Foster Garvey

Sports & Entertainment Beat

California Seeking to Regain Status as Film & TV Production Destination

09.22.14 01.07.26

California Governor Jerry Brown has taken a big step toward bringing film and television production back to California by signing a bill last week that increases the budget of its Film and Television Tax Credit Program from $100 million to $330 million. In addition to the significant budget increase, the new bill replaces what many considered to be an arbitrary lottery selection process with one that considers eligible productions based on job creation and economic impact on the state, and it also opens up the program to films with budgets over $75 million for the first time. California, the state most associated with the entertainment industry, has seen a sharp decrease in film and television productions occurring within the state due to an increase in the number of other states offering film and television tax incentive programs ("Incentive Programs"), a number of which offer more competitive incentives than that previously offered by California. Since 2000, the number of states with such programs has increased from just a handful to a majority of the states, and according to Gov. Brown, the number of productions in California has been cut by half in the last 15 years.

These Incentive Programs play a significant role in how production companies choose where to shoot a particular project. In the simplest terms, an Incentive Program is structured such that the state refunds a percentage of the amount of money that a production company spends within the state on a project's production (through cash, tax credits or other perks). However, there are many factors, that vary from state to state, that determine which productions qualify for the state's Incentive Program and how the production company benefits financially from the Incentive Program, including the types of expenditures that are covered, the minimum spend required to qualify and the actual percentage that will be returned to the production company. As one example, New York offers a tax credit as high as 30%. With high production costs, production companies have the potential to save hundreds of thousands, if not millions, of dollars by taking advantage of the Incentive Programs. As for the state perspective, film and television productions bring in tax revenue, job opportunities and revenue to local businesses, including those in the lodging, restaurant, lumber, transportation, *etc* sectors. In spite of this influx of cash being spent in the state, these Incentive Programs do have their critics. Those not in favor of the Incentive Programs cite studies reporting that they end up costing the state money (coming out of the pockets of the taxpayers), as most states are earning just cents on the dollar in tax revenue. Another claim is that the productions do not create new jobs, rather, jobs are just shifting from one state to another. In fact, a number of states, including North Carolina, Kansas and Wisconsin, have adjusted their Incentive Programs in recent years, choosing to decrease the amount in their budgets afforded to them or eliminating the Incentive Program entirely.

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While California's new bill makes it a strong competitor as a backdrop for film and television productions, its Incentive Program is still edged out by states such as New York, with a budget of $420 million, and Georgia and Louisiana, with no budget caps. Even though some states are re-evaluating their Incentive Programs and scaling them back, others, like California, remain competitive in an incentive bidding war that one report warns could be a 'race to the bottom.'

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Posted in Entertainment, Film, Television

Tagged as California, Film and Television Tax Credit Program, Incentive Programs, Motion Picture industry, tax credits

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