on a qualified motion picture.

   d) Excluded from qualified wages are expenses, including wages, paid per person per qualified motion picture for writers, directors, music directors, music composers, music supervisors, producers, and performers, other than background actors with no scripted lines.

   e) If CFC determines that a qualified motion picture applicant has met or made a good faith effort to meet the diversity goals in its diversity workplan, an applicant's credit percentage described will be increased by up to four percentage points.

6) Allows a qualified taxpayer to make a one-time election to be paid a refund for each taxable year of the refundable period, not to exceed the annual refundable amount, which is 20% of the total refundable amount. "Total refundable amount" if defined to mean 90% of the credit amount that exceeds the "net tax" in the first taxable year of the refundable period.

7) Requires CFC to collect information to the extent available and based on data provided by the Career Pathways Training program. This includes a breakdown of spending by the Career Pathways Program, how participation in the Career Pathways Program by both program partners and participants has changed in comparison to prior years, whether graduates of the program are accessing jobs in the film industry upon completion of the program, what projects the students have worked on, whether those projects received a tax credit, whether

students are employed in California or another state, and the aggregated self-reported and voluntarily provided ethnic, racial, gender, and disability status of such individuals.

8) Sets the aggregate amount of credits that may be allocated for the film tax credit per fiscal year at $750 million. (RTC 17053.98.1 and 23698.1 Sections (h)(3)(i)(1)(A))

FISCAL EFFECT: Unknown. This measure has been keyed fiscal by Legislative Counsel

COMMENTS:

1) Author's statement. According to the author, "California is home to the most experienced postproduction workforce in the world, but we are losing jobs and projects to other states and countries that offer targeted incentives for postproduction work. AB 2319 fills a gap in our current tax credit program by creating a post-only incentive that keeps high-skilled jobs, small-business vendors, and production spending in California while complementing our existing film and television tax credit."

2) Background. The California Film & Television Tax Credit Program was enacted as a part of an economic stimulus plan to promote production spending, jobs, and tax revenues in California. The program is administered by the CFC. The credit first became available in July of 2009. To be eligible for the credit, a project must have a minimum 75% of its production days or total production budget in California and must be a qualifying motion picture.

   California's Film and TV Tax Credit Program has struggled to compete with more attractive incentives from states like New York and Georgia, along with the UK. The decline in production is impacting the state's film industry and the cast and crew who depend on consistent work, prompting some to seek opportunities out of state. The Motion Picture Pension Plan reported a significant decrease in union jobs, with a loss of over 17,000 full-time jobs between 2022 and 2024. To revitalize California's film industry, collective action is crucial to protect existing jobs and create new opportunities, restoring the state's position as a hub of creativity and innovation.

   Programs in New York, the United Kingdom, and Georgia have been particularly effective in drawing work away from California. In 2023, a report by the California Film Commission found that the state lost 74% of production spending by those projects that applied for but did not receive a California tax credit; 39 out of 66 projects that did not receive a tax credits, left California to be produced out-of-state. These runaway projects accounted for $1.5 billion in production spending loss. These figures however do not include jobs and economic losses for film and television production.

   The LAEDC reported that the economic output from 2015-2020 showed that 157 out of the 312 projects that applied for but did not receive a California tax credit left California for another state. The loss of this spending in California cost the state $7.7 billion in generated economic activity, 28,000 total jobs, labor income of approximately $2.6 billion, and state and local tax revenues, which have totaled $345.4 million.

   The loss of production and economic output harms one of California's longest-standing industries and the hard-working cast and crew members who struggle to find work. Due to a lack of employment opportunities and high costs of living, workers are forced to work out of state or consider changing fields. According to reports on contributions to the Motion Picture

Pension Plan, the decline in production in California has led to a sharp drop in union jobs, particularly in 2022 and 2024. In that same time frame, reported hours to the Motion Picture Pension Plan dropped by 34,654,648. This represents a loss of over 17,000 full-time equivalent jobs. It is critical that the state act to increase production to save and create jobs.

3) Post production in California. According to data provided by CVL Economics, California's post-production sector, which includes editing, visual effects (VFX), sound design, music scoring, color grading, and finishing, is a distinct economic asset employing over 12,000 workers at more than 1,800 firms statewide. However, the state's share of U.S. post-production employment has fallen from approximately 53% to 42% between 2005 and 2025, representing a loss of roughly 1,874 direct jobs and 11.2 percentage points of national market share. This decline occurred while U.S. post-production employment overall grew by approximately 10%.

   A project that films elsewhere but completes its post-production in California receives no incentive for that California-based work. Every major competitor jurisdiction, including New York (30% standalone post-production credit), the United Kingdom (25.5% Audio Visual Expenditure Credit), British Columbia (16 to 25% VFX credit), and Australia (30% PDV Offset), offers a standalone credit pathway for post-production.

   Five major unions represent post-production workers in California: IATSE Local 700 (Motion Picture Editors Guild), IATSE Local 839 (Animation Guild), American Federation of Musicians Local 47 (AFM), SAG-AFTRA (Singers), IATSE Local 871(Postproduction Accountants). AFM Local 47 membership declined 37.4% from 8,474 in 2008 to 5,305 in 2024, coinciding with the migration of film scoring work to London, Vienna, and Eastern Europe. Only four scoring stages remain active in California (Sony's Streisand Stage, Fox/Disney's Newman Stage, Warner Brothers' Clint Eastwood Stage and Skywalker Sound's Scoring Stage).

4) Legislative Analyst Office (LAO). In February 2025, the LAO released a report on California's film tax credit that raised a number of questions about its value to the state. In their assessment, they say that the evidence is clear that increasing the size of the credit will lead to an increase in the number of productions that choose to film in California; however, the evidence is lacking from their perspective that expanding the tax credit will have a benefit to the economy when compared to other economically beneficial programs. For example, according to their research on two of California's U.S. competitors for film and production, New York and Georgia, every $1 of credit allocation provided significantly less than a $1 return in state revenue. Georgia has no cap on their film tax credit, whereas New York's is $700 million, or $50 million less that California is proposing to increase the credit to under Program 4.0. California is also dealing with competition from outside of the U.S., with many productions choosing to film in Canada and the United Kingdom.

   The LAEDC responded to the LAO reports, saying that their numbers reflect data provided by CFC from 169 productions that were allocated credits as of February 2020. They found that from $915 million in tax credits that these productions generated a total of $7.4 billion in production spending, and that for each $1 of credit allocated led to $24.40 in economic activity.

Of note, LAEDC's data does not take into account the significant downturn in statewide film production due to disruptions, including the COVID-19 pandemic, the SAG-AFTRA and Writer's Guild of America strikes, and the recent wildfires in the Los Angeles area.

5) Refundability. Starting with the Film and Television Tax Credit 4.0 when it goes into effect on July 1, 2025, regardless of changes made during the current legislative session, participants in programs with insufficient tax liability to make use of the certified tax credits awarded, may make a one-time election to utilize the refundability option. The election to utilize the refundability option must be made in the first taxable year in which the tax credit certificate is issued to the applicant. Refundability is not an option for an applicant allocated credits under any previous iteration of the program, such as Program 2.0 or Program 3.0, or under the Soundstage Filming Program.

   Under the current law version of Program 4.0, the total amount of tax credits an applicant may elect to make refundable is 90% of the certified tax credit amount that exceeds the applicant's tax liability in the first taxable year. Once the election has been made, tax credits will be refunded over five years (refundable period), including the year of election. This means that the permitted maximum annual amount is 20% of the total refundable amount, which effectively results in a maximum annual amount of 18% of the certified tax credit amount that exceeds the applicants tax liability in the first taxable year.

   The election to utilize the refundability option is irreversible and must be made on the entity's tax return filed with the California Franchise Tax Board (FTB) in accordance with FTB requirements. However, this bill would make the refundability of the credit 100%, meaning that there seems to be less risk in electing to choose that option.

   If the taxpayer does not make the one-time irrevocable election to potentially get a refund, then the film tax credit will be administered similarly to prior versions of the program. The taxpayer will be able to use the credit against tax liability and to carry the credit forward in the following nine years following the first year.

   Tax credits must be applied to any tax liability, annually, and only the excess is subject to refundability. If an applicant elects to utilize the refundability option, no amount of tax credits will be allowed after the maximum refundable period of five years, meaning the applicant cannot elect to hold on to tax credits for use against future liability.

6) Impacts to tourism. Film and television production in California can boost the state's tourism industry by attracting visitors who are looking to visit the settings of their favorite movies and shows. Cities and various filming locations across California can become global landmarks, in part due to their frequent appearances on screen. Tourists visit places like Hollywood Boulevard, the Hollywood Walk of Fame, and film studios such as Universal and Warner Bros., where behind-the-scenes tours offer a glimpse into the filmmaking process. These attractions not only bring in revenue through ticket sales and merchandise but also support local hotels, restaurants, and other businesses.

   The state's diverse geography enables filmmakers to shoot a wide array of scenes without leaving the state, and in turn, helps these areas gain recognition and tourist traffic. Local governments often embrace these opportunities by promoting their towns as filming-friendly and capitalizing on the resulting tourism. California also benefits from international exposure due to its prominence in global entertainment. As a result, the entertainment industry not only plays a key role in the state's economy through direct employment and production, but also indirectly by driving significant revenue through tourism.

7) History of the California Film Tax Credit. The Legislature first enacted a tax credit for qualified motion picture production in California, commonly known as "Film and TV Tax Credit 1.0," directing CFC to annually allocate $100 million in credits until the 2012-13 fiscal year, commonly known as "Film and TV Tax Credit 1.0" (SB 15 X3, Calderon, Chapter 17, Statutes of 2009-10 Third Extraordinary Session and AB 15 X3, Krekorian, Chapter 10, Statutes of the 2009-10 Third Extraordinary Session). The Legislature extended the program for one year to 2014-15 (AB 1069, Fuentes, Chapter 731, Statutes of 2011), then extended it for two years until 2016-17 (AB 2026, Fuentes, Chapter 841, Statutes of 2012; SB 1197, Calderon, Chapter 840, Statutes of 2012).

   In 2014, the Legislature enacted "Film and TV Tax Credit 2.0," increasing the amount of credit CFC allocates to $330 million each fiscal year through 2019-20 (AB 1839, Gatto). The Legislature designed Film and TV Tax Credit 1.0 and 2.0 in very similar ways, but 2.0 contained several key differences in credit mechanics, including higher credit percentages – known as "uplifts" – for certain categories of expenditures, among other changes. 2.0 also replaced the previous "first-come, first-served" allocation process with the "jobs ratio," which ranks projects based on the amount of wages paid and other expenses incurred over the credit amount requested.

   In 2018, the Legislature enacted "Film and TV Credit 3.0" authorizing the CFC to allocate $330 million in tax credits each fiscal year from 2020-21 to 2024-25 (SB 878, Committee on Budget & Fiscal Review, Chapter 456, Statutes of 2018). 3.0 modified the jobs ratio and altered allocation percentages for each production category, among other changes.

   In 2021, the Legislature enacted SB 144, allocating an additional $150 million in film tax credits for productions filmed at new or renovated soundstages. When a taxpayer constructs or renovates a soundstage, they automatically qualify for credits for productions, notwithstanding the allocation process for the general credit. Taxpayers can claim credits beginning in the 2022 taxable year and until the 2031 taxable year. SB 144 directs CFC to identify and certify qualified soundstage construction projects, which then makes taxpayers eligible for the credit. According to its 2023 progress report, CFC has certified thirteen soundstages – eight newly constructed and five renovated – with a combined size of over 200,000 sq. ft.

   In 2023, the Legislature enacted "Film and TV Credit 4.0," which authorizes CFC to allocate $330 million annually for an additional five years, starting in 2025-26 and ending in 2029-30, in SB 132. SB 132 also makes the credit California's first refundable business entity tax credit, which allows firms with no income or sales tax liability to receive a cash refund from the state. The 2023-24 Budget Act included $4.5 million General Fund and two limited term (two-year) positions and five permanent positions in 2023-24; $1.0 million General Fund in 2024-25; $753,000 General Fund in 2025-26 and ongoing for the FTB to expand the tax systems necessary to support refundable credits for business entities.

   In 2025, Governor Newsom proposed to increase the total annual California Film and Television Tax Credit 4.0 award cap from $330 million to $750 million for fiscal years 2025-

26 through 2029-30. The Senate Committee on Revenue & Taxation and Budget & Fiscal Review Subcommittee #4 held a joint oversight hearing to assess the Governor's proposal on March 26, 2025.

The Legislature enacted SB 132 (Committee on Budget & Fiscal Review, Chapter 17, Statutes of 2025), which among other provisions, increases the cap on 4.0 credits from $330 million to $750 million for fiscal years 2025-26 through 2029-30.

8) Arguments in support. According to numerous letters in support from individuals representing the California Post Alliance (sponsors of the bill), over the past several years more and more post-production work has left the state for places like New York, Georgia, Canada, and the United Kingdom, where incentives are offered for editorial, sound, visual effects, and music scoring. When that work leaves, California workers lose jobs and local businesses lose income. This work will continue to migrate to other jurisdictions that offer a standalone post-only credit.

9) Double-referral. Should the bill pass from this committee, it will be re-referred to the Assembly Committee on Revenue and Taxation.

10) Policy considerations. This bill is a work in progress, requiring additional feedback and negotiation between studios, labor unions, and others involved with film and television production. The committee remains committed to stopping runaway production to other states and countries and keeping entertainment industry jobs in California. The committee will continue to monitor changes to the bill as it moves through the legislative process and hopes to see additional changes that will enhance the ways that this postproduction tax credit can provide benefits and protections to workers that play a vital role in the completion of film and television projects in the state.

11) Prior and related legislation:

a) AB 1138 (Zbur), Chapter 27, Statutes of 2025, increased the annual authorization amount under Film and Television Production Tax Credit 4.0 from $330 to $750 million, and made several programmatic changes to the 4.0 credit and SB 144 (Portantino, Chapter 114, Statutes of 2021) soundstage program to implement the increased authorization.

b) AB 1377 (McKinnor), of 2025, for Film and Television Tax Credit 4.0, would remove the good faith effort standard if a qualified taxpayer chooses to submit a diversity workplan, and requires CFC to determine whether the diversity goals in the workplan were met. The bill is currently inactive in the Senate.

c) SB 132 (Senate Committee on Budget and Fiscal Review), Chapter 56, Statutes of 2023, extended the authority for CFC to allocate, and for qualified taxpayers to claim, the Film and Television Tax Credit for an additional five years, starting in 2025-26, authorized at $330 million per year, and makes the credit. In addition, this bill made various changes to the current version of the credit (Film and Television Credit 3.0) and the California Soundstage Filming Tax Credit and includes set safety provisions.

d) SB 144 (Portantino), Chapter 114, Statutes of 2021, made changes to the Film and Television Credit 3.0, including allocating an additional $90 million in the 2021-22 and

2022-23 fiscal years, and established a new credit for productions filmed at certified studio construction projects.

e) SB 871 (Senate Committee on Budget and Fiscal Review), Chapter 54, Statutes of 2018, enacts Film and TV Tax Credit 3.0 from July 1, 2020 to July 1, 2025.

f) AB 1839 (Gatto), Chapter 413, Statutes of 2014, increased the annual amount of tax credits available for film and television productions, from $100 million to $330 million per year, and extended the program for five more years. It also broadened the eligibility criteria to include big-budget feature films, network television shows, and pilots, which had previously been excluded.

g) AB 2026 (Fuentes) Chapter 841, Statutes of 2012, extended the film production tax credit program for two years, until 2017.

h) AB 1069 (Fuentes), Chapter 731, Statutes of 2011, extended the film production tax credit program for one year, until 2015.

i) ABX3 15 (Krekorian), Chapter 10, Statutes of the 2009-10 Third Extraordinary Session, established a five-year $500M tax credit for qualified expenditures on qualified productions. Limited allocations to $100M/year.

REGISTERED SUPPORT / OPPOSITION:

Support

#makeitbay
California Arts Advocates
California Post Alliance
City of Burbank
City of Los Angeles
City of Santa Monica
Crafty Apes LLC
Engine Room, LLC
Exceptional Minds
Formosa Group, LLC
Gsk Talent
Monkeyland Audio, INC
Monkeyland Audio, INC.
MPEG 700
Santa Monica Travel & Tourism
Serrano Sound INC.
Signature Post Services LLC
Trevanna Post, INC.
533 Individuals

Support if Amended

Motion Picture Editors Guild

Opposition

1 Individual.

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