

HOLLYWOOD HANDOUTS

**EXAMINING CALIFORNIA'S FILM
& TV TAX CREDIT PROGRAM**



California’s \$1.65 Billion Film and TV Tax Credit Scheme	2
Diversity Requirements	2
New Tax Accounting Changes.....	3
Relocation TV Series: 25%	4
Transferable Tax Credit for Independent Films: 25%.....	4
Feature Film, New TV Series, Mini-Series, or Pilot: 20%	4
Credit Uplifts: 5-10%.....	4
Big Winners.....	4
How Projects are Chosen and Credits are Allocated	9
California’s Cultural Exports	9
Arguments For and Against the Tax Credits, and Credits in Other States.....	10
Newsom Donations.....	10
Comcast/NBCUniversal (\$462,669):	10
• DreamWorks	10
The Walt Disney Company (\$173,024):	11
• Disney Worldwide Services,.....	11
• The Walt Disney Company.....	11
• 21st Century Fox	11
• Fox Television Group	11
• ABC, ESPN, Hulu, and Marvel.....	11
Netflix (\$169,150):	11
Sony (\$139,050):.....	11
Warner Bros. Discovery (\$96,280):.....	11
• Warner Bros. Discovery	12
• Warner Bros. Entertainment	12
• Discovery.....	12
• Home Box Office (HBO)	12
Paramount Global (\$84,773):	12
• Viacom	12
• Paramount Pictures	12
• Paramount Media Networks	12
• CBS	12
Smaller Production Companies	12

Boies Schiller Entertainment (\$4,255,000):	12
Los Angeles Media Fund (\$1,755,000):	13

California’s \$1.65 Billion Film and TV Tax Credit Scheme

The state of California runs a \$330-million annual tax credit program through the California Film Commission, intended to incentivize filmmakers to produce their projects in the Golden State. The third iteration of the program, 3.0, is set to run from July 2020 – June 2025.

In January 2023 Gavin Newsom proposed extending the program for another five years at \$330 million a year, to 2030—a total of \$1.65 billion.

The California state legislature followed suit, [proposing](#) a budget with such extensions in June 2023, along with additional diversity requirements. Newsom [signed](#) the extension in July.

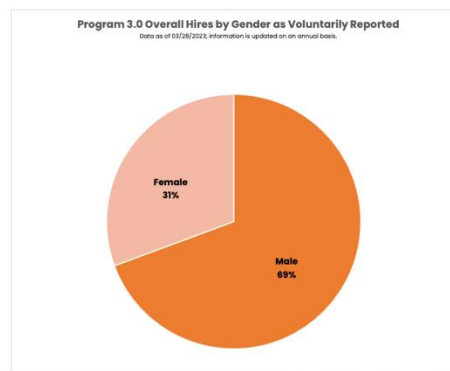
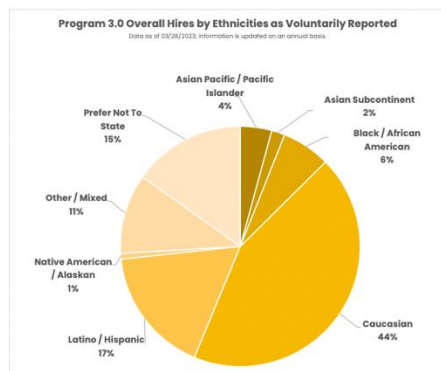
Diversity Requirements

An earlier extension of the film and TV credit program in the summer of 2022 was put on hold for Newsom and California state legislators to hash out new diversity requirements for the program.

As a part of these new requirements, applicants will have to develop a “diversity workplan” for hiring and demonstrate meaningful progress towards achieving the workplan’s goals.

Workplans should aim to reflect the state’s “race, ethnicity, disability status, and gender.” If goals are not [achieved](#), projects will lose 4% of their credits.

Data [published](#) in May 2023 by the California Film Commission showed projects receiving the tax credits as a part of the 3.0 iteration were 44% Caucasian, 17% Latino, 15% prefer not to say, 11% other/mixed, 6% black, 4% Asian Pacific, 2% Asian Subcontinent, and 1% Native American.



Bolstering Newsom’s diverse-workforce incentives is the [Pilot Career Pathways Program](#), which partners with entertainment industry union affiliated nonprofit, IATSE Training Trust Fund. CFC tax credit recipients must contribute .25% of their estimated tax credit allocation to IATSE Training Trust Fund. Then, the Fund and CFC administer the program through contracted nonprofits, which are supposed to run training programs for individuals from “underserved communities.”

OpenTheBooks.com auditors asked for the grant proposal and contract for one of these nonprofits, The Handy Foundation, to get a better idea of the program's goals and expenses. Such funding to The Handy Foundation and other nonprofit partners in CFC's diversity training program are not reflected in state spending checkbooks as funding is donated by private companies via mandate and distributed through the IATSE Training Fund.

Several lines within The Handy Foundation's [request for proposals](#) submitted to the CFC seem to indicate a racial preference for candidates participating in their program.

The nonprofit writes that their "objective is to assist unemployed, underemployed and low skill of color [sic] to acquire the technical and soft skills..." that they are "committed to increasing [Black, Indigenous, and People of Color] representation" in the entertainment industry, and that they measure impact by "the number of Black underserved persons" involved in the program.

These statements seem to be at odds with the contract the nonprofit signed in cooperation with CFC, which includes a non-discrimination clause for hiring and recruitment practices.

New Tax Accounting Changes

Another big change to the film and TV tax credit program this year is to make the tax credits "refundable," meaning companies can get cash back, rather than just reducing their tax liability.

The [refund](#), if claimed, will be issued at a 90% value [over](#) five years.

Netflix, one of the biggest winners of California tax credits, has previously told shareholders that it has more credits than it can use, and has lobbied for credit refundability in the past. Since the 3.0 iteration of the program started, the company has been allocated nearly \$180 million in tax credits.

Credits are awarded to "qualified" spending, which includes payments to in-state vendors and "below-the-line" talent, which include most film production staffers.

Studios submit film projects for consideration and are selected on a competitive basis. Credits are only reserved and may not necessarily be used by the awardee in full, or at all if the project is ultimately cancelled.

California Assembly member Wendy Carrillo (D-Los Angeles) stated that before this adjustment, only Disney and Universal Studios had enough tax liability to take full advantage of their credit reservations, because of the theme parks the companies operate in the state. Now Netflix, Warner Bros. Discovery, Sony, and Paramount will benefit from all of their reserved credits too, Carrillo said, according to the [LA Times](#).

While the refundability of the tax credits is a new feature, independent studios have always been able to sell their tax credits, and the CFC does not track these transactions.

[According](#) to the CFC, an "independent project" is one run by a production company that is 1) not publicly traded and 2) not owned more than 25% by a company that is publicly traded.

There are several levels of tax credits available depending on a studio's situation, presented as a percentage of project cost:

Relocation TV Series: 25%

For television series that filmed their most recent season in a state other than California. \$1 million budget per episode.

Transferable Tax Credit for Independent Films: 25%

Films need a budget of at least \$1 million, credits apply only to the first \$10 million of qualified expenses.

Feature Film, New TV Series, Mini-Series, or Pilot: 20%

TV, Mini-Series, and Pilots must have a \$1 million minimum budget for at least 40 minutes of screentime. Feature films also have a \$1 million minimum and can allocate credits to the first \$100 million in expenditures.

Credit Uplifts: 5-10%

Studios can tack on an additional 5-10% tax rebate for 1) expenditures for original photography incurred outside of Los Angeles County's 30-mile studio zone 2) hiring local labor 3) certain amounts of visual effects

Big Winners

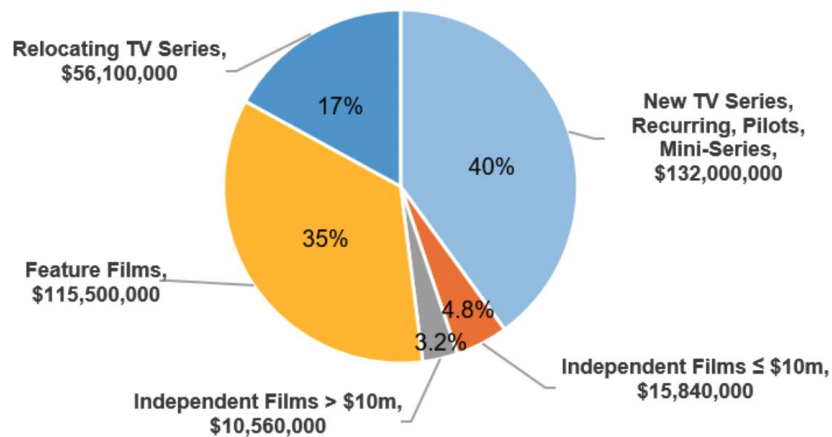
The most recent tax credits—worth \$77.8 million—were awarded in September 2023 to 16 different projects. Although most films chosen were in the “independent” category, most credits—over \$60 million—were reserved for the three projects in the “non-independent feature film” category.

Those include:

- L. Driver Productions, *#10*, \$128,421,000 in qualified spending, \$20.213 million estimated tax credits
- Restless Productions, *Under My Skin*, \$106,822,000 in qualified spending, \$20.687 million in estimated tax credits
- Netflix Sunset, Untitled Netflix Project, \$127,147,000 in qualified spending, \$20 million in estimated tax credits

Most credits in general are reserved for films and TV shows attached to a major studio:

Funding Categories



Film and TV Tax Credit 3.0 funding allocations from film.ca.gov

Because of the ownership structure of production companies, it is not always obvious which of the major studios is benefiting from the tax credits. For example, CBS is owned by Paramount Global (which is owned in turn by National Amusements), 20th Century Fox is owned by Disney (since 2019), NBCUniversal is owned by Comcast, and since 2022 MGM is owned by Amazon.

Disney has dominated Film & Television Tax Credit Program 3.0 since the program started in 2020, earning \$218,358,000 in reserved credits. Netflix and Warner Bros. Discovery are nearly tied for second with about \$180 million each.

\$989,713,000 credits have been reserved so far across all categories in the 3.0 iteration of the program. This analysis is based on the most recently available “approved projects” list on the California Film Commission website. This list is modified regularly as some projects are dropped and credits are reassigned. The list used here is available at [this link](#).

Production Company	Sum of Reservation of Credits
Disney	\$218,358,000
Warner Bros. Discovery	\$181,848,000
Netflix	\$177,887,000
Amazon	\$95,049,000
National Amusements (Paramount)	\$70,279,000
Sony	\$39,196,000
Comcast	\$34,500,000
Lionsgate	\$33,635,000

Furthermore, some production companies are “special purpose vehicles” created for specific film projects. This common, legal, practice simplifies film production management, tax accounting, and investments. Special purpose vehicles can be completely or partially owned by larger production companies.

The following is a list of tax credit reservations labeled as “non-independent,” identified by umbrella company, for the top five credit receivers. **These include both TV and film projects.**

For the sake of simplicity, we did not include independent projects, although these too may be partially owned by major production studios. For example, Disney owns 20% of New Regency Productions, which was awarded \$5,000,000 for two projects as an “independent” producer. For our purposes, no part of the \$5,000,000 is recorded under “Disney.”

It is not yet known which studio is producing #10 and Under My Skin, which each were reserved about \$20 million in tax credits. Those films were not included in this list.

Disney: **\$218,358,000**

- Getting In, \$5,495,000
- Good Trouble 3.5, \$437,000
- Good Trouble 4, \$9,613,000
- Good Trouble 5, \$10,147,000
- Greatest Hits, \$4,109,000
- High Potential S1, \$9,453,000
- Hollywood Stargirl, \$4,174,000
- Interior China Town 1, \$13,726,000
- Mayans MC 4, \$7,488,000
- Mayans MC 5, \$7,448,000
- Paradise City 1, \$12,221,000
- Promised Land 1, \$8,660,000
- Snowfall 5, \$8,534,000
- Snowfall 6, \$8,553,000
- Star Wars: Skeleton Crew, \$20,909,000
- The Rookie 4, \$12,575,000
- The Rookie 4.5, \$8,152,000
- The Rookie 5, \$16,038,000
- The Rookie 5.5, \$3,092,000
- The Rookie 6, \$19,131,000
- The Sterling Affairs, \$7,574,000
- This is Us 6, \$14,306,000

- White Men Can't Jump, \$6,563,000

Warner Bros. Discovery: **\$181,848,000**

- Animal Kingdom 6, \$8,595,000
- Chad, \$3,590,000
- Euphoria 3, \$19,406,000
- In Treatment 4, \$5,066,000
- Joker: Folie A Deux, \$19,744,000
- Kimi, \$3,050,000
- Miracle Workers 3, \$5,012,000
- Miracle Workers 4, \$4,563,000
- More Pilot, \$2,278,000
- Perry Mason 2, \$15,921,000
- Presumed Innocent, \$12,055,000
- Purple Hearts, \$2,561,000
- The Flight Attendant 2, \$11,002,000
- The Sympathizer 1, \$17,453,000
- Untitled WB Project, \$8,400,000
- Westworld 4, \$20,484,000
- Winning Time 2, \$18,413,000
- Wondermill 2, \$4,255,000

Netflix: **\$177,887,000**

- Atlas, \$20,541,000
- Beverly Hills Cop 4, \$16,060,000
- Family Leave, \$9,441,000
- Forever 1, \$12,081,000
- Me Time, \$7,643,000
- Rebel Moon, \$18,489,000
- Rebel Moon Part 2, \$16,618,000
- The Residence, \$13,956,000
- Unfrosted, \$14,223,000
- Untitled Project, \$20,000,000
- Yes Day 2, \$11,203,000
- You People, \$9,022,000
- Your Place or Mine, \$8,610,000

Amazon: **\$95,049,000**

- Citadel 2, \$25,000,000
- Hunters 2, \$18,804,000
- Invasion, \$2,476,000
- Peppermint, \$15,970,000

- Thomas Crown Affair, \$20,920,000
- Untitled Amazon Studio Series, \$10,329,000

National Amusements (Paramount Global): **\$70,279,000**

- S.W.A.T. 5, \$14,923,000
- S.W.A.T. 5.5, \$2,944,000
- S.W.A.T. 6, \$17,497,000
- Star Trek Picard 3, \$20,563,000
- Untitled Paramount Global Series, \$14,352,000

The winners of the 3.0 iteration of the tax program stand in contrast so far to the 2.0 iteration, which ran from July 2015- June 2020. Netflix and Amazon earned far fewer production credits in those years at \$9,733,000, although it is unknown how many the companies applied for. Disney remained the number one recipient.

The 2.0 iteration also coincided with several mergers and acquisitions in the big media companies. For the sake of this reporting and for easier comparison between 3.0 and 2.0 iterations of the program, totals were added to the company names they were merged under during this time:

- Disney: Disney acquired Fox entertainment TV and film studios in 2019
- Comcast: Comcast acquired Viacom via merger with subsidiary NBCUniversal in 2019

The top five of 2.0 are:

Production Company	Sum of Reservation of Credits
Disney	\$481,519,000
Warner Bros. Discovery	\$358,154,000
National Amusements (Paramount Global)	\$343,949,000
Comcast (NBCUniversal)	\$80,719,529
Amazon	\$26,893,000

Data for this analysis was taken from [this list](#) from the California Film Commission website.

Mergers involving these companies have come under scrutiny during the Writers Guild of America West strike, which began in May 2023. The union published a report titled "[The New Gatekeepers](#)" in August 2023, detailing the non-competitive nature of entertainment industry mergers.

The report pinpoints Netflix, Disney, and Amazon as the main "gatekeepers" to the entertainment industry, arguing the companies:

"...increased market share and leverage through acquisitions, wielding their control of related markets, and underpricing their services to achieve dominance. Each is now taking anti-competitive vertical integration to an extreme, turning its streaming service into a walled garden for self-produced content—a model built for and dependent on restricting the availability of independent content from competing producers, underpaying creators, and, above all, making future consolidation the name of the industry game."

Paramount, Sony, and Warner Bros. Discovery, the report says, are not likely to remain competitive with these three companies and may end up being acquired themselves.

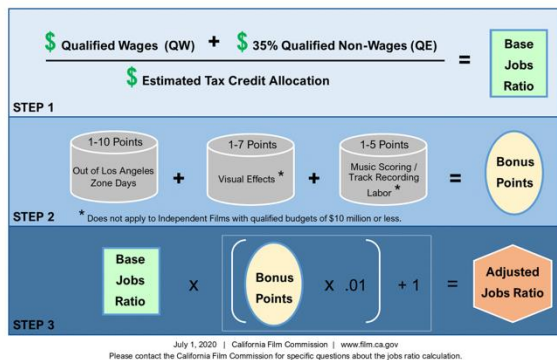
How Projects are Chosen and Credits are Allocated

The CFC [uses](#) a mathematical model based on a project's proposed qualified expenditures and the number and kinds of jobs the project is expected to generate. Bonus points are added for categories like visual effects jobs and music scoring jobs.

Top scorers move on to a "Phase II" round for "further evaluation." Projects not selected initially are put on a waitlist if selected projects drop out or are unable to use their credit reservations.

California Film and Television Tax Credit Program 3.0

Jobs Ratio Calculation



It is not unusual for projects to be cancelled or be unable to meet spending timelines to collect the reserved credits. The CFC's database on reserved credit recipients is therefore regularly updated, and the data in this report may change over time.

California's Cultural Exports

While projects awarded California Film and TV Tax Credit include smash hits like Top Gun: Maverick, others could lead some Americans to question how California chooses these cultural exports:

- 13 Reasons Why seasons 1-4; Paramount (National Amusements); \$45,764,000 in reserved tax credits. The TV series was [linked](#) to a spike in teen suicide.
- Euphoria pilot and seasons 1-3; Warner Bros. Discovery; \$48,346,000 in reserved tax credits. The TV series came under fire for "[glamorizing](#)" sex, violence, and drug use in a high school setting.

Other shows subsidized by California taxpayers feature gratuitous gun violence, an ironic state export given the governor's [extremist stance](#) on gun control. Some of these films include:

- Bullet Train; Sony; \$10,241,000 in reserved tax credits. Reviews on movie rating website IMBD rated "Violence & Gore" in this film "severe," one reviewer [stating](#) "over-the-top violence with guns and swords. Many people die bloody deaths."
- Joker: Folie A Deux; Warner Bros. Discovery; \$19,744,000 in reserved tax credits. Set to be released in October 2024, this sequel to the 2019 Joker features the same psychopathic mass murderer as the titular character.
- The Gray Man; AGBO; \$20,000,000 in reserved tax credits. The [plot](#) features multiple murders and kidnapping as a CIA agent is hunted around the world by a violent sociopath.

Arguments For and Against the Tax Credits, and Credits in Other States

California started the program in 2009 in response to tax incentives being offered by Canada and other states to draw filmmakers. A New York Times article from 2022 [states](#) California has spent \$2.5 billion to fund 591 productions.

Film and TV tax credits are offered in 38 other states, [according](#) to accounting firm Wrapbook, and the debate surrounding them is hotly contested.

Supporters of the tax programs, including Gavin Newsom, argue it is an important tool to keep jobs, private sector spending, and industry innovation in the state.

Critics of the programs [contend](#) the tax incentives do not create permanent jobs or encourage new economic activity. Rather, critics say, economic benefits accrue to big filming companies while states race to the bottom to offer bigger and better tax deals.

Nevertheless, state leaders from across the country are doubling down on tax incentives for film and TV production, including:

- [Texas](#): State legislators raised funding for its [Texas Moving Image Industry Incentive Program](#) (TMIIP) this year from \$45 million to \$200 million
- [Missouri](#): Governor Mike Parson signed into law a new incentive program worth \$16 million.
- [New York](#): State legislators approved a budget increasing film and TV tax incentives from \$420 million a year to \$700 million.

Newsom Donations

Gavin Newsom, as the Democratic governor of California, has been a vocal supporter of the Film and TV tax credit, and Hollywood companies and executives have been supportive of Gavin Newsom's campaigns.

Donations are current as of July 2022.

Comcast/NBCUniversal (\$462,669): Owned by Comcast, NBCUniversal is primarily involved in media and entertainment, along with operating the Universal resorts and parks.

- Comcast, which donated \$103,049 between the company and employees during the 2018 race
 - Comcast is a major state of California vendor, receiving \$20,627,409 from the state checkbooks in 2021
- NBCUniversal donated \$32,400 to the 2022 campaign
- Employees donated \$139,245 between the 2010, 2018, and 2022 races, including:
 - \$15,000 from Vice Chairman Ron Meyer
 - \$39,200 from CEO Jeff Shell
- [DreamWorks](#) is a film production company owned by NBCUniversal. Employees gave \$187,975 to 2018 and 2022 races:
 - \$94,000 from director Steven Spielberg
 - \$90,800 from CEO Jeffrey Katzenberg

The Walt Disney Company (\$173,024): Disney is an entertainment conglomerate with divisions focusing on a variety of areas such as film, television and theme parks. Subsidiaries include ESPN, A&E Networks, Hulu, ABC, Marvel Entertainment, National Geographic Partners, and 21st Century Fox.

- [Disney Worldwide Services](#), a subsidiary which provides electrical support and repair to Disney operations, donated \$61,600 between the 2018 and 2022 campaigns
 - \$32,400 just in 2022
- [The Walt Disney Company](#) and various Disney-labelled division employees donated \$29,250 between the 2010, 2018, and 2022 campaigns, including:
 - \$5,000 from Walt Disney Studios chair Alan F. Horn for the 2018 campaign
 - \$5,000 from Walt Disney Television Entertainment chair Dana Walden for the 2022 campaign
- [21st Century Fox](#) was acquired by Disney in March 2019 from the News Corporation, privately owned by Rupert Murdoch. Assets from the company include 20th Century Fox
 - The company itself donated \$15,000 to the 2018 campaign
 - Employees donated \$45,075 between the 2010 and 2018 campaigns
- [Fox Television Group](#) employees donated \$17,687 between the 2010 and 2018 campaigns. After the 2019 Fox buy-out with Disney, the news broadcasting television divisions stayed under Murdoch-controlled Fox Corporation, while other TV assets left for Disney
- [ABC, ESPN, Hulu, and Marvel](#) employees donated \$4,412 between 2010 and 2018

Netflix (\$169,150): Co-CEO Reed Hastings is a major Democratic fundraiser. According to a *Hollywood Reporter* [article](#), his wife Patty Quillin is also a dominant force in political causes, spending millions on campaigns promoting left-wing policies and politicians.

- Netflix Federal PAC donated \$5,000 to the 2018 race
- Netflix employees donated \$164,150 between the 2018 and 2022 races
 - Ted Sarandos, then-Chief Content Officer, promoted to co-CEO in 2020, donated \$29,200 to the 2018 race
 - Reed Hastings donated \$94,000 to Newsom 2018 and 2022 races
 - He also [donated](#) \$3 million to the Stop the Republican Recall PAC when Newsom was fighting off a recall in 2021
 - Reed Hastings's wife Patty Quillin gave \$123,200 between Newsom's 2018 and 2022 races

Sony (\$139,050): Sony is a major technology conglomerate including branches in video games, electronics, and motion pictures. Sony purchased Columbia Pictures Entertainment in 1989 and has since renamed its television and movie production arm to Sony Entertainment Network. SEN's film franchises include Men in Black, Jumanji, and Ghostbusters.

- The company itself donated \$54,200 between the 2018 and 2022 campaigns
- At least \$84,400 in donations came from Sony Entertainment Network employees between the 2010, 2018, and 2022 campaigns including
 - Chairman Thomas Rothman donated \$67,400 between the 2018 and 2022 campaigns

Warner Bros. Discovery (\$96,280): A mass media and entertainment conglomerate. The company was formed in 2022 by a merger between WarnerMedia, which spun off from AT&T, and Discovery, Inc.

Subsidiaries include Warner Bros. Entertainment, which itself has film and TV divisions, streaming service HBO Max, and U.S. television networks like CNN and Discovery. Recent movies include King Richard, In the Heights, The Matrix Resurrections, and Dune.

- [Warner Bros. Discovery](#) donated \$32,400 to the 2022 campaign
- [Warner Bros. Entertainment](#) donated \$34,200 to the 2018 campaign
 - Employees of Warner Bros. Entertainment subsidiaries donated \$19,905 between the three campaigns
- [Discovery](#) employees donated \$950 between the 2018 and 2022 campaigns
- [Home Box Office \(HBO\)](#) employees donated \$8,825 between the 2018 and 2022 campaign

Paramount Global (\$84,773): A mass media entertainment and distribution corporation owned by holding company National Amusements. CBS and Viacom merged to form the company in 2019, which later rebranded under Paramount Global. Divisions include Paramount Pictures, Paramount Media Networks, and CBS Entertainment Group. Some recent films from Paramount Pictures include Top Gun: Maverick, Mission Impossible: Fallout, and Interstellar.

- [Viacom](#) employees donated \$14,700 to the 2018 campaign, \$14,600 of which came from DeDe Lea, Executive Vice President of Global Government Affairs
 - \$1,000 was also donated by ViacomCBS employee Gia Katz for the 2022 campaign
- [Paramount Pictures](#) itself donated \$14,600 to the 2018 race
 - Employees donated \$33,100 between the 2010 and 2018 races including:
 - \$10,000 from Paramount Pictures Chief Executive Officer James Gianopoulos
 - \$10,000 from studio president Wyck Godfrey
- [Paramount Media Networks](#) includes Nickelodeon, MTV, BET, Awesomeness, and Showtime
 - Nickelodeon employees donated \$400 for the 2018 campaign, including \$200 from Vincent Waller, Creative Director of SpongeBob SquarePants
 - MTV employees donated \$1,200 between the 2010 and 2018 races
 - Showtime employees donated \$311 between the 2018 and 2022 races
 - One Awesomeness employee donated \$100 to the 2018 race
- [CBS](#) employees donated \$19,362 between the 2010, 2018, and 2022 campaigns

Notably, donations from Amazon and its subsidiary Metro-Goldwyn-Meyer were negligible, at \$3,533 for Newsom's 2018 and 2022 campaigns.

Smaller Production Companies

While the biggest production companies are household names, less well-known companies have also received credits in the "independent film" category. Some of these companies have interesting ties to Gavin Newsom.

Boies Schiller Entertainment (\$1,755,000): Co-founder Zack Schiller is brother-in-law to Melissa Siebel, the sister of Gavin Newsom's wife Jennifer Siebel Newsom. The project awarded credits is:

- Moving On, \$1,755,000 in credits

Los Angeles Media Fund (\$1,755,000): Co-founded by Jeffrey Soros, a major Newsom supporter who has donated \$69,900 between the 2018 and 2022 Newsom campaigns. Soros, who is the nephew of George Soros, donated \$6,000 during the 2018 campaign. The project awarded credits is:

- Magazine Dreams, \$1,755,000 in credits