CALIFORNIA FILM & TELEVISION TAX CREDIT PROGRAM 2.0

Budget Tagging and Tracking Tips 2.0

February 1, 2016

A. GENERAL TRACKING TIPS

1. Credit Allocation Letter Date: Expenses incurred whether paid or not prior to the issuance of the Credit Allocation Letter (CAL) are not qualified expenditures. However, qualified items which required full or partial payment (insurance premium, completion bonds, office rent) prior to the issuance of the CAL may be pro-rated.

   For example, insurance premium payment may be prorated by the number of pre-production and production weeks. The payments for weeks after issuance of the CAL are considered qualified expenditures. Insurance premiums that are prorated should be calculated by your insurance broker and given to the CPA performing the Agreed Upon Procedures (AUP).

2. Cutoff Date for Tracking Costs: Costs are qualified only until 30 days after the creation of the final elements regardless of when paid. Only expenditures incurred up to 30 days after that date shall be considered qualified expenditures (pre-paid items for services that have not yet been performed do not qualify).

   Documentation which indicates the date of completion of the final elements (e.g., digital air master, composite answer print, or digital cinema files) will be required by the CPA performing the AUP. Please include all the information in the Final Element Creation Template, which can be found on the CFC website.

3. Refunds and credit notes received for discounts, rebates, insurance claims, invoicing errors, and purchase returns must be credited to the production costs.

4. In-kind services that are exchanged for equity in the project and deferrals are not considered qualified expenditures. Only direct out-of-pocket costs may qualify.

5. Contingency funds, which are spent during the production period, should be properly allocated into the specific accounts on the cost reports.

6. All receipts/invoices must be legible; illegible documentation may not be accepted by the CPA. Petty Cash (P.C.) receipts should be numbered, legible, and must not be truncated, with each transaction clearly marked on the front of the P.C. envelope or on a spreadsheet.

7. The costs recorded are to be actual costs with no markups, profit additions or personal expenses.

B. SPECIFIC TRACKING TIPS & USEFUL INFORMATION

1. Producer (Hyphenate) Wage Split

Any individual receiving an on screen producer credit must also receive a Below the Line (BTL) on screen credit in a qualified occupation in order for the BTL wages to qualify. Maximum Salary must be within industry standards with a maximum of $100,000 (exclusive of fringes, box rentals, cell or car allowance). If the employee will not be receiving a BTL credit on the project, then none of the salary will qualify.

Examples:

- If a DGA/UPM receives a Producer screen credit, the wage attributable to the UPM account will qualify up to $100,000.
- Non DGA UPM receives an Executive Producer credit, the wage attributable to the UPM will qualify up to the industry standard rate.
- If a Visual Effects Supervisor also receives a Visual Effects Producer screen credit, the wage attributable to the VFX Supervisor account will qualify up to $100,000.
- If a Post Supervisor also receives an Associate Producer screen credit, the wages attributable to the Post Supervisor account will qualify up to the industry standard rate.

Note: All wages attributable to any individual that receives an on screen producer credit are subject to review.

2. Box Rentals/Car/Cell Phone Allowances – IF THE SALARY QUALIFIES, THE ALLOWANCE QUALIFIES

a. Box Rentals, Cell Phone Allowances (QE) and Car Allowances (QW) are considered qualified expenditures for qualified individuals only, including producer-hyphenates up to the amount commensurate with other department heads.

b. Payments for cell phones rented for nonqualified ATL crew or cast which are paid from an actual bill, are considered qualified spend. All amounts must be commensurate with those of other department heads.

3. Proof of Usage in State (filming in and out of CA)

a. The use of goods - purchased or rented and used in CA - qualify for the tax credit. Rentals and/or purchases will need to be prorated if items are also used out of state.

b. Any items purchased over the internet and used in the state (see #7 below regarding shipping goods) will need proof that the item was purchased in CA and shipped intrastate. If proof is not available, cost may be disallowed.

c. For productions where 100% of shooting occurs in California, all items purchased or leased in CA for direct use in the production shall be assumed to be used in state. Productions that film outside of CA may be asked to prove items purchased and/or rented in California were also used in California.

4. Proration for Out of State Work, Goods, and Services (filming in and out of CA)

a. If at any time during the production period the project operates out of state, wages, goods and services must be prorated proportionately to accurately allocate the costs.

b. For example, if an employee who makes $1000/week works 2 days out of the state and 3 days in the state, his or her salary would be prorated and $600 ($200/daily rate x 3 days) would be the employee's qualified wages for that week.

c. If a company is contracted to perform work both inside and outside of the state, their contract amount would need to be prorated proportionately for the percentage of work time expended in and out of California. Rented or purchased items such as camera equipment, self-drive cars, production trucks, picture cars, wardrobe, props and the like must all be prorated according to the number of days shot out of state.

d. For any items fabricated or built in the state but filmed out of state, only the labor will qualify – not the materials (can prorate for usage in state).

e. Insurance premiums must also be prorated if filming occurs out of the state.

5. Proration for Stunt Coordinator or Stunt Riggers/Performers

Stunt coordinator, stunt riggers or safeties earnings are considered qualified wages when not on camera. The production company must indicate on production reports and Exhibit "G"s those days when a stunt coordinator or stunt person is "not photographed". On those days when a stunt coordinator, safety or rigger rehearses or has wardrobe fittings for planned on-camera work, their salaries would not qualify.

6. Travel Expenses

a. Airfare is considered a qualified expenditure if air travel originates and concludes in California (intrastate only). Tickets must be purchased from a California vendor.

b. Travel day salaries for qualified individuals traveling within the state are qualified expenditures. Travel day salaries for qualified individuals traveling into or out of the state do not qualify.

c. Travel agency fees qualify when airfare is purchased from a California travel agent for intrastate travel. Luggage fees qualify for intrastate travel only.

d. Travel allowances to unqualified cast or crew are not qualified expenditures; however, if the production company directly pays for a hotel room or corporate housing (no private housing rentals), those expenditures will qualify.

e. Per Diems for non-qualified individuals do not qualify. For producer-hyphenates, per diem is considered a qualified expenditure up to the amount commensurate with per diems given to other department heads.

f. Relocation costs (including Fold and Hold Sets) for relocating series do not qualify.

g. Aerial photography is qualified provided the helicopter or plane takes off and lands in California.

h. Itemized proof will be required for any intrastate travel allowances.

7. Shipping Goods

The costs to ship items into or out of the state are not qualified expenditures. The costs to ship items intrastate do qualify; however, in both instances, break out the cost of the item from the shipping costs, to properly code these expenses. Save any return address labels that prove the item was shipped intrastate (if purchased on the internet). Remember, unless it is clear the item was purchased or rented in California, it will not qualify.

8. Insurance Claims Refunds

Cash refunds received as the result of an insurance claim must be credited to the cost report and offset related qualified expenditures. Proceeds from the refunds that are spent on qualified labor and/or materials will count toward your tax credit amount.

C. "UPLIFTS" – Non Independent Productions Only (excludes Relocating Series – 1st season)

1. **Out of Los Angeles Zone (OZ) "Uplift" Expenditures**

   a. If a Principal Photography day is split between in and out of zone, the first scene must be shot in the OZ location to be considered a principal photography OZ day.

   b. OZ uplift only applies to work associated with filming original photography and/or reshooting original footage out of the LA zone. Post-production expenditures out of the zone do not qualify for this uplift.

   c. OZ labor applies only during the "applicable period," which is prep, shoot, and time needed to strike sets in the OZ location. OZ labor costs will be the estimated labor costs (initial submission) and actualized labor paid (for tax credit allocation).

   d. OZ non-labor costs (purchases, rentals, and contracted services) will be calculated via the online application portal by subtracting the PST (post-production, insurance, legal costs) from the Qualified Expenditures and prorating it by the percentage of principal photography OZ days in relation to total CA principal photography days. This calculation will also determine OZ non-labor costs when applying for a tax credit certificate. Note: If there is no OZ principal photography, it is NOT necessary to tag items with PST.

   e. OZ materials that are totally consumed (as defined in the Regulations, e.g.,, fuel, food, dry cleaning, location site rentals, security guards, etc.) can be tagged separately if desired, once the project begins out of zone location pre-production. If documentation is sufficient, the cost of these items will be credited 100% toward the tax credit (not prorated). If they are not specifically documented, they will be prorated along with non-consumable OZ expenditures. A listing of total consumables can be found in Appendix A of the Guidelines.

2. **Visual Effects "Uplift" Expenditures**

   a. VFX expenditures in California must equal at least $10 million dollars OR 75% of total worldwide VFX costs in order to qualify for the uplift.

   b. The VFX costs, which qualify for the 5% uplift, are primarily vendor payments for VFX processes, such as previz, postviz, Lidar, element creation, CGI shot costs. Labor, whose primary function is visual effects, such as VFX Supervisor or VFX Editor, and are paid directly by the production company, as well as their computer rentals, will qualify for the uplift (refer to Non-Independent Qualified Expenditure charts – all VFX costs, which qualify for the uplift, have VU tags in GREEN).

3. **Music Scoring and Track Recording "Uplift" Expenditures**

   a. Qualified wages and expenditures (incurred in California), listed in the Non-Independent Qualified Expenditure charts under music noted with MU in GREEN, qualify for this uplift.

D. EXPENDITURE SUMMARY REPORT

1. Expenditure Summary Report

a. When applying for the Tax Credit Certificate, production companies will be asked to fill out, via the on-line portal, an Expenditure Summary Report (Form FF1 for Non-Independents or FF2 for Independents).The Report will ask for final schedule and budget information. Applicants must notify CFC to make the form available on the on-line portal.

b. This report requires information on the **diversity of the cast and crew**. Employees normally provide this information on their start paperwork. If the payroll service start forms do not ask for this information, please include an ethnicity question on the company's deal memo or a separate form. It is important to explain to the employee that this question is being asked because your production is participating in the California Film & Television Tax Credit Program 2.0, and it is a requirement of the program, although answering the question is optional. The data from this report will enable the production to complete the Employment Diversity information on the Expenditure Summary Report.

c. Jobs Ratio recalculation: Based on the findings of the CPA performing the AUP, the applicant will input the actualized Jobs Ratio and calculation of tax credits. This document will need to be signed and submitted with your AUP and other final documentation.

E. AGREED UPON PROCEDURES (AUP): REQUIRED DOCUMENTATION

1. Certified Public Accountants

An Agreed Upon Procedures Report (AUP) must be performed by a CPA who meets specific qualifications. Only CPAs who have attended a CPA Orientation Seminar 2.0 are able to conduct AUPs; CFC supplies a listing of CPAs who have attended a seminar and are familiar with the California Film & Television Tax Credit Program 2.0. Applicants are unable to engage the same CPA/Accountant who performed any production accounting and/or post-production accounting for the approved project.

2. Verification of In-state Work

Each production must obtain documentation from visual effects, digital effects, post sound and/or title design companies or contractors in order to verify that all work was performed in the state. Vendors must include the information on the Verification of In-State Work Template available on the website. If a portion of the work was performed out of state by the company or its subcontractors, the letter must exclude the dollar amount for such work and/or materials. This documentation will be reviewed by the CPA performing the AUP and the CFC.

3. Related Party Transactions

All related party* transactions must be in accordance with an arm's length standard. The production company is required to provide the CPA performing the AUP with a breakdown of all related party transactions, as they are subject to review and sampling; a minimum of 3 comparison bids and/or studio rate cards will be requested. If the production company rents equipment from a BTL crew member, this is not a related party transaction. However, renting company services or equipment

from cast or crew whose salaries are not qualified for the tax incentive program are considered related parties by the CFC and are subject to review.

*The term "related parties" is understood to mean the reporting entity; its affiliates; principal owners, management, and members of their immediate families, entities for which investments are accounted for by the equity method; and any other party with which the reporting entity may deal when one party has the ability to significantly influence the management or operating policies of the other, to the extent that one of the transacting parties might be prevented from fully pursuing its own separate interest. Related parties also exist when another entity has the ability to significantly influence the management or operating policies of the transacting parties or when another entity has an ownership interest in one of the transacting parties and the ability to significantly influence the other, to the extent that one or more of the transacting parties might be prevented from fully pursuing its own separate interests.

4. Production Assets

Proceeds from the sale of any production assets must be deducted from the costs presented in the cost report. Asset lists are required as part of the AUP documentation.

a. Any assets with a purchase price of **$10,000** and over will be subject to review in determining tangible personal property value. As a rule, the lesser of the net cost of the asset after sales proceeds (if assets sold) or 50% of the purchase price will be allowed as a qualified expenditure. If the asset is destroyed during the process of production, applicant should maintain documentation as proof for verification by the Certified Public Accountant (CPA) performing the AUP for the company. <u>An asset list of all items with a purchase price of $10,000 or more is required for the AUP and for review by the CFC.</u>

b. Any leased or rented items manufactured, assembled, or fabricated to specification with a value of $10,000 or more shall be treated as a capital lease if it meets any one of the following four conditions:

   1) If the term of the lease exceeds 75% of the life of the asset.
   2) If there is a transfer of ownership to the lessee at the end of the lease term.
   3) If there is an option to purchase the asset for substantially less than the fair market value ("bargain price") at the end of the lease term.
   4) If the present value of the lease payments, discounted at an appropriate discount rate, exceeds 90% of the fair market value of the asset.

   Any such rental or lease agreement that meets the standards for a capital lease will be considered a purchase and subject to a 50% expense cap for purposes of qualifying for the tax incentive. All such items are required to be on the asset list of items with a purchase price of $10,000 or more.

c. Office or on-set electronic, post-production or effects equipment such as computers, hardware, drives, scanners, monitors and relevant components, copiers, and/or printers which are purchased for the production will be allowed the lesser of the net cost of the asset after sales proceeds (if assets sold) or 20% of their purchase price as a qualified expenditure. An asset list of all such items is required for the AUP and for review by the CFC.

   1) Digital assets with a purchase price equal to or less than $250.00 are not subject to this requirement.

   2) Props or set dressing that involve digital equipment are also subject to this rule.

   3) Licensed Assets: Per statute, any licensed materials (e.g., music licenses, software) are not qualified expenditures. Please tag these items accordingly.

d. Disposition of Assets (examples):

1) Asset over $10k is Sold (e.g., 50% assets)
If the asset is sold, the qualified cost is the lesser of the net cost after sales proceeds or 50% of the original purchase price. So in one example, if a $15,000 asset is sold for $6,000 (net cost of $9,000), the qualified cost is $7,500 (50% of the original purchase). In a second example, if a $15,000 asset is sold for $11,000 (net cost of $4,000), the qualified cost is $4,000. So, in summary, if the asset is sold the most you could get as a qualified cost would be 50% of the original purchase price.

2) Asset over $10k is Retained (e.g., 50% assets)
If the asset is retained, the qualified cost is limited to 50% of the original purchase price in all cases.

3) Asset over $10k is Destroyed (e.g., 50% assets)
If the asset is destroyed as part of the production, the qualified cost is the full value of the asset. However, in all cases the production company must maintain documentation that the asset was destroyed (e.g., photographs, production reports, video footage, etc.).

4) Asset under $10k (not including the post, office electronic, digital and effects equipment)
If the asset purchase price is below $10k, the qualified cost is the full value of the asset. The production company does not need to specifically track the asset but upon request, may need to provide a listing of all assets to the auditor and CFC.

5) Electronic and Digital Assets
If the asset is electronic or digital, the qualified cost is limited to 20% of the original purchase price. The production company must track these types of purchases regardless of the dollar amount of the purchase price, but the 20% limit does not apply to digital assets with a purchase price equal to or less than $250.00.

6) If an Asset is given to a non-qualified individual (e.g., director, producer, actors) the purchase price of the asset must be fully deducted from the qualifying expenditure total.

F. MATERIALS FOR VERIFICATION OF EXPENDITURES

Production companies may need to provide the CPA who will be performing the AUP report access to the following materials (including but not limited to):

- Copy of Credit Allocation Letter
- Full set of final, signed Production Reports for principal photography and any reshoots/additional photography.
- Shooting schedule
- Final crew, cast, and vendor lists
- Final cost report including all non-qualifying expenditures.
- For productions close to threshold limits, CPAs will review ATL contracts for any guaranteed deferments or bonuses, which must be included in the total budget amount.
- Detailed Cost Ledger (e.g., Bible)
- Payroll register of all cast, crew, and staff paid (summary).
- Detailed Trial Balance
- Detailed Ledger of Expenditures – digital and hard copy

- Petty cash envelopes
- Bank Statements & Reconciliations
- Information to substantiate qualified expenditures, including invoices, purchase orders, receipts, contracts, deal memos, time cards, stop/start forms, etc.
- List of all visual effects, digital effects, and/or title companies who worked on the production.
- Complete Inventory/Asset list (electronic).
- Listing of items with a purchase price over $10,000 indicating the status of the assets (e.g., destroyed, sold, donated, being held for future productions, given to cast or crew, etc).
- Listing of office, post-production or effects equipment purchased for the production and its disposition.
- Listing of customized leased or rented items manufactured, assembled, or fabricated to specification with payment aggregating $10,000 or more.
- Listing of all related party transactions, including type of relationship, transactions, amount of transactions; comparison bids may be requested.
- Listing of all parties with a 5% or greater ownership in or other affiliation with the production company.

G. BUDGET TAGGING INSTRUCTIONS

QUALIFIED WAGES PROCESSED THROUGH PAYROLL
All of the payments below, taxable or non-taxable, are considered QUALIFIED WAGES (QW) when the salary of the individual or entity is qualified labor. Only wages paid through the production's payroll service, musicians' payroll service, or directly by the production company to an individual or their loan out company can be considered wage.

- Meal Penalties / Allowances
- Car Allowance
- Mileage
- Per Diem
- Housing Allowance

NON-WAGE EXPENDITURES
All purchases and rentals are considered non-wage expenditures. These include invoices via a contracted company and include security guards, police, firefighters, site reps (if not paid directly by Production Company).

Box Rentals and Cell phone allowances/rentals from individual whether paid through payroll or invoiced separately are considered Qualified Non-wage (QE).

- *Box Rentals*
- *Cell phone allowances or rentals from individual*

H. CREATION OF QUALIFIED EXPENDITURE BUDGET

THE METHODOLOGY BELOW IS MORE ACCURATE THAN CREATING A SUB-BUDGET. WHEN A SUB-BUDGET IS CREATED, THE FRINGE TABLES AND CUT-OFFS START OVER, WHICH RESULTS IN AN OVERESTIMATION OF FRINGES.

FRINGE SET UP

Utilize the following Fringe breakdown when setting up fringes in the QE budget. Federal Fringes and other Non-Qualifying Fringes must be excluded from CA tax credit calculations. Non-Qualifying Fringes must be separated when budgeting.

Note: CFC will not accept budgets with ALL-INCLUSIVE fringe rates that include Non-Qualifying Fringe (e.g., FICA, MEDICARE, FUI, FUTA, PIT [personal income tax withholding]).

Unemployment Insurance	Federal	FUI	Exclude from your Incentive Budget
FICA – Social Security	Federal	FICA	Exclude from your Incentive Budget
FICA – Medicare	Federal	MED	Exclude from your Incentive Budget
Personal Income Taxes (Supplemental)	Federal	PIT	Exclude from your Incentive Budget
Add'l FUTA	CA	FUTA	Exclude from your Incentive Budget
State Unemployment Insurance	CA	SUI	Include in your Incentive Budget
California Car Medical Insurance	CA	NU %	Include in your Incentive Budget
Workers Compensation	CA	WC	Include in your Incentive Budget
Vacation Accrual	CA	VAC	Include in your Incentive Budget
Holiday Accrual*	CA	HOL	Include in your Incentive Budget
OR **Budget holiday pay as a line item in budget if applicable - NOT BOTH*			
Sick Pay Accrual	CA	SIC	Exclude from your Incentive Budget* *Sick pay qualifies when paid
Crew Union PH&W	CA	IA %	Include in your Incentive Budget
Teamster Union PH&W	CA	IA %	Include in your Incentive Budget
DGA PH&W	CA	DGA	Include in your Incentive Budget
SAG Extras PH&W	CA	SAG	Include in your Incentive Budget
Extras Casting Fee (do not include Handling Fees)	CA	EXT	Include in your Incentive Budget
Above the Line Handling Fees	CA	ATL	Include in your Incentive Budget for qualified individuals
Below the Line Handling Fees	CA	BTL	Include in your Incentive Budget

SUB-GROUP SET UP and COST REPORT TAGGING

It is not necessary to delete or suppress line items in the budget when adhering to the tagging procedures below. Utilize applicable sub-groups when creating the budget. NQ and XX groups should be excluded in the qualified budget. Utilize the sub-groups which are necessary when budgeting; when tagging actual wages and expenditures additional tagging may be required.

TAGGING METHODOLOGY EXAMPLES

INDEPENDENTS and RELOCATING TELEVISION

QW= Qualified Wages QE= Qualified Expenditures NQ= Not-Qualified

PRINCIPAL CAST		
Description	**Tags**	**Comments**
Principal Cast/Voices/Singers	NQ	
Teacher/Welfare Worker	QW	
Casting Director	QW	For work performed in CA.
Casting Assistants	QW	
Purchases and Supplies	QE	
Teachers' Box Rental	QE	
SAG Car / Mileage Allowances	NQ	
Staff Car / Mileage Allowances	QW	On Qualified Labor Only
Rentals	QE	
Wardrobe Allowance, Meal Penalties	NQ	
Principal Cast Expenses	QE	Itemized with proof of payment by Prod Co.

NON-INDEPENDENT PRODUCTIONS

IN ZONE PRINCIPAL PHOTOGRAPHY ONLY

(Excludes relocating series – 1st season)

QW= Qualified Wages QE= Qualified Expenditures NQ= Not-Qualified

VU= Visual Effects (Expenditures eligible for bonus points & uplift) MU= Music (Expenditures eligible for uplift)

MUSIC		
Description	**Tags**	**Comments**
Composer	NQ	
Songwriters	NQ	

MUSIC		
Description	**Tags**	**Comments**
Music Supervisors	NQ	
Music Consultant	QW	
Singers	QW	In CA; excludes star vocalists.
Orchestration	QW, MU	
Conductor	QW, MU	If not also score composer.
Copyists	QW, MU	
Rehearsals Equipment	QE, MU	

VISUAL EFFECTS		
Description	**Tags**	**Comments**
Visual Effects Producer	NQ	
Visual Effects Supervisor	QW, VU	$100,000 cap if also receiving a producer credit.
Visual Effects Coordinator	QW, VU	
Visual Effects Editor	QW, VU	
Visual Effects Assistant Editor	QW, VU	
Visual Effects Accountant	QW, VU	
Visual Effects Assistant Accountant	QW, VU	
Visual Effects Storyboard Artist	QW, VU	
Visual Effects CGI Artist	QW, VU	QE, VU if paid through a third party vendor.
Visual Effects PA	QW, VU	
VFX Staff Overtime	QW, VU	On qualified labor only.
Set Survey Technician	QW	
Data Wrangler	QW	
Motion Capture	QE	
Motion Control	QE	
Simulcam	QE	

NON-INDEPENDENT PRODUCTIONS WITH PARTIAL OR TOTAL OUT OF ZONE PRINCIPAL PHOTOGRAPHY

CAMERA

Description	In Zone	Out of Zone	Comments
Director of Photography	QW	QW, ZW	Add ZW for prep/shoot/strike OZ
Camera Operator	QW	QW, ZW	
First Assistant Camera Operator	QW	QW, ZW	
Second Assistant Camera Operator	QW	QW, ZW	
Loaders	QW	QW, ZW	
Still Photographer & Box	QW	QW, ZW	
Additional Camera Crew (includes D.I.T.)	QW	QW, ZW	
Steadicam Operator	QW	QW, ZW	
Steadicam Assistant	QW	QW, ZW	
Purchases and Supplies	QE	QE	No special OZ tagging for expenditures

MUSIC

Description	In Zone	Out of Zone	Comments
Composer	NQ	NQ	
Songwriters	NQ	NQ	
Music Supervisors	NQ	NQ	
Music Consultant	QW	QW	
Singers	QW	QW	In CA; excludes star vocalists.
Orchestration	QW, MU	QW, MU	
Conductor	QW, MU	QW, MU	If not also score composer.
Copyists	QW, MU	QW, MU	
Rehearsals Equipment	QE, MU, PST	QE, MU, PST	All QE post/insurance/legal tagged PST.

VISUAL EFFECTS

Description	In Zone	Out of Zone	Comments
Visual Effects Producer	NQ	NQ	
Visual Effects Supervisor	QW, VU	QW, VU	$100,000 cap if also receiving a producer credit.
Visual Effects Coordinator	QW, VU	QW, VU	
Visual Effects Editor	QW, VU	QW, VU	
Visual Effects Assistant Editor	QW, VU	QW, VU	

Visual Effects Accountant	QW, VU	QW, VU	
Visual Effects Assistant Accountant	QW, VU	QW, VU	
Visual Effects Storyboard Artist	QW, VU	QW, VU	
Visual Effects CGI Artist	QW, VU	QW, VU	QE, VU and PST if paid through a third party vendor.
Visual Effects PA	QW, VU	QW, VU	
VFX Staff Overtime	QW, VU	QW, VU	On qualified labor only.
Set Survey Technician	QW	QW	
Data Wrangler	QW	QW	
Motion Capture	QE, PST	QE, PST	
Motion Control	QE, PST	QE, PST	
Simulcam	QE, PST	QE, PST	

TO CREATE A QUALIFIED EXPENDITURE BUDGET

1. Once you have finished grouping all qualified and nonqualified expenditures as per the tagging methodology, choose the QE + QW subgroups in order to create your Qualified Spend Budget. Be sure to select "include fringes" in your QW subgroup.
2. If the set construction estimate is not detailed, the maximum set construction labor cost allowed is 70% labor / 30% materials.
3. Insurance costs should reflect your total premium, minus out of state work (tagged XX), Error and Omissions coverage and/or Essential Element coverage.
4. Insurance costs must be included in the budget (not as a contractual cost) and tagged QE to be included in the tax credit reservation. Non-Indies must also tag the insurance PST if project has out of the zone principal photography.
5. Completion Bond costs can be no more than 2% of CA qualified expenditures. You must exclude bond costs for any out of state filming. Completion bonds must be included as a contractual cost in the qualified expenditure budget in order to be included in the tax credit reservation.
6. Contingency, as a contractual charge, can be no more than 10% of CA qualified expenditures. A contingency must be included as a contractual cost in the qualified expenditure budget in order to be included in your tax credit reservation.
7. The qualified expenditure budget must match the amount on the application, to which additional tax credits due to uplifts are added.

Please refer to the Qualified Expenditure Charts to confirm qualified and non-qualified expenditures and review the tagging methodology. Please contact the CFC Film & Television Tax Credit Program if you are unsure if an expenditure is or is not qualified.

California Film Commission
7080 Hollywood Boulevard ▪ Suite 900 ▪ Hollywood, CA 90028
Phone: 323-860-2960 X110 ▪ Fax: 323-860-2972
incentiveprogram2@film.ca.gov | www.film.ca.gov

Appendix A

BONUS POINT RANGES

Maximum Total Bonus Points
25

Ranges are subject to change. These ranges were used during the May 2015 and July 2015 application periods.

% Out of Zone Days	
Threshold	Points
0%	0
10%	1
20%	2
30%	3
40%	4
50%	5
60%	6
70%	7
80%	8

% of Facility Days	
Threshold	Points
0	0
10%	1
20%	2
30%	3
40%	4
50%	5
60%	6
70%	7

VFX PERCENTILE CUT-OFFS	Non-indie Range		Indie Range		TV Series Range	
Bin Range	Rounded	Points	Rounded	Points	Rounded	Points
0%	0	0	0	0	0	0
0 - 10% (Lowest 10% of Spenders)	200,000	1	10,000	1	50,000	1
10% - 20%	350,000	2	20,000	2	75,000	2
20% - 30%	500,000	3	30,000	3	100,000	3
30% - 40%	650,000	4	40,000	4	150,000	4
40% - 50%	800,000	5	50,000	5	300,000	5
50% - 60%	1,000,000	6	75,000	6	450,000	6
60% - 70%	2,000,000	7	100,000	7	600,000	7
70% - 80%	3,000,000	8	200,000	8	750,000	8
80% - 90%	10,000,000	9	300,000	9	1,000,000	9
90% - 100% (Highest 10% of Spenders)	20,000,000	10	500,000	10	2,000,000	10

Bonus Point Tips:

- Production Facilities must be listed in the Production Facility listing on the CFC website for the production facility to qualify for bonus points, unless the facility is out of the Los Angeles zone. Productions shooting on ranches or other facilities in the zone frequently used for filming which are not on the Production Facility list must be pre-approved by the CFC prior to principal photography in order for that facility to qualify for bonus points.

- Shooting crew must utilize a Production Facility for 6 hours or more for that day to be considered a Facility Day.

- Visual Effects expenditures which qualify for bonus points are listed in green or have a VU on the qualified expenditure charts.

- If a Principal Photography day is split between in and out of zone, the first scene must be shot in the out of zone (OZ) location to be considered a principal photography OZ day.

- Bonus Points only apply to filming original photography (principal photography or reshoots) out of the LA zone.