

# SB 485 (Portantino)

Income taxes: tax credits: certified studio construction project

## PROBLEM

The construction of soundstages in California has not kept pace with the recent growth in production of film, scripted television and streaming content. This forces more production outside the state. Further, investment in new soundstages here is constrained by limits on available production tax credits, which create significant uncertainty about long-term demand for new stages.

California's film tax credit has been a resounding success, helping to keep California the global leader in entertainment production. However, the film tax credit does not currently incentivize studio construction and renovation projects—projects that will create good jobs and keep productions in-state for decades to come.

## SOLUTION

SB 485 is specifically formulated to foster studio construction and renovation, followed by increased production jobs and spending in the newly constructed stages. All projects must be approved and certified by the California Film Commission. In important ways, SB 485 mirrors the existing CA film tax credit program by providing an incentive calculated only on payments to behind the camera California workers and local suppliers. The critical precondition to credit eligibility is that the tax credits under SB 485 must be earned in newly constructed or renovated soundstages.

## BACKGROUND

Since its inception, the film tax credit has already generated \$17.9 billion in production spending within California, despite just \$2.4 billion in incentives from the state.<sup>1</sup> In turn, productions eligible for the credit benefit local businesses and communities by employing rental and storage companies, catering businesses, increasing parking revenue, permitting revenue, and more.<sup>2</sup> For this reason, experts have estimated that “every production amount multiplies by three for economic growth.”<sup>3</sup>

SB 485 can be a catalyst for new infrastructure and sustained job creation and spending in our economy. For every \$200 million of sound stage construction California stands to benefit from 2,225 jobs, \$164 million in wages to California workers, and more than \$374 million in economic impact in the state's economy. It is also projected that \$200 million in soundstage investment in the first five years of operation will generate almost 12,500 production related jobs and \$1.2 billion in wages for California workers. The total production impact would be \$4.3 billion in economic activity in the state.

## SUMMARY

In order to qualify for the credit, eligible construction projects must be built in-state, and

<sup>1</sup> Tax Credit Program 3.0, California Film Commission, available at: <https://film.ca.gov/tax-credit/>.

<sup>2</sup> Evan Symon, “[Film, TV Productions Increase in California Due to More Film Tax Credits.](#)” *California Globe*.

<sup>3</sup> *Id.*

meet one of two tiers: \$15 million or \$25 million in California construction spending, and both tiers are subject to prevailing wage and skilled-and-trained workforce requirements. In order for productions accessing the stages to qualify for tax credits, at least 50% of the production's principal photography shooting stage days and at least \$7.5 million in California wages payments must occur on new stages. Productions that meet the standards of SB 485 in the first five years after the stage or stages are certified by the Film Commission will continue to earn credits under the new program as long as the productions remain in California and meet the program criteria. The bill also requires the new production facilities be continuously operated, maintained and repaired by a skilled and trained workforce as defined under the Public Contract Code. SB 485 applies the long-standing definitions and calculations of the current film tax credit program. Additionally, any qualified motion picture must pay into the Career Pathways Training Program, thus training the next generation of California film and television workers.

Like the construction industry, the film industry is a crucial pillar of California's economy employing 927,000 people directly and supporting a total of 2.6 million jobs. This past year has been hard on California and one of the devastating effects of the pandemic has been the departure of businesses from California. This bill recognizes the importance of keeping the entertainment industry in California. By investing in the modernization of the studio infrastructure and the building of completely new studios, we will not only put thousands of hard-working tradespeople to work, but we will also ensure that another generation of entertainment will be created in California.

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## EXISTING LAW

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The California Film Commission administers the Film & Television Tax Credit Program 3.0 which provides tax credits based on qualified expenditures for eligible productions that are produced in California. The \$1.55 billion program runs for 5 years, with a sunset date of June 30, 2025. Each fiscal year – July 1 to June 30 – the \$330-million funding is categorized in: TV Projects, Relocating TV, Indie Features, and Non-Indie Features.

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## SUPPORT

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State Building and Construction Trades Council of California (sponsor)

California IATSE Council

- Local 16 – Stagehands, San Francisco
- Local 44 – Affiliated Property Craftspersons
- Local 80 – Motion Picture Studio Grips, Crafts Service, First Aid, Marine Dept & Warehouse Workers
- Local 122 – San Diego Stagehands
- Local 600 – International Cinematographers Guild
- Local 695 – Production Sound/Video Assist Technicians. Television Engineers & Studio Projectionists
- Local 706 – Make-Up Artists & Hair Stylists Guild
- Local 728 – Studio Electrical Lighting Technicians
- Local 729 – Motion Picture Set Painters & Sign Writers
- Local 800 – Art Directors Guild
- Local 839 – The Animation Guild
- Local 871 – Script Supervisors/Continuity, Coordinators, Accountants & Allied Production Specialists Guild
- Local 884 – Studio Teachers & Welfare Workers

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Office of Senator Anthony J. Portantino  
SB 485– Fact Sheet

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- Local 892 – Costume Designers Guild

California State Council of Laborers  
Entertainment Union Coalition  
SAG AFTRA  
Teamsters Local 399

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