

January 19<sup>th</sup>, 2021

RE: Tax Incentives and Payroll

Dear Valued Client,

If you will be pursuing a tax incentive in an eligible state, here are some Best Practices for paying talent and crew in these incentive jurisdictions. These will help ensure the accuracy and timeliness of your payroll, as well as support any eligible tax benefits you apply for with the state.

- Notify your paymaster if you are shooting in a tax incentive state and review any applicable state withholding requirements.
- Employee onboarding/start cards and timecards:
  - Notify your paymaster if any loan-out companies or individuals do not require special incentive withholding.
  - Make sure the proper work location is identified daily on timecards, especially if you are working in multiple locations.
  - Batching timecards together for “like” work states is a good practice to facilitate an easier review of employees’ withholding.
- *Review the tax withholding to ensure that the appropriate state withholding is processed. To assist in this validation the production should request two edits/reports for review and approval prior to processing.*
  - **Employee Fringe Edit Report** – This report details employee fringes, including work state withholding and any tax and deductions. This information is located on the far-right side of the edit.  
*NOTE: In some states there is a withholding requirement for loan-outs, so it is particularly important to review their withholding.*
  - **Employer Fringe Edit Report** – This report details all the employer fringes, located on the far-right side of the edit.
  - Review payroll invoices to ensure invoice reflects the local EP office address.

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- In the event the production discovers an error in withholding, notify the Paymaster and EP Tax Support immediately. Many jurisdictions may not qualify labor for an incentive if the withholding is not made in the correct reporting period.

If you have any questions about specific incentives or withholding in specific states, please contact [Incentives@ep.com](mailto:Incentives@ep.com) or (818) 955-6050.

If you have questions or issues with withholding on a specific invoice or project, please contact Tax Support at [TaxSupport@ep.com](mailto:TaxSupport@ep.com) or (818) 480-7333.

We want to ensure your production is set up for success. We're providing these guidelines to best partner with you and ensure correct withholding and state reporting.

Your EP team

