

Garden State Film and Digital Media Jobs Act
Film Tax Credit Agreed Upon Procedures Requirements

An Independent Certified Public Accountant (CPA) shall perform the following procedures and produce an Agreed Upon Procedures report that adequately demonstrates to the New Jersey Economic Development Authority's (NJEDA) satisfaction the Production Company (the applicant approved for a film tax credit by the NJEDA) complied with the eligibility requirements of the Garden State Film and Digital Media Jobs Act. This AUP report must be prepared following completion of the film and accepted by the NJEDA no later than 12 months from the date the last Total Film Production Expense was incurred.

1. Read the Statute and regulations of the Garden State Film and Digital Media Jobs Act.
2. Obtain the following documents from the Production Company relating to the production (pre-production through post-production) of the film for which the Production Company was approved for a tax credit by the NJEDA:
 - a. Detailed production expenditure ledgers
 - b. Summary production expenditure report with detailed line items comprising Total Film Production Expenses, Post-Production Costs, expenses incurred for services performed, and goods purchased through vendors authorized to do business, in New Jersey and Qualified Film Production Expenses. This report should also denote the costs incurred for services performed and tangible personal property purchased through a vendor's commercial facility located in Atlantic, Burlington, Camden, Cape May, Cumberland, Gloucester, Mercer, or Salem County.
 - c. Film Production tax credit application
 - d. Approval letter issued to the film production company by the NJEDA
3. Verify that the approved film production meets the definition of Film in the Garden State Film and Digital Media Jobs Act.
4. Verify that the approved film production has been completed.
5. Identify the start and end dates in which the Production Company had Qualified Film Production Expenses for which it is seeking to receive film tax credits.
6. Verify principal photography of the film commenced within the earlier of 180 days from the date of the original application to the NJEDA for the tax credit, or 150 days from the date of approval of the application for the tax credit.
7. Test all Qualified Film Production Expenses, paid to individuals (payroll), including payments made to Loan Out Companies and payments made to Independent Contractors, and verify the agreement of the date the expense was incurred, the individual/Loan Out Company/Independent Contractor name and the amount of the expense to supporting records. The CPA shall also inspect the payroll records to verify that each such expense is a Qualified Film Production Expense in accordance with the Garden State Film and Digital Media Jobs Act and that none of these costs or expenses are included in the calculation of any other tax credit or exemption granted pursuant to a claim made on a tax return filed with the Director, or included in the calculation of an award of business assistance or incentive, for the period of time for which this tax credit is sought. For payments made to Loan Out Companies and/or Independent Contractors, the CPA shall verify the Production Company has withheld from each payment an amount equal to 6.37% of the payment otherwise due.
8. Test all Qualified Film Production Expenses other than payments to individuals/Loan Out Companies/Independent Contractors (non-payroll) from the list included in the report of Qualifying Film Production Expenses of the film and verify the vendor name and the amount of the expense from the listing to supporting documents. The CPA will also inspect the invoice (or equivalent documentation)

to verify that the expense is a Qualified Film Production Expense in accordance with the Garden State Film and Digital Media Jobs Act and that none of these costs or expenses are included in the calculation of any other tax credit or exemption granted pursuant to a claim made on a tax return filed with the Director, or included in the calculation of an award of business assistance or incentive, for a period of time for which this tax credit is sought.

9. Test all Total Film Production Expenditures and verify the agreement of the date the expense was incurred, the vendor name, and the amount of the expense from the supporting record. The CPA will also inspect the invoice (or equivalent documentation) to verify that the expense is a Total Film Production Expense in accordance with the Garden State Film and Digital Media Jobs Act.
10. Test all Post-Production Costs and verify the agreement of the date the expense was incurred, the vendor name, and the amount of the expense from the supporting record. The CPA will also inspect the invoice (or equivalent documentation) to verify that the expense is a Post-Production Cost in accordance with the Garden State Film and Digital Media Jobs Act.
11. Test all expenses incurred for services performed, and goods purchased through vendors authorized to do business, in New Jersey and verify the agreement of the date the expense was incurred, the vendor name, and the amount of the expense from the supporting record. The CPA will also inspect the invoice (or equivalent documentation) to verify that the expense is an expense incurred for services performed, and goods purchased through vendors authorized to do business, in New Jersey in accordance with the Garden State Film and Digital Media Jobs Act.
12. Verify either:
 - a. As per the verified totals above, at least 60 percent of the Total Film Production Expenses, exclusive of Post-Production Costs were incurred for services performed, and goods purchased through vendors authorized to do business, in New Jersey, or
 - b. As per the verified totals above the, Qualified Film Production Expenses of the taxpayer exceed \$1,000,000 for the Film.
13. If at least one of the two tests above (the 60% test or the \$1,000,000 test) is satisfied, calculate the amount of the tax credit at 30% of the verified Qualified Film Production Expenses not incurred for services performed and tangible personal property purchased through a vendor's commercial facility located in Atlantic, Burlington, Camden, Cape May, Cumberland, Gloucester, Mercer, or Salem County for the privilege period and 35% of the Qualified Film Production Expenses incurred for services performed and tangible personal property purchased through a vendor's commercial facility located in Atlantic, Burlington, Camden, Cape May, Cumberland, Gloucester, Mercer, or Salem County during the privilege period. If the Production Company was approved by the NJEDA for an additional 2% tax credit for having a diversity plan and the Production Company met or made a good faith effort to achieve the goals therein, the tax credit percentages shown above increase to 32% and 37% respectively. Compare the sum of the 30% and 35% tax credit calculations to the amount of tax credit approved by the NJEDA for the film and show the lower amount as the recommended final tax credit amount.

If the AUP does not demonstrate that the Production Company complied with all eligibility requirements of the Garden State Film and Digital Media Jobs Act, the CPA will be notified of the deficiencies and an amended AUP report will be issued by the CPA that addresses the deficiencies. If the amended AUP does not demonstrate compliance with the eligibility requirements of the Garden State Film and Digital Media Jobs Act, the notification and amendment process will be repeated until an acceptable AUP is produced by the CPA and is submitted to and accepted by the NJEDA.