SENATE COMMITTEE ON REVENUE AND TAXATION
Senator Jerry McNerney, Chair
2025 - 2026 Regular

Bill No:	AB 2319	**Hearing Date:**	6/24/26
Author:	Schultz	**Tax Levy:**	No
Version:	5/21/26 Amended	**Fiscal:**	Yes
Consultant:	Summers		

PERSONAL INCOME TAX LAW: CORPORATION TAX LAW: CREDITS: QUALIFIED MOTION PICTURE: POST-PRODUCTION

Enacts the California Postproduction Tax Credit program, authorizing a credit under the Personal Income Tax Law and the Corporation Tax Law, for qualified expenses relating to the postproduction of a qualified motion picture in California.

Background

Tax expenditures. California law allows various income tax credits, deductions, exemptions, and exclusions. The Legislature enacts tax incentives to compensate taxpayers for incurring certain expenses, such as child adoption, or to influence certain behavior, such as charitable giving. The Legislature uses tax incentives to encourage taxpayers to do something they would otherwise not do, but for the tax benefit. The Department of Finance is required to publish annually a list of tax expenditures, which currently totals around $94.2 billion in forgone general fund revenue.

Credits. Tax credits reduce the amount of tax owed by a taxpayer on a dollar-for-dollar basis. Credit amounts that exceed the taxpayer's current tax year liability can either be refunded to the taxpayer or carried forward to reduce tax in future years. However, except for the Earned Income Tax Credit, the Young Child Tax Credit, the Foster Youth Tax Credit, and the Motion Picture and Television Production Credit, all credits against California Personal Income and Corporation Tax are nonrefundable.

Credit Limitation. In 2024, the Legislature limited the total of all business credits, with some exceptions, including credit carry forwards, to $5,000,000 in the 2024, 2025, and 2026 taxable years, unless the Director of Finance determines that General Fund money over the multiyear forecast is sufficient *without* the revenue impact of the net operating loss suspension and credit limitation (SB 167 and SB 175, Committee on Budget & Fiscal Review). Taxpayers can make an irrevocable election to receive an annual refundable credit claimed in future tax years for business credits equal to credit amounts not claimed due to the limitation.

In his 2026-27 May Revision to the Governor's Budget, Governor Newsom proposed to permanently limit tax credit use to $5 million or 50% of liability, whichever is greater, effective in the 2027 taxable year and thereafter. This week, the Legislature approved SB 122 (Committee on Budget & Fiscal Review), which extends the current temporary limitation while maintaining the refundable credit election until the 2030 taxable year, with some modifications, after which time credits are limited to 75% of liability or $5 million, whichever is greater.

Motion picture and television production tax credit. The Legislature enacted the Motion Picture, Television, and Commercial Industries Act of 1984, creating the California Film Commission (CFC) to coordinate state and local government efforts to cultivate a successful environment for the film industry. Today, the Governor, the Senate Pro Tempore, and the Speaker of the Assembly appoint CFC's 26 members from the film industry, private sector, and state and local governments.

The Legislature 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 (SBx3 15, Calderon and ABx3 15, Krekorian, 2009). In 2011, the Legislature extended the program until 2014-15 (AB 1069, Fuentes), and again until 2016-17 (AB 2026, Fuentes, 2012; and SB 1197, Calderon, 2012).

In 2014, the Legislature enacted "Film and TV Tax Credit 2.0," increasing the amount of credit CFC allocates to $330 million in credits 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. In 2018, the Legislature enacted "Film and TV Credit 3.0," authorizing CFC to allocate $330 million in tax credits each fiscal year from 2020-21 to 2024-25 (SB 878, Committee on Budget & Fiscal Review).

In 2021, the Legislature enacted SB 144 (Portantino, 2021), 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 production credits, 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, thereby making 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 (SB 132, Committee on Budget & Fiscal Review). 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.

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 and Fiscal Review Subcommittee #4 held a joint oversight hearing to assess the Governor's proposal on March 26, 2025. In June, the Legislature enacted SB 132 (Committee on Budget & Fiscal Review, 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.[1]

Post-production in California. According to the Assembly Committee on Arts, Entertainment, Sports, and Tourism, based on data provided by CVL Economics, California's post-production

[1] For a description of the aspects of the credit not related to Career Pathways and diversity requirements, as well as the changes made by AB 1138, please see the Committee and Senate Floor Analysis of AB 1138 here: https://leginfo.legislature.ca.gov/faces/billAnalysisClient.xhtml?bill_id=202520260AB1138

sector, which includes editing, visual effects, sound design, music scoring, color grading, and finishing, employs over 12,000 workers at more than 1,800 firms statewide. However, between 2005 and 2025, the state lost approximately 1,874 direct jobs in the sector. This decline occurred while overall U.S. post-production employment grew by approximately 10%.

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% Post, Digital & Visual Effects Offset), offers a standalone post-production credit pathway. As a result, a project that films elsewhere but completes its post-production in California receives no incentive for that California-based work. 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-production credit.

Although post-production costs may qualify under the Film and Television Tax Credit 4.0 when tied to a California-based qualified motion picture, those benefits are generally not available until productions are selected and incur qualifying expenditures.

The author wants to authorize a standalone post-production credit to provide more immediate and targeted financial support for California post-production businesses that face layoffs, lost work, or business closures due to the delay in realizing Program 4.0 benefits.

Proposed Law

AB 2319 enacts the California Postproduction Tax Credit program, authorizing a credit under the Personal Income and the Corporation Taxes, to a "qualified taxpayer" of "qualified expenses" relating to the postproduction of a "qualified motion picture" in California, to be allocated by the CFC, to applicants on or after July 1, 2027, and before July 1, 2032, in four or more allocation periods per fiscal year (FY). The bill also:

- Requires the credit to be administered in the same manner as the Film Tax Credit 4.0, except as specified.
- Specifies that the credit shall not be allowed for a "qualified motion picture" for which a credit has been claimed under the Film Tax Credit 4.0 program.
- Caps the aggregate amount of credits that may be allocated per FY, at an unspecified amount, for FY 2027-28 and through FY 2032-33.
- Requires CFC to allocate the credit amounts pursuant to the following categories:
  - 50% to features, independent films, and animated films.
  - 50% to television series, miniseries, limited series, and animated series.

The measure further provides that the credit shall be an amount equal to the sum of:

- 35% of qualified expenditures attributable to "qualified editorial expenditures," as defined, of the postproduction of a qualified motion picture in California, subject to the following limitations:
  - In the case of qualified expenditures, *excluding those relating to visual effects*, up to $6,000,000.
  - In the case of qualified expenditures *relating to visual effects*, up to $6,000,000.
- An aggregate amount, not to exceed 15% of qualified expenditures, as follows:

  - 5% of qualified expenditures for expenditures relating to postproduction outside the Los Angeles zone, as specified;
  - 10% of qualified expenditures for qualified wages paid for services performed relating to postproduction outside of the Los Angeles zone to qualified individuals who reside in California but outside the Los Angeles zone; and,
  - 15% of qualified expenditures for expenditures relating to qualified music scoring.

AB 2319 further provides that a qualified taxpayer may make a one-time election to make the credit refundable for each taxable year of the "refundable period," not to exceed the "annual refundable amount."

- The "refundable period" means the first taxable year that the credit certificate is issued to the qualified taxpayer by the CFC, and the succeeding four taxable years; and
- The "annual refundable amount" is 20% of the "total refundable amount."
- The "total refundable amount" is equal to 90% of the credit amount that exceeds the tax liability in the first taxable year of the refundable period.

The bill also defines several terms, including:

- "Qualified taxpayer" as a taxpayer, or a single-member limited liability company that is disregarded for tax purposes, that has:
  - Paid or incurred "qualified expenditures;"
  - Participated in the Career Readiness requirement; and
  - Been issued a credit certificate by the CFC.
- "Qualified expenditures" as amounts paid or incurred for tangible personal property purchased or leased, and used, within this state in the postproduction of a "qualified motion picture" and payments, including "qualified wages," as defined, for services performed within this state in the postproduction of a "qualified motion picture."
- "Qualified motion picture" as a motion picture that is produced for distribution to the general public, regardless of medium, that is one of the following:
  - A feature, including an animated film and an independent film, with a minimum production budget of $1 million;
  - A miniseries or limited series consisting of two or more episodes, each longer than 40 minutes of running time, exclusive of commercials, with a minimum production budget of $1 million per episode;
  - A pilot for a new live action or animated television series that is at least 20 minutes of running time, exclusive of commercials, and with a minimum production budget of $1 million;
  - A live action or animated series, averaging across a season at least 20 minutes of running time per episode, exclusive of commercials, with a minimum production budget of $1 million per episode; or,
  - A large-scale competition show, not including traditional reality, game shows, talk shows, or docufollow television programming, with a minimum production budget of $1 million per episode.

The measure further specifies that, to qualify as a "qualified motion picture," all of the following conditions must be satisfied:

- At least 75%, or $1 million, whichever is greater, of postproduction expenses are incurred for payment for services performed within the state and the purchase or rental of property used within the state;
- Postproduction of the qualified motion picture is completed within 30 months of the date on which the CFC approves the qualified taxpayer's application;
- The copyright for the motion picture is registered with the United States Copyright Office;
- Principal photography of the qualified motion picture commences after the date on which the CFC approves the application, but no later than specified;
- Provides a diversity workplan checklist; and
- Pays a prevailing wage rate determined by the Director of Industrial Relations under Labor Code Sections 1773 and 1773.9, where a rate has been established for that position. This requirement also applies to services performed directly, indirectly through a motion picture payroll services company, or through a loan-out corporation where the underlying services are performed in California.

The bill also provides that the credit shall be allowed for the taxable year in which the CFC issues the credit certificate for the qualified motion picture; that the amount of the credit allowed to a qualified taxpayer shall be limited to the amount specified in the credit certificate issued to the qualified taxpayer by the CFC; makes other technical and conforming changes, and contains legislative findings and declarations to comply with Section 41 of the Revenue and Taxation Code.

State Revenue Impact

No estimate.

Comments

1. Purpose of the bill. According to the author, "California has the most experienced post-production workforce in the world, but we are losing jobs and projects to other states and countries that offer targeted incentives for post-production work. AB 2319 fills a gap in our current tax credit program by creating a post-production incentive that keeps high-skill jobs, small-business vendors, and production spending in California while complementing, not replacing, the existing Film and Television Tax Credit Program. A significant portion of the post-production industry has always relied on productions that are based overseas or otherwise outside of California coming back to California for post. This work sustains thousands of good, middle-class jobs. As proposed to be amended, a large share of the tax credit allocated under AB 2319 will go to jobs that uphold industry standards. However, credits will also be available to make AB 2319 accessible to emerging voices and artists who have traditionally struggled to find an entry point into the entertainment industry. These individuals often represent members of diverse backgrounds and underserved communities, and this portion of the bill provides them with an opportunity to contribute to California's creative economy. AB 2319 is designed to capture economic activity that would otherwise leave the state and to ensure that California remains competitive in an industry we helped create. California's post-production infrastructure represents a century of investment and tens of thousands of skilled jobs, and it is sitting underutilized while other states and countries capture work that belongs here. Every qualified project that completes post-production in New York or London instead of California is a direct

transfer of high-wage jobs and taxable income out of this state. AB 2319 closes the incentive gap that is making that transfer possible."

2. "Windfall" or "but for" tax benefit? Tax expenditures produce two different outcomes. The first outcome is a "windfall," in which the tax expenditure rewards behavior that would have occurred even without the tax benefit. The second outcome is a "but for tax benefit," where a particular activity would not have occurred without the incentive created by the tax expenditure. Here, the credit is designed to influence the location of post-production expenditures, wages, and vendor work, rather than merely subsidize productions already fully committed to completing that work in California. Thus, this is largely a "but for" tax benefit because the credit seeks to make California financially competitive for post-production activity that may not occur here absent the incentive. However, some portion of the credit may operate as a windfall to the extent it is claimed for post-production work that would have occurred in California regardless of the credit due to existing infrastructure, workforce, creative relationships, or business needs. On balance, this credit serves primarily as a "but for" tax benefit because its structure is designed to attract or retain mobile post-production activity that existing film credit programs may not reach.

3. Revenue loss. Existing tax law provides various credits, deductions, exclusions, and exemptions for certain taxpayers. By authorizing a credit against personal income tax, AB 2319 will result in the State General Fund receiving less revenue. As a result, the state will have to reduce spending or increase taxes to offset the loss. Additionally, because Proposition 98 establishes a minimum funding guarantee for K-14 education in California, which generally represents roughly 40% of the state's General Fund revenues, every dollar of General Fund loss results in approximately 40 cents less of funding for K-14 education.

4. Do positive economic effects of the credit offset lost revenue? Experts disagree on this question. At the 2025 Joint Oversight Hearing of the Senate Committee on Revenue & Taxation and Budget & Fiscal Review Subcommittee #4: "Assessing the Governor's Proposal to Further Expand the Motion Picture and Television Production Tax Credit," the Legislative Analyst's Office (LAO), the California Budget and Policy Center, and the Los Angeles County Economic Development Commission (LAEDC) spoke to the economic and fiscal effects of the Governor's proposal to increase the credit authorization amount.

LAEDC estimated the total economic impact from the 169 productions that were allocated 2.0 tax credits is $7.4 billion in production in exchange for a total of $915 million in tax credits.[4] LAEDC stated that at least $24.40 in output, $16.14 in gross domestic product, $8.60 in wages, and $1.07 in initial state and local tax revenue resulted from every dollar of tax credit allocated.

Among other findings, LAO stated that there is good evidence that the credit increases production activity and the size of the industry, but the credit does not pay for itself:[2]

> *Film tax credits generally have a negative overall effect on state revenues. Evidence from academic research and state evaluations in places such as Georgia and New York find that every $1 of credit allocated returns significantly less than $1 in state revenue. One notable outlier to this pattern is a report from the Los Angeles County Economic Development Corporation, who claim to find a small fiscal benefit associated with the film tax credit. The Los Angeles County*

[2] https://srev.senate.ca.gov/system/files/2025-03/film-tax-credit-022825-lao.pdf

> *Economic Development Corporation estimates, however, very likely are overstated. These estimates ignore some of the important offsetting factors discussed above, specifically that some productions receiving the credit would have filmed here anyway and revenues lost to the film tax credit could have been used to fund other economically beneficial programs.*

The economic effects of a post-production credit may differ from those of a general film production credit because post-production work is often performed in established facilities staffed by specialized employees, resulting in longer employment opportunities than temporary on-site film production. However, according to an independent study commissioned by the state Department of Taxation and Finance, New York's post-production credit, funded at $45 million annually through 2036, found a low fiscal return of 31 cents per dollar of credit but also noted that the jobs subsidized by the credit are "high-paying" and thus create "enduring value."[3]

5. Equity. AB 2319 may advance social equity by supporting a segment of the entertainment workforce that is often less visible than principal photography but includes a broad range of skilled below-the-line workers, small businesses, vendors, musicians, editors, sound professionals, and visual effects workers. By targeting post-production work that may otherwise leave California, the credit could help preserve middle-class creative and technical jobs and sustain local businesses that depend on consistent production activity. Further, AB 2319 requires applicants to provide a diversity workplan checklist, which the CFC would develop by regulation. The bill also ties part of the credit certification to diversity compliance: Generally, CFC certifies 96% of the allocated credit but may certify the remaining 4% if the taxpayer submits a diversity workplan, interim assessment, and final diversity assessment showing that the project met or made a good-faith effort to meet its diversity goals.

6. Section 41. Section 41 of the Revenue and Taxation Code requires any bill enacting a new tax expenditure to contain, among other things, specific goals, purposes, and objectives that the tax expenditure will achieve and detailed performance indicators, along with data collection and reporting requirements (SB 1335, Leno, 2014). A bill that would authorize a new gross income exclusion is exempt from the requirement that the bill contain detailed performance indicators and data collection reporting if the Legislature determines there is no available data to collect and report (AB 3289, Committee on Revenue and Taxation, 2024). To satisfy these requirements, AB 2319 states that the specific goal of this credit are to:

- To maintain and expand motion picture and television post-production, and the quality of the jobs they provide, in California;
- To keep California's Film Tax Credit competitive with post-production incentives offered by other states and other countries; and,
- To increase the competitiveness of the tax credits allowed relative to previous California motion picture tax credit programs by allowing the tax credit to be refundable.

The performance indicators for the Legislature to use in determining if the credits accomplish the specific goals, purposes, and objectives may include, but are not limited to, all of the following:

- The number and types of post-productions that apply for the tax credits allowed;

[3] https://www.empirecenter.org/publications/billions-in-film-tv-subsidies-yield-zero-or-less-for-ny-economy-state-sponsored-study-finds/

- The total amount of credit allocations applied for;
- The total amount of credits allocated;
- The total amount of credits certified as eligible to be claimed on a tax return;
- The number of jobs included in the budgets of post-productions receiving the tax credits allocated;
- A comparison of the performance indicators specified, with results from California motion picture tax credit programs authorized by existing law; and,
- The total amount of credits allocated by this bill that are claimed as a refund on a tax return.

AB 2319 further provides that, on or before May 1, 2030, the Legislative Analyst's Office (LAO) shall provide to this Committee, the Senate Committee on Governance and Finance, and the public, a report evaluating the effectiveness of the tax credits allowed by this bill in achieving the metrics outlined above, including an assessment of the refundability of the tax credit in achieving those metrics.

7. Related legislation. Also set to be heard at the Committee's June 24th hearing is AB 2403, which authorizes, under the Personal Income Tax Law and Corporation Tax Law, a credit for commercial production companies that produce commercials in California.

8. Committee amendments. The Committee could amend AB 2319 in the following ways:

- Limit the amount of credit the CFC may allocate in a fiscal year to the amount authorized in the Budget Act.
- Revise the criteria CFC will consider when allocating credits by categorizing applicants as either Tier 1 or Tier 2 applicants.
- Specify that to be categorized as Tier 1, an applicant must:
  - Demonstrate that specified labor standards have been satisfied, specifically by providing CFC with documentation to verify the applicant:
    - Paid wages for employees in California that are, on average, equal to or more than the average weekly wage rate for similar workers in the same occupation.
    - Provided, or contributed to, employer-paid health and welfare benefits and pension contributions for employees performing qualified services in California.
  - Participates in a career-based learning and training program approved by CFC.
  - Comply with workforce reporting requirements established by the CFC, including reporting related to diversity, anti-harassment policies, and workforce composition, consistent with the existing Film and TV Tax Credit Program.
  - Directly employ at least one employee providing services in California.
- Provide that deviation from any of Tier 1 criteria is due to compliance with a valid collective bargaining agreement alone shall not disqualify the applicant from being categorized as Tier 1.
- Provide that a maximum of 15% of credit allocation per FY can be awarded to Tier 2 applicants.
- Provide a 5% uplift on post-production wages paid to California workers, if 50% or more of "below-the-line" production wages, excluding post-production wages, are paid to California taxpayers.

- Specify that the 5% uplift shall not be deemed an increase to 1) the $6 million cap for qualified expenditures, excluding those relating to visual effects; or the 2) the $6 million cap for qualified expenditures relating to visual effects.
- Provide that employer-paid health and welfare benefits and pension contributions for employees performing qualified services in California shall be treated as qualified expenditures.
- Make technical and conforming changes.

Assembly Actions

Assembly Arts, Entertainment, Sports, and Tourism	8-0
Assembly Revenue & Taxation Committee:	6-1
Assembly Appropriations Committee:	15-0
Assembly Floor:	73-3

Support and Opposition (6/18/2026)

Support: California Post Alliance (Co-Sponsor)
Motion Picture Editors Guild (Co-Sponsor)
California State Treasurer Fiona Ma
Tracy Park, Councilmember District 11, City of Los Angeles
Karen Bass, Mayor, City of Los Angeles
#MakeItBay
California Arts Advocates
California IATSE Council
City of Burbank
City of Emeryville
City of Los Angeles
City of Santa Monica
City of West Hollywood
Company 3
Crafty Apes, LLC
Engine Room, LLC
Exceptional Minds
Film Liaisons in California Statewide
Formosa Group, LLC
GSK Talent
Kincade Productions, LLC
Monkeyland Audio, Inc.
Point 360
Santa Monica Pier Restoration Corporation
Santa Monica Travel & Tourism
Showrunnr, Inc.
Signature Post Services LLC
Television Academy
The Society of Composers and Lyricists
YouthBeat
61 Individuals

Opposition: None received.

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