



Expectations for CPA Audit of Performance-based Film Incentive

Colorado CPA must verify the following items:

- The total dollar amount of qualified local expenditures and all backup documentation.
- The financial information and all backup documentation provided in the Film Incentive Proof of Performance including:
 - Total CO above the line Expenditures
 - Total CO below the line Expenditures
 - Total CO Payroll Amount and proof of Colorado income tax withholding
 - Total CO Vendor Spend (paid to CO vendors)
 - Total CO Pre-Production Spend
 - Total CO Production Spend
 - Total CO Post-Production Spend
 - Total Budget (entire production, including non-qualified local expenditures)
- Colorado Production Workforce information provided in the Film Incentive Proof of Performance and all backup documentation, including the percentage of Colorado residents in production company's workforce, and:
 - Total Number of Crew
 - Number of CO Crew
 - CO % of Total Crew
 - Total Number of Cast
 - Number of CO Cast
 - CO % of Total Cast
 - Verification of Colorado income tax and Colorado unemployment tax withholding
- Non-resident Colorado workforce may be included in qualified expenditures if Colorado income tax is withheld, but does not count towards the 50% Colorado resident crew requirement. Colorado residents should be verified using the Declaration of Colorado Residency Form.

Qualified Local Expenditure Definition

“Qualified local expenditure” means a payment made by a production company operating in Colorado to a person or business in Colorado in connection with production activities in Colorado. Qualified local expenditure shall include, but need not be limited to:

- (a) Payments made in connection with developing or purchasing the story and scenario to be used for a film;
- (b) Payments made for the costs of set construction and operations, wardrobe, accessories, and related services;
- (c) Payments made for the costs of photography, sound recording and synchronization, lighting, and related services;
- (d) Payments made for the costs of editing, post-production, music, and related services;
- (e) Payments made for the costs of renting facilities and equipment, including location fees, leasing vehicles, and providing food and lodging to people working on the film production;
- (f) Payments for airfare purchased through a Colorado-based travel agency or company;
- (g) Payments for insurance and bonding purchased through a Colorado-based insurance agent;
- (h) Payments for other direct costs incurred by the film production company that are deemed appropriate by the Office; and
- (i) Payments of up to one million dollars per employee or contractor, made by a production company to pay the wages or salaries of actors, management, and crew, employees or contractors who participate in the film production activities. In order for any wage or salary to be considered a qualified local expenditure, all Colorado income taxes shall be withheld and paid either by the production company or the individual. Any payments in excess of one million dollars per employee or contractor shall be excluded.¹

Exclusions

- Marketing or P&A (publicity & advertising)
- Distribution costs
- Development fees not taking place in the state (i.e. options, rights, or purchasing a story out of state)
- Travel costs not made through a Colorado travel agency or Colorado based airline

¹ In order for employee or contractor payments to be eligible for the performance-based incentive, proof that all Colorado income taxes were withheld must be provided and audited by a Colorado CPA. IRS guidelines should be followed when determining employee status.