THIRD READING

Bill No: AB 2319
Author: Schultz (D), et al.
Amended: 8/21/26 in Senate
Vote: 27

SENATE REVENUE AND TAXATION COMMITTEE: 4-0, 6/24/26
AYES: McNerney, Ashby, Becker, Grayson
NO VOTE RECORDED: Alvarado-Gil

ASSEMBLY FLOOR: 73-3, 5/26/26 - See last page for vote

SUBJECT: Personal Income Tax Law: Corporation Tax Law: credits: qualified motion picture: post-production

SOURCE: The California Post Alliance & the Motion Picture Editors Guild

DIGEST: This bill enacts the California Post-production Tax Credit program, authorizing a credit under the Personal Income and Corporation Taxes for qualified expenses relating to the post-production of a qualified motion picture in California.

Senate Floor Amendments of 8/21/26 (1) Modify several requirements to improve implementation of the credit by the California Film Commission (CFC); (2) Import provisions from the Motion Picture and Television Production 4.0 credit program; (3) Replace the first-come-first-served allocation award process with a ranking system based on applicant's "post-production services ratio," as defined; (4) Specify that CFC must promulgate regulations to administer and enforce the requirements of the credit; and (5) Make other technical and conforming changes.

ANALYSIS:

Existing law:

1) Allows various income tax credits and deductions, as well as sales and use tax exemptions.

2) Limits the total of all business credits, including credit carry forwards, to $5 million or 50% of liability, whichever is greater, commencing in the 2024 taxable year and ending before the 2030 taxable year, after which limits credits to $5 million or 75% of liability, whichever is greater, with some exceptions (SB 167, Committee on Budget & Fiscal Review, Chapter 34, Statutes of 2024 and SB 122, Committee on Budget & Fiscal Review, Chapter 23, Statutes of 2026). 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.

3) Enacts the Film & Television Tax Credit Program 4.0 program, which authorizes a tax credit against the Personal Income and Corporation Taxes for qualified motion picture production in California, directing California Film Commission (CFC) to allocate $750 million in credits each fiscal year (FY) starting in 2025-26 and continuing through 2029-30 (SB 132 Committee on Budget & Fiscal Review, Chapter 56, Statutes of 2023; SB 132, Committee on Budget & Fiscal Review, Chapter 17, Statutes of 2025; AB 1138, Zbur, Chapter 27, Statutes of 2025).

4) Provides that a “qualified motion picture” includes:

   a) A feature with a minimum production budget of at least $1 million; however, no more than $120 million in qualified expenditures count for purposes of generating the credit.

   b) An independent film, defined as a motion picture that is produced by a company that is neither publicly traded, nor more than 30% owned by publicly traded companies.

   c) A television series that relocated to California.

   d) A live action or animated series produced in California with a run time of 20 minutes or more on average, with a minimum budget of $1 million per episode.

   e) Animated films produced in California with a $1 million budget or more.

   f) A large-scale competition show produced in California with a minimum budget of $1 million per episode.

   g) A pilot for a new live action or animated series with a run time of 20 minutes or more on average, produced in California with a minimum budget of $1 million per episode.

5) Authorizes CFC to allocate credits to "qualified motion pictures" that satisfy the following general requirements:

   a) Have 75% of the motion picture shooting days in California, or have 75% of the production budget incurred within the state;

   b) Commence principal photography after the date CFC approves its application, but before 180 days after the date of approval, and finish within 18 months from the date when the application was approved by the CFC;

   c) Obtain a copyright from the United States Copyright Office; and

   d) Provide a workplace diversity plan checklist.

This bill:

1) Enacts the California Post-production Tax Credit program, authorizing a credit under the Personal Income and the Corporation Taxes, to a "qualified taxpayer" for qualified post-production expenditures 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).

2) Provides that the credit shall be an amount equal to the sum of:

   a) 35% of qualified expenditures attributable to "qualified editorial expenditures," as defined, subject to the following credit limitations:

      i) Up to $6 million for qualified expenditures, unrelated to visual effects.

      ii) Up to $6 million for qualified expenditures relating to visual effects.

   b) An aggregate amount, not to exceed 15% of qualified expenditures, as follows:

      i) 5% of qualified expenditures relating to post-production outside the Los Angeles (LA) zone, as specified;

      ii) 10% of qualified expenditures for qualified wages relating to post-production outside of the LA zone to "qualified individuals;" and

      iii) 15% of qualified expenditures relating to qualified music scoring.

   c) An additional 5% of qualified expenditures if 50% or more of production days were performed in state.

3) Caps the aggregate amount of credits that may be allocated per FY, at an amount authorized in a Budget Act, for FY 2027-28 and through FY 2032-33.

4) Requires the credit to be administered in the same manner as the Film & Television Tax Credit Program 4.0, except as specified.

5) Specifies that the credit shall not be allowed for a motion picture for which a credit has been claimed under the 4.0 program.

6) Requires CFC to allocate the annual credit amounts as follows:

   a) 50% to features, independent films, and animated films.

   b) 50% to television series, miniseries, limited series, and animated series.

   c) Provides an additional 5% of qualified expenditures if at least 50% of below-the-line production wages are for services performed in the state.

7) Requires CFC to reserve 85% of the total aggregate credits allocable for the year for applicants that demonstrate meeting specified labor standards:

   a) Provides wages for employees in California that are, on average, equal to or more than the average weekly wage rate for similar workers.

   b) Provides, or contributes to, employer-paid health and welfare benefits and pension contributions for direct-hire employees performing services in state.

   c) Participates in a CFC approved career-based learning and training program.

   d) Complies with reporting requirements established by the CFC, including reporting related to diversity, anti-harassment, and workforce composition.

   e) Directly employs at least one employee providing qualified services in state.

   f) Provides that deviation from the above criteria shall not be disqualifying if such deviation is required to comply with a collective bargaining agreement.

8) Requires that applicants provide a self-attestation, under penalty of perjury, confirming that they will satisfy all specified requirements for the qualified motion picture.

9) Requires CFC to promulgate regulations and an appropriate penalty for failure to meet the commitments identified in the self-attestation.

10) Requires CFC, when allocating the credit, to list each applicant from highest to lowest according to the post-production services ratio as computed by the CFC, and to then allocate the credit to each applicant with the highest post-production services ratio, working down the list until the credit amount is exhausted.

11) 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."

    a) The "refundable period" means the first taxable year the credit certificate is issued to the qualified taxpayer and the succeeding four taxable years.

    b) The "annual refundable amount" is 20% of the "total refundable amount."

    c) 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.

12) Requires CFC to promulgate rules and regulations necessary to adapt the existing Career Readiness requirements of the Film & Television Tax Credit Program 4.0 to this credit; provides that a qualified taxpayer must participate in Career Readiness only to the extent the program has been adapted to post-production pursuant to regulations promulgated by CFC.

13) Establishes a diversity assessment requirement, mirroring the Film 4.0 program, requiring CFC to review this data separately from the diversity workplan and assessment process.

14) Defines "qualified taxpayer" as a taxpayer or a disregarded single-member limited liability company, that has "qualified expenditures," fulfilled the Career Readiness requirement, and been issued a credit certificate by CFC.

15) Defines "qualified expenditures" as amounts paid or incurred for:

    a) Tangible personal property purchased or leased, and used, within this state;

    b) Services performed within this state; and

    c) Music orchestration services performed outside of the state if it is for music recorded in the state.

16) Specifies that "qualified expenditures" include only those amounts paid or incurred, for tangible personal property purchased or leased, used or otherwise consumed in this state, including qualified wages.

17) Defines "post-production" to mean both "editorial post-production" and "visual effects," as defined.

18) Defines "qualified motion picture" substantially similar to the 4.0 program, with the following differences:

    a) A feature, including an animated film and an independent film, with a minimum production budget of $1 million;

    b) 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;

    c) 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.

19) Defines "post-production services ratio" to mean the dollar amount for qualified wages divided by the dollar amount of tax credits, not including the credit uplifts allowed by this bill as computed by the CFC. For purposes of the calculation, "qualified wages" only includes 80% of the qualified wages paid to third-party vendors and excludes visual effects, as defined.

20) Authorizes CFC to allocate credits to "qualified motion pictures" that satisfy the substantially similar general requirements to the 4.0 Film program, with the following difference: at least 75%, or $1 million, whichever is greater, of post-production expenses are incurred for payment for services performed within the state and the purchase or rental of property used within the state;

21) Provides that the CFC must issue a credit certificate only after it has verified a qualified taxpayer's qualified expenditures and computed the post-production service ratio.

22) Specifies that if a qualified motion picture's actual post-production services ratio comes in more than 10% below what was represented on its application, the CFC must reduce the credit by that same percentage, unless the applicant can demonstrate reasonable cause for the shortfall, in which case CFC has discretion not to apply the reduction. This requirement mirrors the existing Film 4.0 program approach of holding applicants accountable to their attested figures.

23) Provides that the credit is allowed for the taxable year in which the CFC issues the credit certificate for the qualified motion picture.

24) Specifies that the amount of the credit allowed to a qualified taxpayer is limited to the amount specified in the credit certificate issued by the CFC.

25) Contains legislative findings and declarations to comply with Section 41 of the Revenue and Taxation Code.

26) Makes other technical and conforming changes.

FISCAL EFFECT: Appropriation: Yes Fiscal Com.: Yes Local: Yes

According to the Senate Appropriations Committee:

- The 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 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).

SUPPORT: (Verified 8/24/26)

California Post Alliance (Co-Source)
Motion Picture Editors Guild (Co-Source)
California State Treasurer Fiona Ma
Karen Bass, Mayor, City of Los Angeles
Lindsey P. Horvath, Supervisor, Los Angeles County
Tracy Park, Councilmember District 11, City of Los Angeles
#MakeItBay
American Cinema Editors
California Arts Advocates
California IATSE Council
City and County of San Francisco
City of Burbank

City of Emeryville
City of Los Angeles
City of Oakland
City of Santa Monica
City of West Hollywood
Company 3
Crafty Apes, LLC
Engine Room, LLC
Exceptional Minds
Film Consortium San Diego
Film Liaisons in California Statewide
Film SF
Formosa Group, LLC
Fox Entertainment Group, Inc.
Greater San Fernando Valley Chamber of Commerce
Green Watch Films
GSK Talent
Hollywood Chamber of Commerce
Kincade Productions, LLC
Monkeyland Audio, Inc.
Mosaic Post Production, LLC
Point 360
Recording Academy
SAG-AFTRA
Santa Monica Pier Restoration Corporation
Santa Monica Travel & Tourism
Showrunnr, Inc.
Signature Post Services, LLC
Television Academy
The Society of Composers and Lyricists
Trevanna Post, Inc.
Universal Music Group
YouthBeat
69 Individuals

OPPOSITION: (Verified 8/24/26)

None received

ARGUMENTS IN SUPPORT: 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."

ASSEMBLY FLOOR: 73-3, 5/26/26
AYES: Addis, Aguiar-Curry, Ahrens, Alanis, Alvarez, Arambula, Ávila Farías, Bains, Bauer-Kahan, Bennett, Berman, Boerner, Bonta, Bryan, Calderon, Caloza, Carrillo, Castillo, Chen, Connolly, Davies, Dixon, Elhawary, Flora, Fong, Gabriel, Garcia, Gipson, Jeff Gonzalez, Mark González, Hadwick, Haney, Harabedian, Hart, Hoover, Irwin, Jackson, Johnson, Kalra, Krell, Lackey, Lowenthal, McKinnor, Nguyen, Ortega, Pacheco, Papan, Patel, Patterson, Pellerin, Petrie-Norris, Quirk-Silva, Ramos, Ransom, Michelle Rodriguez, Rogers, Blanca Rubio, Sanchez, Schiavo, Schultz, Sharp-Collins, Solache, Soria, Stefani, Ta, Tangipa, Valencia, Wallis, Ward, Wicks, Wilson, Zbur, Rivas
NOES: DeMaio, Ellis, Gallagher
NO VOTE RECORDED: Lee, Macedo, Muratsuchi, Celeste Rodriguez

Prepared by: Haley Summers / REV. & TAX. / (916) 651-4117
8/24/26 12:49:43

****** END ******