SENATE COMMITTEE ON APPROPRIATIONS
Senator Sabrina Cervantes, Chair
2025 - 2026 Regular Session

AB 2319 (Schultz) - Personal Income Tax Law: Corporation Tax Law: credits: qualified motion picture: post-production

Version: June 25, 2026	**Policy Vote:** REV. & TAX. 4 - 0
Urgency: No	**Mandate:** No
Hearing Date: August 3, 2026	**Consultant:** Robert Ingenito

Bill Summary: AB 2319 would enact the California Postproduction Tax Credit program, as specified.

Fiscal Impact:

- The California Film Commission (CFC) indicates that it would incur annual implementation costs of $672,000 (General Fund).
- Assuming $100 million in tax credit allocations are authorized beginning in 2027-28, the Department of Finance (DOF) estimates this bill would reduce General Fund revenues by $2 million in 2027-28, $9.4 million in 2028-29, and $18.1 million in 2029-30, with additional revenue losses in subsequent years. DOF also estimates the bill would reduce sales tax revenues deposited into the Local Revenue Fund 2011 by $18,000 in 2027-28, $86,000 in 2028-29, and $1.6 million in 2029-30, with additional revenue losses in subsequent years.
- The Franchise Tax Board (FTB) would incur administrative costs of $290,000 in 2026-27, $342,000 in 2027-28, and minor amounts annually thereafter, to implement the provisions of the bill. (General Fund).

Background: Tax expenditure programs (TEPs) are special tax provisions that reduce the amount of revenues the “basic” tax system would otherwise generate in order to provide (1) benefits to certain groups of taxpayers, and/or (2) incentives to encourage certain types of behavior and activities, such as charitable giving. Specifically, current law provides for, among other things, various income and corporation tax credits and deductions, as well as exemptions from the sales and use tax. The Department of Finance is required to publish a list of TEPs (currently totaling several hundred), which currently exceed $94 billion annually.

California generally allows tax credits to reduce a taxpayer's liability on a dollar-for-dollar basis. With limited exceptions, including the Motion Picture and Television Production Tax Credit, business tax credits are nonrefundable. Current law also limits the use of most business tax credits to $5 million annually through the 2030 taxable year, after which credits generally are limited to the greater of $5 million or 75 percent of tax liability. Taxpayers whose credits are limited may irrevocably elect to receive refundable credits in future years for the disallowed amounts.

California established its Motion Picture and Television Tax Credit Program in 2009 to encourage film and television production to remain in or relocate to California in response to competing incentive programs offered by other states and countries. The program has been reauthorized and expanded several times, culminating in Motion Picture Tax Credit 4.0, which authorizes CFC to allocate tax credits and made the program California's first refundable business tax credit. In 2025, the Legislature further expanded the program by increasing the annual allocation from $330 million to $750 million for 2025-26 through 2029-30 and broadening eligibility for qualified productions. Separate legislation also established the Soundstage Program, which provides tax credits for qualified productions filmed at newly constructed or renovated certified soundstages.

Despite these incentives, California's film and television industry has experienced a sustained decline in production activity and employment. According to the Legislative Analyst's Office, California's share of domestic film industry employment fell from more than 54% in 2010 to 46% in 2023, while recent disruptions—including the COVID-19 pandemic, the 2023 labor strikes, and the 2025 Los Angeles wildfires—have further reduced production. CFC estimates that runaway productions have resulted in approximately $1.5 billion in lost production spending, while reports on Motion Picture Pension Plan contributions indicate a loss of more than 17,000 full-time equivalent union jobs in 2022 and 2024.

Post-production activities—including editing, visual effects, sound design, music scoring, color grading, and finishing—represent a significant segment of California's film industry, employing more than 12,000 workers at over 1,800 businesses statewide. However, California's share of U.S. post-production work declined from approximately 53% in 2005 to 42% in 2025, even as nationwide post-production activity increased. Although post-production expenditures may qualify for existing film tax credits when associated with an approved California production, California does not offer a standalone post-production incentive. By contrast, competing jurisdictions, including New York, the United Kingdom, British Columbia, and Australia, provide dedicated post-production tax credits.

Proposed Law: This bill, among other things, would do the following:

- Allow a credit against the personal income tax and corporation tax in an amount between 35 percent and 50 percent of qualified expenses relating to the post-production of a qualified motion picture in California to be allocated by CFC, as specified.

- Require the credit to be administered in the same manner as the motion picture credit 4.0, except as specified.

- Allow a qualified taxpayer to elect to be paid a refund if the amount allowable as a credit exceeds the qualified taxpayer’s tax liability for the taxable year, as specified.

Related Legislation: AB 2403 (Elhawary) would authorize, under the Personal Income Tax Law and Corporation Tax Law, a credit for commercial production companies that produce commercials in California. The bill is currently pending in this Committee.

Staff Comments: CFC estimates it would require five additional positions to administer the increased application workload, review and certify eligible productions, and oversee credit allocations. CFC estimates ongoing General Fund costs of $672,000 annually for eight fiscal years (2026-27 through 2033-34). Although the program would sunset on January 1, 2032, administrative workload would continue for several years thereafter as productions complete postproduction activities and CFC verifies eligibility before awarding previously allocated credits.

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