

Date of Hearing: May 6, 2026

ASSEMBLY COMMITTEE ON APPROPRIATIONS

Buffy Wicks, Chair

AB 2403 (Elhawary) – As Amended April 13, 2026

Policy Committee: Revenue and Taxation Vote: 6 - 1

Urgency: No State Mandated Local Program: Yes Reimbursable: Yes

**SUMMARY:**

This bill creates the commercial production tax credit, administered by the California Film Commission (CFC), for qualified commercial production costs exceeding \$500,000, 20% if incurred within Los Angeles studio zone and 30% elsewhere, up to \$15 million total in aggregate credits provided in a given fiscal year.

**FISCAL EFFECT:**

- 1) Ongoing General Fund costs of an unknown but potentially significant amount, possibly in the hundreds of thousands of dollars, for the CFC to hire additional staff to oversee administration of the commercial production tax credit.
- 2) Ongoing annual General Fund revenue loss of approximately \$3.5 million to \$7 million resulting from the tax credit provided to taxpayers according to the California Franchise Tax Board (FTB).

**COMMENTS:**

- 1) **Purpose.** According to the author:

AB 2403 creates a commercial production tax credit to bring this work back to California and reinvest in the workers, union jobs, and small businesses who have been left out of existing incentives. Commercial production is often an entry point into the entertainment industry, especially for individuals who have been formerly incarcerated and are working to rebuild their lives and careers. By revitalizing this sector, we are not only strengthening our economy and keeping California competitive but also expanding access to opportunity and advancing a more equitable and inclusive industry.

- 2) **Background. *California's Iconic Film Industry.*** California's film and television industry is a key part of the state's cultural identity, as well a key source of tourism revenue. Concentrated in the Los Angeles region, the industry provides work for actors and entertainers and generates production and on-set jobs for union laborers. Despite the industry's importance in the state, the Legislative Analyst's Office (LAO) notes that from 2010 to 2023, California's share of domestic film industry employment decreased from over 54% to 46%, and also underscores that recent disruptions, including the COVID-19

pandemic, the 2023 labor strikes, and the 2025 Los Angeles wildfires, have depressed production activity.

A 2023 report by the CFC found that runaway projects to other locations accounted for \$1.5 billion in production spending loss. Reports on contributions to the Motion Picture Pension Plan suggest that the decline in production has led to a sharp drop in union jobs, particularly in 2022 and 2024, during which reported hours to the Motion Picture Pension Plan dropped by over 34 million. This represents a loss of over 17,000 full-time equivalent jobs.

Motion Picture Tax Credits 1.0 through 4.0. California first established the Motion Picture Tax Credit program in 2009 to compete with similar programs in other states and countries using tax credits to incentivize production relocation. Since then, California has enacted several iterations of the program. SB 132 (Committee on Budget and Fiscal Review), Chapter 56, Statutes of 2023, enacted the Motion Picture Tax Credit 4.0 that reauthorized the Motion Picture Tax Credit program for \$330 million in tax credits to be allocated by the CFC on or after July 1, 2025 and before July 1, 2030, and authorized the state's first refundable credit for business taxpayers. SB 144 (Portantino), Chapter 114, Statutes of 2021, created the similar Soundstage Program, which allows, for taxable years beginning on or after January 1, 2022 and before January 1, 2032, a tax credit for a qualified motion picture produced at a certified studio construction project.

Most recently, AB 1138 (Zbur), Chapter 27, Statutes of 2025, modified the Motion Picture Tax Credit 4.0 and Soundstage Program by expanding the definition of a qualified motion picture and increasing the total amount of credits awarded to further incentivize film and television projects to remain in or relocate to California.

***Qualified Commercial Production.*** Qualified commercial production and eligible expenses, for purposes of the tax credit created by this bill, prohibits the primary use of generative artificial intelligence (GenAI) in the creation of a commercial, especially if it results in the diminishment or replacement of the job function performed by a human worker, and requires 75% of the production costs paid or incurred be costs incurred in California, subject to verification by CFC. The bill also requires eligible productions to provide wages to employers equal or more than the average weekly rate for similar workers in the same occupation, health insurance benefits for all employees, and provide a defined-benefit pension for all employees.

California does not currently have a commercial production tax credit while other states, such as New York, Georgia, Illinois, and Texas do offer one. Proponents of this bill, such as the Association of Independent Commercial Producers (AICP), argue California has experienced a marked decline in commercial production in recent years and this bill “would help reverse the decline in commercial production, stabilize employment for skilled crews, and restore California’s competitiveness in a highly mobile production market.”

- 3) **Related Legislation.** AB 2319 (Schultz), of the current legislative session, creates the California Postproduction tax credit. AB 2319 is pending hearing in this committee.

**Analysis Prepared by:** Aaron Heredia / APPR. / (916) 319-2081