EP Payroll Processing Guide

Production Payroll Processing with EP as a Statutory Employer
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Chapter 1: Introduction to Entertainment Partners

Entertainment Partners (EP) is the global leader in entertainment payroll, residuals, tax incentives, finance, and other integrated production management solutions, with offices in the United States, and affiliates across the globe, including Canada, the United Kingdom, and Japan. Combining its comprehensive capabilities, extensive resources, and unparalleled industry experience, EP collaborates with clients to help them produce the most cost-effective and efficient film, television, digital, and commercial projects. Its proprietary Vista accounting systems and Movie Magic Budgeting and Scheduling programs are the industry standards. The company also provides casting and payroll for background actors through its legendary Central Casting division, a Hollywood icon since 1925.

Established more than 30 years ago, EP is a 100% employee-owned company, where each employee has a vested interest in upholding the company’s highest standards of service, integrity, transparency, and accountability.

EP acts as the statutory or general employer of production worker employees for whom it provides payroll services. In that instance, the production company is the common law or special employer of the production worker employees. As the statutory employer, EP files and reports all employer taxes, provides W-2s to the production worker employees, as well as offering Workers’ Compensation insurance.

Entertainment Partners has various corporate entities, each designed to accommodate a specific industry need, as well as to satisfy certain union reporting and signatory requirements. Each entity is actually a separate company, with records segregated on our system. When payroll is submitted, it will be processed through the applicable company(s).

Affiliated Services

Offices

With offices in California, New York, Florida, Alabama, Connecticut, Georgia, Louisiana, New Mexico, North Carolina, and Pennsylvania, and affiliates in Canada, the United Kingdom, and Japan, Entertainment Partners can serve you around the globe.

Central Casting®

Central Casting is the largest union background casting company in the United States. Cenex Casting is our non-union company paying extras. Our casting directors are renowned experts in the field. They conduct training seminars between unions and Directors Guild members to educate them to the most current union terms, in particular SAG-AFTRA, and set the industry standard.

EP Residuals®

EP Residuals processes more residuals payments than any other company in the world, including the major studios. EP’s Residuals System was developed and customized by our in-house experts.

EP Financial Solutions

EP Financial Solutions provides legislative updates and basic guidance in navigating the world of production incentives. Value added services include:

- Setup for payroll purposes to maximize production incentives in key incentives states
• Customized payroll reports and/or guidance to accurately track qualified fringes pursuant to applicable requirements
• Expert guidance and consultation to help maximize U.S. and foreign incentives
• Production Incentive Website
• Production Incentive Guidebook
• Production Incentive Monthly Newsletter
• Offices in Alabama, California, Connecticut, Florida, Georgia, Louisiana, New Mexico, New York, North Carolina, Pennsylvania, and Puerto Rico

Currently, EP Financial Solutions has five lines of business: Tax Credit Financing, Tax Credit Placement, Production Incentive Administration, EPPS Purchasing, and EPPS Super Loan-Out.

EPFS’s Film Tax Credit Financing monetizes film, TV, commercial, and live stage tax credits, rebates, and grants. Pricing is determined by taking cost of capital into account and giving careful consideration to several factors contributing to a risk premium, including, but not limited to jurisdiction(s), form and substance of collateral, and loan terms.

EPFS’s Tax Credit Placement program is known by both tax credit buyers and sellers as the market leader for placing transferable tax credits. Through EPFS, Producers have access to an exclusive network of Fortune 500 and high net worth clients to get the best price for their credits. EPFS’s Tax Credit Placement services include the placement of Film and TV tax credits, as well as non-entertainment related transferable tax credits.

EPFS’s Production Incentive Administration specifically assists productions filming internationally. EPFS liaises between local advisors and the production, focusing on structure, cast, and crew issues in addition to obtaining international production incentives. EPFS advises clients how to maximize incentives, compile incentive applications, and support the audit process, if required. Production budgets are reviewed to ensure qualified expenses have been properly identified, and procedures are established with Accountants and the Producer to track application requirements and eligible spend.

EPPS Purchasing (EPPS) is the leading point-of-sale company in the industry. EPPS is an established vendor with the necessary “brick and mortar” presence and taxable nexus to be a vendor for film incentive purposes in select state jurisdictions. EPPS operates in Alabama, Connecticut, Georgia, Louisiana, New Mexico, North Carolina, Oklahoma, and Pennsylvania, offering production equipment, supplies, and other items that may not be readily available. EPPS works with Producers to make sure they capture all possible qualified spend in specific jurisdictions.

EPPS Super Loan-Out (SLO) provides super loan-out services to help qualify non-resident performing artist loan-out company expenditures for New Mexico productions. The Super Loan-Out is allowed by the state as a mechanism to ensure the Gross Receipts Tax and State Income Tax gets paid. The Super Loan-Out also helps producers satisfy the recent income tax withholding requirement for non-resident performing actor loan-out companies.

**EP ACA Solutions**

EP ACA Solutions provides advice, guidance and simple solutions to clients in order to make compliance with the Affordable Care Act (ACA) simple and affordable. The ACA Solutions include a comprehensive of selection of products and services: basic services, automated Notice of Exchange (NOE), EP Cares™ Insurance Solution, Data & Reporting Tool, and Management Reporting Services.
Affiliated Products

**Movie Magic® Budgeting**

Movie Magic Budgeting is an innovative budgeting and cost estimation tool used by production professionals around the world. It features an intuitive, flexible format that allows users to create and edit comprehensive budgets of all sizes, for all types of productions.

**Movie Magic® Scheduling**

Movie Magic Scheduling is a software solution that thinks the way schedulers think, featuring powerful new tools that provide increased flexibility and versatility in the way schedules can be created and viewed.

**EP Accounting Systems**

Classic Vista and Global Vista stem from the original production cost accounting tool known as the DISC mini-computer. Vista interfaces seamlessly with the EP payroll system, capturing all labor costs and employee histories. EP provides a comprehensive product support department of experts, 24/7.

**EP TimeTrax® HTG**

EP TimeTrax Hours-to-Gross (HTG) is a web-based application used by production accountants designed to speed up time card calculation without sacrificing accuracy. It is powered by EP’s distinct hours-to-gross rules that are always working behind the scenes. Integrated with EP’s internal payroll system it can eliminate the need for paper time cards when partnered with EP’s TimeTrax Mobile Time Capture (MTC).

**EP TimeTrax® MTC**

EP TimeTrax Mobile Time Capture (MTC) is a mobile time and attendance tool that eliminates the need for paper time cards and allows for a daily electronic submission and approval of crew hours. Crew members can submit in and out times daily via the web or handheld device, and supervisors are able to approve those times digitally.

Crew hours are then electronically sent to EP TimeTrax HTG for the creation of Daily Time Sheets and Weekly Time Cards and the generation of Daily Cost Reports.

**EP Petty Cash Card®**

The EP Petty Cash Card has streamlined the entire process of tracking and handling petty cash, reducing risks and introducing the ability to monitor and approve purchases online and then directly interfacing with Vista accounting.

**The Paymaster™ Rate Guide**

For the most complete and current contract and rate information, the entertainment industry has turned to the EP Paymaster Rate Guide for more than 15 years.
**Movie Magic® Scheduling To Go**

Movie Magic Scheduling To Go is a companion application to the Movie Magic Scheduling 5 desktop application for use on the iPad®. The app allows the user to import and make on the go changes to existing Stripboards.
Chapter 2: Processing Times/Routing

Entertainment Partners strives to provide clients with accurate and timely payroll processing and edits. In order to do this, we collaborate closely with payroll accountants and provide payroll edits for proofing prior to processing, if desired.

In order for EP to comply with laws and union provisions regarding on time payments, production companies must deliver payroll information (Start Cards, deal memos, Time Cards, etc.) on a timely basis. Any late payment penalties or other claims attributable to the failure of the production company to make punctual delivery of accurate payroll information to EP shall be the sole responsibility of the production company.

Payroll delivered to EP between 9:00 am and 6:00 pm will receive either payroll or an edit in 24 hours, excluding weekends and holidays. Payrolls will be available within three hours after receiving the edit, with all corrections marked, if received by 2:00 pm.

NOTE: If the payroll requires an unusual amount of corrections due to information that was not indicated on the original Time Card, processing time may be extended.

Below is a timetable to assist in determining when edits or payroll will be available for clients:

<table>
<thead>
<tr>
<th>Payroll Received by EP:</th>
<th>Edit Sent to Client:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Monday by 2:00 pm</td>
<td>Tuesday by 2:00 pm</td>
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<tr>
<td>Monday by 6:00 pm</td>
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<td>Friday by 2:00 pm</td>
<td>Monday by 2:00 pm</td>
</tr>
<tr>
<td>Friday by 6:00 pm</td>
<td>Monday by 6:00 pm</td>
</tr>
</tbody>
</table>

* Payroll will be ready at the times listed above. Any requirements by our Accounting department must be met before payroll is routed. (Note: EP’s accounting office/bank account are all centered in Los Angeles, so approvals or confirmations of overnight wires/ACH transfers are not typically received until noon EST.)

Edits

EP will gladly provide a pre-payroll edit for proofing should you so request. If you require a pre-payroll edit, please advise your paymaster of the method by which you want to receive the edit.

After proofing the edit, advise your EP paymaster of any modifications or updates by return fax or email. To ensure accuracy, no changes will be accepted by telephone.
Payroll Routing

Payroll may be held for pick up at EP or sent via the client-specified courier. All courier costs are the responsibility of the client.

Any requirements by our Accounting department must be met before payroll is routed. Note that for the east coast, EP’s accounting office/bank account are all centered in Los Angeles – so typically approvals or confirmations of overnight wires/ach transfers are not received until noon EST.

Picking Up Payroll

If you are sending a runner to pick up payroll, please be sure that the runner asks for payroll by the show name and not by the production company’s name. If a runner is picking up for multiple productions, s/he should ask for each payroll by individual show name.

The runner must also provide an invoice number in order to pick up payroll as a security measure.

NOTE: The bulk of payroll is processed at night and is sorted and routed in the morning. To ensure that no payroll is misrouted or that a partial payroll is picked up, it is our policy to allow no pick-ups before 9:30 am.

In-Town Payroll Delivery

New York
EP New York contracts with a messenger service. If in-town delivery is requested, we will messenger the payroll packages for $8.25 a run within the borough of Manhattan. The fee may be more if the package is larger (typically if they include supplies with the payroll) dependent on weight. The fee will also vary depending on distance if the run is for the outer boroughs (Brooklyn, Staten Island, Queens, and the Bronx).

California
EP Burbank offers complimentary payroll delivery to most of the local production offices and studios. Contact your Marketing representative to ascertain whether or not your in-town location is eligible for this service.

Payroll delivered by EP drivers will be delivered between 1:00 p.m. and 7:00 p.m. We cannot guarantee that payroll will always be delivered at the same time to any given location, since payroll volume varies from day to day. If you require your payroll by a specific time it may be advisable to send a runner.

NOTE: This complimentary service is a delivery service, rather than a “pick-up” service since the drivers do not return to EP until early evening. If you give something to the EP driver, it will be logged in as having been received the following day. Accordingly, drivers are not making a stop at your location unless they have payroll to deliver.

Florida, Louisiana, New Mexico, and North Carolina
EP Florida, Louisiana, New Mexico, and North Carolina are not contracted with a courier service nor do they have on-staff drivers. Clients should make their own arrangements for pick-up and delivery.
Location Delivery

FedEx/UPS

If you are receiving your payroll via FedEx or UPS, please verify that your paymaster has: (1) the exact delivery address, including room number, if applicable, (2) the telephone number, and (3) the account number to which the shipment is to be billed.

If you will receive payroll at multiple locations, please submit payroll separated by site and clearly indicate to which address each batch of checks (i.e., invoice) is to be routed.

If you move from one location to another and the old destination is obsolete and will no longer have payroll routed to that location again, please inform your paymaster to have the old address deleted from our FedEx system to reduce the risk of a payroll being misrouted.

Saturday Delivery

If you require Saturday delivery of any given payroll, please be sure you indicate that the payroll is for Saturday delivery. Also indicate if the Saturday delivery address differs from the standard address.

Hawaii and Foreign Destinations

Some destinations do not offer priority overnight delivery service. Please verify delivery options and, if applicable, consider sending payroll with your film runs.

Supplies

If you want to have supplies sent to you via FedEx or UPS and they are not a priority, please advise your paymaster to have them sent “2nd day.” If you do not specify, we will send them priority overnight.

Other

If you receive your payroll by a courier other than FedEx or UPS, please advise your EP paymaster of their requirements. EP regularly uses FedEx and UPS and has standard pick-up times with them. If you are using another courier service, we need to be notified so that we can schedule a pick-up.

Electronic Delivery

Vista clients may receive their payroll data electronically. This may include the actual checks if the client so elects (i.e., clients can print checks in their office subject to approval by Marketing). Electronic delivery of the payroll data package is available via EP’s Virtual Production Office (VPO). The secure internet site is available to any client for whom we process payroll, and clients may sign up for access to this feature with EP Marketing.
Chapter 3: Start Cards/New Hire Documentation

A Start Card must be submitted for every employee on a show (i.e., Start Cards are show-specific, not production company-specific). Even if the production company has hired the employee on other shows, a new Start Card is needed when the employee works on a new project. This is not only to comply with certain legal requirements surrounding breaks in employment, but also to ensure that all pertinent information is up to date.

The term “Start Card” is used loosely to refer to all relevant hiring paperwork required for an employee. The paperwork required may vary from state to state and from union to union. The following pages list out many of these requirements.

There are two types of employees engaged on productions — Regular Employees and Loan-Out Personnel.

Regular Employees

Regular employees’ Start Paperwork is either black (EP production company) or red (Pixpay). Generally speaking, union employees are paid out of our EP production companies and use the black forms, and non-union employees are paid out of Pixpay and use the red forms.

I-9 Forms

The Immigration Reform and Control Act of 1986 requires an I-9 form to be completed by each new employee. Because there are strict penalties for non-compliance, Entertainment Partners requires each regular employee to submit a completed I-9 form, on each production (i.e., the I-9 is show-specific, not company-specific) before payroll can be processed. Even though Hollywood local union members have I-9s filed with Contract Services, EP still requires all employees to complete an I-9. Please note that loan-out personnel are not required to submit I-9s, as the liability lies with the corporation.

E-Verify

Certain states are now requiring electronic verification of the I-9. This requires EP to look up each employee on a designated website and verify their eligibility to work in the United States. This verification is required within 3 days of the start of employment. In order for EP to comply with these regulations, Start Cards need to be forwarded to EP immediately (i.e., do not wait and send them with the Time Cards). States currently mandating electronic verification are: Alabama, Arizona, Georgia, Mississippi, Missouri (if tax credit claimed, but EP e-verifies all Missouri shows as precaution), North Carolina, South Carolina, and Utah.
**W-4 Info**

Regular employees who submit **incomplete W-4s will be set up as S/00.** Regular employees who are not U.S. citizens, or legal non-resident aliens, will be set up as S/01.

Additionally some states have restrictions on the number of exemptions an employee can claim, including whether or not they can claim exempt from state withholding:

<table>
<thead>
<tr>
<th>State</th>
<th>Allows Exempt?</th>
<th>Maximum exemptions allowed</th>
<th>Exempt form submitted</th>
</tr>
</thead>
<tbody>
<tr>
<td>HI</td>
<td>N</td>
<td>10</td>
<td></td>
</tr>
<tr>
<td>IN</td>
<td>N</td>
<td></td>
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</tr>
<tr>
<td>MA</td>
<td>N</td>
<td>9</td>
<td>M-4</td>
</tr>
<tr>
<td>MI</td>
<td>N</td>
<td>9</td>
<td>copy to tax dept</td>
</tr>
<tr>
<td>MT</td>
<td>N</td>
<td>10</td>
<td></td>
</tr>
<tr>
<td>NY</td>
<td>N</td>
<td>14</td>
<td></td>
</tr>
<tr>
<td>OH</td>
<td>N</td>
<td>9</td>
<td></td>
</tr>
</tbody>
</table>

**Loan-Out Personnel**

Loan-Out personnel Start Paperwork is either Blue (EPSG Management) or Green (Pixpay). Generally speaking, union loan-out personnel are paid out of our EPSG Management companies and use the blue forms, and non-union loan-out personnel are paid out of Pixpay and use the green forms.

EP can pay valid corporations, subject to confirmation by an officer of the corporation of certain facts as set forth on the loan-out Start Card, as follows:

- Federal ID number
- The type of corporation must be one of the following:
  - US corporation
  - LLC owned by a corporation
  - LLC taxed as a corporation

**LLC**

For federal tax purposes, an LLC may be treated as a partnership, corporation, or disregarded as an entity separate from its owner (members).

A **domestic LLC owned by an individual** is disregarded as an entity separate from its owner and must include all of its income and expenses on the owner's tax return (e.g., Schedule C – Form 1040 if the sole member is an individual). Entertainment Partners will **treat the owner as an employee** and not as a “Loan-Out” company. Completed W-4 and I-9 forms are required.

A **domestic LLC with two or more members** is treated as a partnership and must include all of its income and expenses on the owner’s Form 1065 and Entertainment Partners will **treat the owners as employees** and not as a – “Loan-Out” company. Completed W-4 and I-9 forms are required.

A **domestic LLC owned by a corporation** will file Form 1120 US Corporation Tax Return and will be treated as a “Loan-Out” company.
**Documentation Requirements for a Non-U.S. Company**

- Articles of Incorporation
- Other valid proof (check with the Tax department at taxadminmanagers@ep.com)

**NOTE:** A non-U.S. company is subject to 30% federal withholding unless the IRS has granted a tax waiver.

**State of Incorporation State Business Qualification**

Currently, seven states require state withholding on corporations that are either not qualified to do business within their jurisdiction or subject to performer withholding for state film incentive purposes:

- California – 7%
- Georgia – 6%
- Massachusetts – 5.25%
- Michigan – 4.25%
- Mississippi – 5%
- New Mexico – 4.9%
- North Carolina – 4%
- South Carolina – 2%
- Puerto Rico – 20%

If your production will be working in any of these states and you have hired loan-out personnel where the corporation is not qualified to do business there, you should advise the necessary parties of the tax liability. If the corporation is qualified to do business in the state of California, this should be noted on the Start Card (i.e., the State ID number should be listed, noted, or written in). North Carolina and South Carolina require a Certificate of Authority – a copy of which should be submitted with the Start Card to block withholding.

**Corporation Withholding for Tax Incentive Benefits**

In certain tax incentive states withholding from loan-out personnel may be required in order to claim the tax incentive benefit. These states are currently: GA, MA, MI, MS, NM, and PR. In order for EP to withhold taxes from corporations in these states certain forms must be submitted by the corporation authorizing EP to withhold.

Please see Chapter 10: EP Tax Notes for more information on tax incentive states.

**Independent Contractors**

The federal and state governments consider any person working under your direction or control to be an employee (i.e., to whom you supply an office, dictate hours and/or conditions, etc.). As such, income tax withholding, as well as employer taxes (e.g., FICA, SUI, FUI), are due on wages and taxable allowances, etc. If the employer fails to comply, potential liabilities exist for all unpaid federal/state/municipal tax. In addition, penalties and interest may be levied. Even if the income is reported on a 1099 form, there would be no relief from these obligations if the individual is deemed an
employee under the law. Because of this risk, EP does not pay direct hires on client productions as independent contractors.

**CA Pay Rate and Payday Notice**

Non-union non-exempt employees working in the state of California must submit a signed document acknowledging their rate(s) of pay and their designated payday.

**NOTE:** Union employees making less than 30% more than California minimum wage are also technically subject to this new legislation, but practically speaking union employees make more than 30% above the California minimum wage, currently $8 +30% or $10.40.

EP has created a 3-part Notice to Employee form to be filled out by the employee at the time of hire. The original should be sent to EP to be filed with the employee’s Start Card; leaving a copy for the employee and one for the production. **EP has also posted a PDF version of the form on the EP website.**

**CA Time of Hire Pamphlet**

Whenever Entertainment Partners provides workers’ compensation on projects in California, it is required that at the time of hire all employees be provided with two documents: a **Time of Hire Pamphlet** and a **Medical Provider Network (MPN)** notice. The MPN notice identifies AIG/Chartis as the primary medical provider network for injuries covered under EP’s workers’ compensation program.

The Time of Hire Pamphlet basically describes what workers’ compensation is and how it works. It also explains that unless the employee pre-designates their personal physician, s/he must use a doctor from the Medical Provider Network with which Entertainment Partners has contracted (AIG/Chartis). The doctor must approve the request for pre-designation.

Any questions regarding these forms may be addressed to EP’s Risk Management department at 800.955.4878 or claims@ep.com.

**NY Pay Rate and Payday Notice**

Under New York law all regular employees — whether union or non-union, exempt or non-exempt, must complete the **Notice to Employees and Acknowledgment of Pay Rate and Payday** form. This form should be submitted with each employee’s start paperwork.

**NOTE:** Loan-out personnel need not submit the form as the liability lies with the loan-out corporation/LLC.

**PA Residency Certification Form**

Employees residing in Pennsylvania are required to complete a **Residency Certification** form at the time of hire. This form should be submitted to EP along with the employee’s start paperwork.
Work State

Certain states require that city or county withholding be applied for employees working and/or residing in these jurisdictions. When filling out an employee’s Start Card, please be sure to indicate the city and county associated with the default work state. Whereas EP can derive the city and county from the employee’s address, we do not have access to the particulars of the work state. Underwithholding liability resulting from the failure of the production company to provide the complete work state information will be the sole responsibility of the production company.

**NOTE:** Productions performing work in multiple states should denote the work state(s) on each employee’s Time Card.
Chapter 4: Time Cards

With a few exceptions, a Time Card must be submitted for every employee on a show each week. Generally speaking, union employees are paid out of our EPSG Management companies and use the black forms, and non-union employees are paid out of Pixpay and use the red forms.

NOTE: If a signed contract indicating payment terms has been submitted, EP will pay off weekly payment authorization forms/letters if so desired. However, please submit a new form each week the employee is to receive a payment.

Preferably, payment requests for such employees would be submitted on standard EP Time Cards, which need not be signed by the employee, but which do need to be signed by the production company.

Work State

Employees’ earnings are subject to withholding in both the resident and the work states. State withholding reciprocity agreements vary from state to state, and EP has developed a sophisticated payroll system that ensures full compliance with each state’s tax withholding regulations. Therefore, if the production will be performing work in multiple states, please denote the work state on each employee’s Time Card. This is extremely important to avoid assessments and penalties for non-compliance.

Authorized Signatures

With the exception of talent payments and valid Payment Authorization forms, as mentioned above, all Time Cards must be signed by the employee and an authorized representative of the production company. EP will be unable to process Time Cards not duly signed and authorized.

Union Contract Signatory Status

If the client is signatory, EP will pay in accordance with their instructions. However, if EP is to check and verify calculations, we need actual in/out times and written instructions for each Time Card that may have different terms.

If an employee is to be paid under special conditions (e.g., off production), clearly indicate this on the Time Card.

Deduction of Personal Expenses

It is prohibited under federal and state law to withhold any amount from an employee’s check representing the unpaid balance of a debt owed by the employee to the employer (with the exception of federal and state liens and federal and state taxes) without the express written authorization of the employee. Therefore, we do require proof of written authorization to withhold on these obligations (e.g., un-itemized telephone bill, petty cash).

NOTE: Authorized deductions of personal expenses will be noted on the employee’s check stub as an advance.
Per Diem and Mileage

As you may be aware, the IRS has adopted regulations concerning certain non-accountable employee business expenses (i.e., per diem and mileage). If you are processing these types of payments through EP, they must be segregated between their “taxable” (i.e., that portion of a payment that is in excess of the federal limit, such as the current mileage rate) and “allowable” (i.e., that portion of a payment equal to or less than the federal limit) elements. This step is necessary to ensure that we can report each of the components separately on an individual’s W-2. The taxable portion of each payment will be subject to withholding and employer taxes.

Commuting Mileage

Pursuant to IRS regulations, mileage allowance paid for commuting is deemed salary and taxed on the same basis as regular wages (i.e., subject to withholding and employer fringes).

Allowances

It is Entertainment Partners’ policy to withhold on all non-accountable allowances (e.g., car allowance). Furthermore, by law, these types of payments are subject to employer tax obligations as well as Workers’ Compensation.

**NOTE:** The term “non-accountable” relates to flat payments (e.g., $150/wk) for which no accounting is required by the employer to substantiate their business purpose. If the allowance is included on the same check as an employee’s regular earnings, the total amount will be used for the calculation of withholding. **If the allowance is placed on a separate check,** it will be taxed as supplemental income – currently 25% federal withholding, and 6.6% state withholding in CA, in addition to any other standard withholding requirements (e.g., FICA).

**NOTE:** Non-accountable allowances must be included as part of an employee’s base wage for purposes of computing FLSA overtime (see Chapter 7).

Reimbursable Expenses

On occasion, EP has been asked to pay reimbursable expenses through payroll (e.g., various living costs, relocation fees, etc.). While this procedure appears simple enough, it can result in the following problems:

- The receipts are maintained by the production office, and as a result, Entertainment Partners has no backup to support the propriety of the payment.
- Confusion can exist between the paymaster and client regarding the purpose of the payment. As a result, these payments are occasionally misclassified as payments subject to reporting on the employee’s W-2, which could result in their being reported as income.
- Payments of this nature are not subject to any payroll reporting requirements. To avoid confusion, they should be processed as accounts payable items.

Therefore, based on the foregoing, **Entertainment Partners has adopted the position of not processing any reimbursable expenses.**
**Box Rentals**

Based on government regulations, we must receive certain information to legally avoid withholding on this type of payment. For your convenience, EP provides **Box Rental Forms** that you may use to provide the required information:

- Description of items being rented
- A statement signed by the employee and her/his supervisor that the rental is for a bona fide business purpose
- Production company name and title
- Employee’s Social Security number or loan-out company name and federal ID number

EP requires a form to be submitted for **each** payment request (i.e., invoice), that supports the IRS’s requirement for regular accountings under the regulations. The form itself includes the following (refer to the attached example):

- Week ending date the payment applies to
- A box to check whether the inventory list is attached or on file with EP for that specific project
- Additional language that states both the production company and employee certify that the equipment is being rented at competitive rates

Please note that box rentals are reported on Form 1099.
Chapter 5: Non-Union Guidelines

As co-employer, Entertainment Partners will process payroll for non-union employees in strict accordance with federal and state wage and order laws. The following is meant to be an overview of Entertainment Partners policies and procedures regarding non-union employees. Any questions regarding payment conditions not addressed here should be directed to your EP paymaster.

Non-Exempt Employees

In accordance with wage and hour laws, all non-exempt employees must have an established hourly rate and be paid for all hours worked as reflected on the Time Card. A flat weekly rate cannot be guaranteed to non-exempt employees.

Federal and State Wage and Hour Laws

State wage and hour laws vary by state. Where there is no applicable state law, or when the state requirements are lower than the federal, federal law will govern (1.5 times the regular rate of pay for hours worked in excess of 40 hours per week). It should be noted that motion picture and television productions are always subject to the federal wage and hour laws as a minimum, and unless the state provides for a higher standard (i.e., daily overtime) the federal law applies.

Please note that state wage and hour requirements are minimum requirements, i.e., if you so choose, you may better the pay conditions (for example 2x on holidays and/or 7th day worked, 1.5x after 8 hrs/day even when not required, etc.). If you elect to better the minimum requirements, please advise your EP paymaster of the guidelines you have selected.

Non-exempt Time Cards must always include actual in and out times and an established hourly rate.

Minimum Wage and Overtime Requirements by State

Please see http://www.dol.gov/whd/minwage/america.htm for the minimum wage and overtime requirements for each state.

Holidays

Employees who do not work on a holiday need not be paid for that holiday. However, clients may still choose to pay employees for unworked holidays. To avoid any unnecessary adjustment, this should be clearly denoted on the Time Card if the unworked holiday is to be paid, and how.

Employees who work on a holiday need not be paid at a premium for work performed — under federal and state laws, it is simply another work day. However, the client may still choose to pay employees for worked holidays at a premium and should clearly indicate what the premium is.

Wage Increases/Upgrades

Employees who perform work outside their regular duties may receive pay upgrades. A new Start Card should not be submitted for temporary increases, but should rather be clearly indicated on the Time Card what the temporary rate is and for what job duties.
NOTE: Employees cannot have their hourly rates decreased for performing their regularly scheduled duties.

**California Non-Exempt Employees (Under California Law, Wage Order 12)**

<table>
<thead>
<tr>
<th>1st Five (5) Days:</th>
</tr>
</thead>
<tbody>
<tr>
<td>1st 8 work hours per day:</td>
</tr>
<tr>
<td>After 8 work hours per day:</td>
</tr>
<tr>
<td>After 12 work hours per day:</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>6th Consecutive Day:</th>
</tr>
</thead>
<tbody>
<tr>
<td>After 40 straight time hours worked:</td>
</tr>
<tr>
<td>After 12 work hours on 6th day:</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>7th Consecutive Day:</th>
</tr>
</thead>
<tbody>
<tr>
<td>1st 8 work hours of 7th day:</td>
</tr>
<tr>
<td>After 8 work hours</td>
</tr>
</tbody>
</table>

NOTE: In accordance with California Wage Orders, if an employee reports to work as required by the employer, but is not put to work or is furnished with less than half the usual or scheduled day’s work, s/he is to be paid half the scheduled or usual day’s work, with a minimum of two hours and a maximum of four hours at the regular rate of pay. If the employee reporting to work as required has no usual or scheduled day, the employee is to be paid two hours at the regular rate of pay.

**Exempt Employees**

As wage rates and job classifications become more closely scrutinized by government agencies, EP will be asking for job descriptions for employees submitted as exempt (from overtime) in certain circumstances. This protocol for payment as exempt applies only to production workers on non-union shows or employed in uncovered positions on union shows. For production workers in covered positions on union shows, EP will continue to pay exempt or non-exempt from overtime pursuant to the applicable collective bargaining agreement(s).

Typically, in order to qualify as exempt, an employee must spend at least 51% of his or her work time engaged in supervising two or more people and/or making independent managerial, financial, or creative decisions on behalf of the company. Since we are not on location with the productions for which we process payroll, we rely on productions to provide us with the information to determine if an employee is correctly classified as exempt.
If a Start Card is submitted for an employee with one of the job titles above and the Start Card does not indicate an hourly rate or have hours associated with a salary, EP will pay the salary indicated as exempt, which must equal at least the legal minimum (e.g., for CA — double minimum wage, based on 8hr/day, 40hr/week).

All other classifications require a full job description containing all job duties on a daily basis and salary. In describing all duties, the production should identify all managerial or supervisory duties, including whether the employee has the ability to hire or fire, the number of subordinates managed by or reporting to the employee, and all financial or creative decision-making functions. The description must be returned to the paymaster, who must submit to a Payroll Manager for approval to pay the individual as exempt.

Right to Work Laws

Right to Work laws vary by state. As a general rule, a Right to Work law does not permit a union to require membership as a condition of initial or continued employment. When your company is shooting in a “right to work” state, we suggest that you contact your own labor relations advisors to ensure that all parties are aware of the applicable rules in that jurisdiction.

It is important to note, however, that where a company executed a union agreement, even in a Right to Work state, the company is bound by the terms and conditions of that agreement for all employees performing services in classifications covered by that agreement, even if they are not members of the union.

The following is a list of Right to Work states:

<table>
<thead>
<tr>
<th>Alabama</th>
<th>Indiana</th>
<th>Nebraska</th>
<th>South Dakota</th>
</tr>
</thead>
<tbody>
<tr>
<td>Arkansas</td>
<td>Iowa</td>
<td>Nevada</td>
<td>Tennessee</td>
</tr>
<tr>
<td>Arizona</td>
<td>Kansas</td>
<td>North Carolina</td>
<td>Texas</td>
</tr>
<tr>
<td>Georgia</td>
<td>Louisiana</td>
<td>North Dakota</td>
<td>Utah</td>
</tr>
<tr>
<td>Florida</td>
<td>Michigan</td>
<td>Oklahoma</td>
<td>Virginia</td>
</tr>
<tr>
<td>Idaho</td>
<td>Mississippi</td>
<td>South Carolina</td>
<td>West Virginia</td>
</tr>
</tbody>
</table>
Chapter 6: Union Guidelines

Union Start Cards

To ensure proper payment, Start Cards for union employees must indicate which union or local they are affiliated with, as well as their job description. If none is given, we will assume they are non-union. The production company signs the Start Cards, indicating that union status has been verified.

Hollywood IATSE and Teamsters, Basic Crafts and Cartoonists Local 839

The Hollywood IATSE Basic Agreement requires that the specific classification and schedule be indicated for each employee for the purpose of verifying IAP pension calculations. If the information is not provided, EP will choose the lowest classification for the corresponding occupation. Because some pension, health, and welfare calculations are based on scale wages, we must stress how important it is that you indicate the numeric occupation code (which can be found in your EP Paymaster Rate Guide) on the Start Card. This avoids any additional handling fees for unnecessary adjustments.

Signatory Status

Client Signatory Status Verification

When the production company is signatory to the IATSE or Teamsters agreements, please be advised that to process the payroll as union, EP must have a copy of the signed (by both parties) agreement on file with our Legal department’s Labor Relations section before payroll can be processed as union. This includes all IATSE and Teamsters for Hollywood, San Francisco, New York, and all independent locals in the United States. We need these agreements so the paymaster knows how to pay any special concessions or conditions you might have negotiated. Should you have any questions regarding an agreement, or how to become a signatory with a local, please call the Labor Relations section of our Legal department. Please note that payroll can be processed without the agreement on a non-union basis.

EP Signatory

Assumption Agreement

When Entertainment Partners acts as the primary signatory under certain union contracts, the client is required to sign an Assumption Agreement. The Assumption Agreement formally acknowledges the client’s obligation for any residual reporting and/or payments which may be required upon distribution of a project in certain markets (e.g., free TV, videocassette, pay/cable TV, etc.). The contracts currently involved are:

- Hollywood IATSE Basic Agreement
- Hollywood Basic Crafts Agreements (Locals 40, 78, 399 Drivers Agreement, 724, and 755)
- Local 399 Location Manager’s Agreement
- Local 399/817 Casting Director’s Agreement
- IATSE Videotape Agreement
- AFM Contracts (i.e., motion pictures or television)
If the client has signed an Assumption Agreement and is utilizing EP’s signatory status, EP will pay in accordance with the provisions of the applicable contract, including any penalties or premiums due the employee.

Please contact our Legal department’s Labor Relations section if you have any questions.

Non-Affiliates

There are three groups of employees (Producers, Post Production Supervisors and Accountants) who may be covered for MPIPHP (Motion Picture Industry Pension and Health Plan) benefits as non-affiliates under Entertainment Partners’ non-affiliate agreements with the MPIPHP. Along with the requirement of being an eligible production, the following criteria must also be met:

Producers Freelance Post-Production Supervisor

A. The employee must be performing services as an executive producer, producer, associate producer, or freelance post-production supervisor (as defined in the eligibility resolutions of the Plans).

B. The employee must be a non-affiliate employee. The term non-affiliate employee means each employee not within any unit or units covered by any collective bargaining agreement with any Union as defined in the Plans.

C. The employee’s principal employment with this Employer must satisfy the following requirements:
   i. The employee is on the payroll and under the supervision of an office of this Employer located in the Los Angeles area
   ii. The employee is hired to work and works in the Los Angeles area (unless sent from the Los Angeles area by this Employer to perform temporary services outside the Los Angeles area) in connection with motion picture production.

Notwithstanding the foregoing, a freelance post-production supervisor also meets the requirements of (C) if employed in the New York City Area.

Each eligible producer and freelance post-production supervisor must be offered the benefits and affirmatively elect to be covered (i.e., they must opt in). Election to Participate forms may be obtained from EP’s Legal department Labor Relations section.

NOTE: Eligible producers and freelance post-production supervisor are defined as those who are not entitled to have pension, health, and welfare contributions made to another industry plan on a particular project. For example, the hyphenate producer-writer or producer-director for whom pension and health plan contributions are being made under another plan (i.e., WGA or DGA) is ineligible for non-affiliate benefits. Also, production supervisors are ineligible for non-affiliate coverage.

Accountants

A. The employee must be performing services as a production accountant (as defined in the eligibility resolutions of the Plans).

B. The employee must be a non-affiliate employee. The term non-affiliate employee means each employee not within any unit or units covered by any collective bargaining agreement with any Union as defined in the Plans.

C. The employee’s principal employment with this Employer must satisfy the following requirements:
i. The employee is hired to work and works in the Los Angeles area (unless sent from the Los Angeles area by this Employer to perform temporary services outside the Los Angeles area) in connection with motion picture production.

ii. The employee is employed by the Employer in New York or New Jersey.

iii. The employee is hired by the Employer in New York or New Jersey to perform services outside those states, but within the limits of the US, its territories, and Canada.

All employees in these classifications must be offered the same benefits; if an employee chooses not to have non-affiliate benefits as an accountant, the employee must complete an opt-out form. Your paymaster can furnish this to you.

Coverage begins with the first day of employment and includes all weeks of employment.

**Union Dues**

Some union contracts provide for payroll deductions for union dues. In most cases, the employee must submit a **Dues Authorization Form** authorizing Entertainment Partners to withhold dues from their pay check. For details, please call the union in question.

**Pension, Health, and Welfare**

Pension, health, and welfare payments are charged at actual rates in strict accordance with the requirements of each union and plan. In accordance with the provisions of each plan, EP reports and processes contributions on either a weekly or monthly basis.

**Employee Benefits**

To ensure the correct pension, health, and welfare contributions are made on behalf of your employees, the guild, union, or local affiliation should be marked clearly on the employee’s Start Card. Any guaranteed hours or moneys should also be duly noted.

**NOTE:** Any per project or episodic ceilings can be automatically registered by our system **ONLY IF** the Time Cards clearly denote a unique number in the coding up to and including the episode number. Without this, the system will calculate on all dollars paid. **If you are not using a unique production number and ceilings apply,** it is necessary to advise your paymaster to cut off manually.

**Retroactive Pension, Health, and Welfare Adjustments**

Retroactive pension, health, and welfare adjustments require complete and accurate documentation. In some cases, this requires copies of the original Time Cards and contracts. Check with your EP Paymaster to determine if additional backup will be needed.
Chapter 7: Fair Labor Standards Act Overtime Adjustment

The federal FLSA (Fair Labor Standards Act) contains provisions requiring that certain types of penalty/allowance payments must be considered when determining an employee’s overtime rate. In addition, some labor agreements also specifically require this calculation to be performed (e.g., various Hollywood IATSE local agreements). Please note that federal provisions prevail unless a specific union contract provides better benefits. As a result, this law must be observed regardless of whether the union agreement specifically requires this calculation.

All non-exempt employees, both union and non-union, are subject to the FLSA overtime adjustments. Generally speaking, this adjustment requires adding any premiums (e.g., meal penalties, night premium) to an employee’s regular earnings and recalculating the effective rate for overtime. Under federal law, employees receive 1.5x after 40 hours in a week; therefore, for all hours worked after 40 hours, the overtime portion (i.e., the 0.5x of the 1.5x) is recalculated on the basis of the regular earnings and premiums.

For Example:

An Employee earning $10/hr works 50 hours in a week, broken down as follows:

\[
\begin{array}{c|c}
40\text{hrs} @ 1\times @ \$10.00 & \$400.00 \\
10\text{hrs} @ 1.5\times @ \$10.00 & \$150.00 \\
\hline 
\text{Total Wages Due} & \$550.00 \\
\end{array}
\]

PLUS the employee was entitled to 5 meal penalties of $50.00 — which triggers an FLSA recalculation.

To determine the FLSA overtime adjustment multiply the hours worked by the base hourly rate of $10.00 = $500 and now add in the meal penalties of $50 for a total of $550.00. Divide the adjusted wage amount by the hours worked (50) to get the new overtime rate of $11.00.

Now recalculate the Time Card using $11.00 for the overtime portion (.5x) only of the 1.5x:

\[
\begin{array}{c|c}
40\text{hrs} @ 1\times @ \$10.00 & \$400.00 \\
10\text{hrs} @ 1\times @ \$10.00 & \$100.00 \\
10\text{hrs} @ 0.5\times @ \$11.00 & \$55.00 \\
\hline 
\text{Total Wages Due} & \$555.00 \\
\end{array}
\]

The employee is due an FLSA overtime adjustment of $5.00.
Chapter 8: Trust Funds/Minors

All minors that are residents of California, New York, New Mexico, North Carolina, Pennsylvania, or Louisiana – no matter where they work – and any minor working in California, New York, New Mexico, North Carolina, Pennsylvania, or Louisiana – no matter whether they are residents – must have a minimum 15% of their gross earning deducted and placed in approved trust accounts.

Please note that no authorization is actually needed to deduct the statutory 15%. EP will automatically deduct 15% of the gross earnings for each paycheck the minor receives. It is the parent/guardian's responsibility to set up and provide bank information to the Minor's Trust department at EP.

For more information, contact Karen Alvarez at 818.955.6098, Sandra Criscione at 818.955.6099, or visit the EP website.

Minor Trust Deduction Guidelines – California

Under California law, all un-emancipated minors that are residents of California, no matter where they work, and any minor that works in California, no matter where they reside, must have a minimum of 15% of their gross earnings deducted and placed in approved trust accounts.

- A minimum of 15% must be withheld for California minors no matter where they work.
- A minimum of 15% must be withheld for non-resident minors working in California.
- A work permit is required of all minors working in California.
- Work permits will be valid for only 10 business days if proof of a blocked children’s trust bank account is not provided.
- It is the parent/guardian’s responsibility to provide bank information to EP.
- EP will hold trust deductions without bank information in a non-interest bearing account for 180 days. After 180 days, the funds will be remitted to the Actor’s Fund of America. EP’s responsibility for the funds will cease at this time.
- Deductions must be at least 15%. Parent/guardian may elect a higher percentage.

Minor Trust Deduction Guidelines – New York

New York law requires that all un-emancipated minors who are residents of New York working in New York, and any minor who works in New York, no matter where they are residents, must have at least 15% of their gross earnings deducted and placed in approved Child Performer trust accounts. Entertainment Partners and the State of New York require that certain information be provided to deposit money into the minor’s trust account.

- A minimum of 15% must be withheld for New York minors working in New York.
- A minimum of 15% must be withheld for non-resident minors working in New York.
- A work permit is required of all minors working in New York.
- It is the parent/guardian’s responsibility to provide bank information to EP.
- EP will hold trust deductions without bank information in a non-interest bearing account for 30
days. After 30 days, the funds will be remitted to the New York State Comptroller’s Office. EP’s responsibility for the funds will cease at this time.

- Deductions must be at least 15%. Parent/guardian may elect a higher percentage.

**Minor Trust Deduction Guidelines – New Mexico**

Under New Mexico law, 15% must be set aside for your child in a Blocked Trust Account, such as a UTMA or a UGMA account. It is imperative that the above checked items be forwarded to Entertainment Partners as soon as possible. Current New Mexico state law requires the trustee to send complete minor trust information to the employer within 15 days. In the event we do not receive the requested information within 90 days, the trust funds will be turned over to the District Courts in your area. If the earnings are under $1,000.00, they will be refunded to the minor after filming is completed.

- A minimum of 15% must be withheld for New Mexico minors working in New Mexico.
- A minimum of 15% must be withheld for nonresident minors working in New Mexico.
- It is the parent/guardian’s responsibility to provide bank information to EP.
- EP will hold trust deductions without bank information in a non-interest bearing account for 90 days. After 90 days, the funds will be remitted to the District Court. EP’s responsibility for the funds will cease at this time.
- Deductions must be at least 15%. Parent/guardian may elect a higher percentage.

**Minor Trust Deduction Guidelines – Louisiana**

Louisiana law requires that 15% must be set aside for your child in a Blocked Trust Account, such as a UTMA or a UGMA account. It is imperative that the above checked items be forwarded to Entertainment Partners as soon as possible. Current Louisiana state law requires the trustee to send complete minor trust information to the employer within 30 days. In the event we do not receive the requested information within this time, the trust funds will be turned over to the State of Louisiana Treasury Department.

- A minimum of 15% must be withheld for Louisiana minors working in Louisiana.
- A minimum of 15% must be withheld for nonresident minors working in Louisiana.
- It is the parent/guardian’s responsibility to provide bank information to EP.
- EP will hold trust deductions without bank information in a non-interest bearing account for 30 days. After 30 days, the funds will be remitted to the Treasurer of the State of Louisiana. EP’s responsibility for the funds will cease at this time.
- Deductions must be at least 15%. Parent/guardian may elect a higher percentage.

**Minor Trust Deduction Guidelines – North Carolina**

Under North Carolina law, 15% must be set aside for your child in a Blocked Trust Account, such as a UTMA or a UGMA account. It is imperative that the above checked items be forwarded to Entertainment Partners as soon as possible. Current North Carolina state law requires the trustee to send complete minor trust information to the employer within 10 days. In the event we do not receive the requested information, the trust funds will be turned over to the Treasurer of the State of North Carolina.
• A minimum of 15% must be withheld for North Carolina minors working in North Carolina.
• A minimum of 15% must be withheld for nonresident minors working in North Carolina.
• It is the parent/guardian’s responsibility to provide bank information to EP.
• EP will hold trust deductions without bank information in a non-interest bearing account for 90 days. After 90 days, the funds will be remitted to the Treasurer of the State of North Carolina. EP’s responsibility for the funds will cease at this time.
• Deductions must be at least 15%. Parent/guardian may elect a higher percentage.

Minor Trust Deduction Guidelines – Pennsylvania

Pennsylvania law requires that 15% must be set aside for your child in a Blocked Trust Account, such as a UTMA or a UGMA account. Please note it is imperative that the above checked items be forwarded to Entertainment Partners as soon as possible. In the event we do not receive the requested information, the trust funds will be turned over to the Actor’s Fund.

• A minimum of 15% must be withheld for Pennsylvania minors working in Pennsylvania.
• A minimum of 15% must be withheld for nonresident minors working in Pennsylvania.
• It is the parent/guardian’s responsibility to provide bank information to EP.
• EP will hold trust deductions without bank information in a non-interest bearing account for 15 days. After 15 days, the funds will be remitted to the Treasurer of the State of Pennsylvania. EP’s responsibility for the funds will cease at this time.
• Deductions must be at least 15%. Parent/guardian may elect a higher percentage.
Chapter 9: Direct Deposits and Credit Unions

Entertainment Partners distinguishes between deposits to an employee’s credit union account and to a direct deposit to a bank account.

Credit Union Automatic Deductions

Entertainment Partners currently has relationships with the following industry credit unions:

- CBS Credit Union: 323.937.3982
- First Entertainment Federal Credit Union: 888.800.3328
- Fox Federal Credit Union: 310.432.2349
- NBC/Universal Credit Union: 818.840.3433
- Technicolor Federal Credit Union: 818.973.4900
- Universal City Studios Credit Union: 818.333.3962
- Musicians Interguild Credit Union: 323.462.6447

Employees who want voluntary deductions deposited into these credit unions should contact the credit union. Employees who have authorized a credit union to make deductions should have their credit union forward the appropriate information to EP.

Deposit to Employee’s Account

Each morning, Entertainment Partners remits all credit union deductions from the previous day for disbursement to the appropriate credit union. EP has no control over, or responsibility for, when the credit union updates the employee’s account.

Direct Deposit to Bank Accounts

Clients may arrange with EP Marketing to activate direct deposit for their employees. All direct deposits are for 100% of the net of the employee’s check only and are to one account only (i.e., may not be distributed across multiple accounts). Each employee must sign an authorization form agreeing to the terms and conditions.

Also, please note that we will only deposit into the entity for which the payment is issued (i.e., we cannot deposit to a 3rd party account). If the payment is to a corporation the account must be a business account, and if the payment is to an individual, then the account must be an individual account.

Deposit to Employee’s Account

Each evening, Entertainment Partners processes direct deposit payments — at 7:00 pm and at midnight on Monday, Tuesday, and Wednesday, and at 7:00 pm on Thursday and Friday. EP has no control over, or responsibility for, when the banks credits the employee’s account.
Chapter 10: EP Tax Notes

Please refer to this section regarding any specific tax notes that may apply to states in which your production is performing work, or in which your production employees reside.

City/County Withholding Requirements

Many states require city and county withholding in addition to state withholding, therefore it is always extremely important that the correct work/resident state/city/county is denoted on both the Start Card and the Time Card.

In particular, see the links below for useful information on states with unique withholding requirements:

- Ohio: [https://thefinder.tax.ohio.gov/StreamlineSalesTaxWeb/default_municipal.aspx](https://thefinder.tax.ohio.gov/StreamlineSalesTaxWeb/default_municipal.aspx)
- Pennsylvania: [http://munstatspa.dced.state.pa.us/FindLocalTax.aspx](http://munstatspa.dced.state.pa.us/FindLocalTax.aspx)

State Disability Plans

The following states and US Territories have disability plans:

- California
- Hawaii
- New Jersey
- New York
- Puerto Rico
- Rhode Island

Tax Incentive State Withholding Requirements

Following are some guidelines for unique withholding requirements in certain states. This is not meant to be a comprehensive guideline to tax incentive reporting, but rather, useful information to set up your employees to be paid correctly to take benefit of tax incentive benefits.

**Massachusetts Film Tax Credit**

The regulations (830 CMR 62B.2.3, Motion Picture Production Company Withholding) require that the production company be registered for Performer Withholding and require there be Massachusetts withholding on payments to loan-out companies and independent contractors if those payments are to qualify for the credit. The Massachusetts withholding must be reported and paid under the name and EIN of the production company.

[Register your business or service company and create an account to use WebFile for Business to manage Massachusetts state tax obligations.](#)
The withholding regulations also require that the loan out company, its employee, and the production company sign a certificate providing tax reporting information to Massachusetts. The production company has to submit that information with its application for the tax credit.

**Fill out the Loan-Out Affadavit/Allocation form to be submitted to the Massachusetts Department of Revenue.**

The production company can use Entertainment Partners (EP) to handle the reporting and withholding obligations in connection with its employees. Employees residing or working in MA cannot claim EXEMPT on their W-4 unless they are a full-time student engaged in seasonal, part-time, or temporary employment earning less than $8,000/yr.

The EP Payroll Tax Department can also handle the administrative details of making payments to loan-out companies and can collect and remit any Massachusetts withholding on behalf of the production company. To facilitate this, the production company must assign GEP ATL, LLC as the Professional Tax Preparer once registration is complete, preferably before the first payroll.

**Michigan Film Tax Credit**

Production companies must apply for film incentives prior to incurring any expense in Michigan. Qualifying expenses are counted from the date of approval.

**Complete the production incentive application and submit it to the Michigan Film Office.**

For film credits and incentives, Michigan requires 4.35% withholding on all loan-outs, regardless of registration with the state. EP must have a Loan-Out Tax Withholding Authorization & Indemnification Agreement form signed by both the Producer and Studio prior to any withholding. Production companies must also register for Michigan taxes, since all loan-out withholding are required to be transferred to their account (via Form 4737, submitted by EP) at the end of the production.

**Register for Michigan taxes by completing the online form.**

Withholding is also required from employees if their wages are to qualify for the credit. Employee W-4s with EXEMPT or more than 9 exemptions are forwarded to Michigan Dept. of Treasury for review, and historically, they have always responded with an order to withhold based on 1 exemption. To avoid this, it is advisable for employees to claim their correct number of exemptions.

**New Mexico Film Tax Credit**

New Mexico, for film credits and incentives, requires 4.90% withholding on all loan-outs, regardless of registration with the state. All the forms needed to claim the credit are listed on the New Mexico Film Office website. EP must have a Loan-Out Tax Withholding Authorization & Indemnification Agreement form signed by both the Producer and Studio prior to any withholding.

**Miscellaneous Employer Taxes**

In addition to the standard employer taxes, (i.e., FICA, FUI, and SUI), the following represent additional obligations:
Nevada Excise Tax
The state of Nevada imposes a tax of 0.63% of employee's FICA subject wages for each individual working in the state.

Chicago, IL, Expense Tax
Chicago levies a tax of $4 per month for each employee working within the city.

Denver, CO, Occupational Tax
Denver assesses both an employee tax and an employer tax for each month an employee works within the city. The rate is $4.00 for the employer tax and $5.75 for the employee withholding.

Aurora, CO, Occupational Tax
Aurora assesses both the employee and employer $2 for each month per employee working in the city.

Hawaii
Mandatory health insurance is assessed on all employees working four weeks or more if they are not already covered by an existing plan.

Massachusetts
Health insurance (employer expense) is 0.48% of an employee’s gross wages up to a limit of $14,000. Employees covered under the State Unemployment Insurance are covered under the Massachusetts Health Insurance Plan.

New Mexico
The Personnel Assessment Fee for the employer is $2.30 per month per employee. The employee deduction is $2 per quarter.

New York MTA
The Metropolitan Commuter Transportation Mobility Tax (MCTMT) requires an employer pay 0.34% of gross wages for the Southern Counties of New York State.

San Francisco, CA
An employer-only payroll tax is based on the employee's wages subject to FICA subject wages at 1.5% and applies to both the city and county of San Francisco.

San Francisco Health Care Security Ordinance (HCSO)
Businesses with 20 or more employees (and nonprofit organizations with 50 or more employees) must spend a minimum amount on health care benefits for each of their covered employees – generally,
those employees who work 8 or more hours per week in San Francisco and have been employed for more than 90 days.

**St. Louis, MO, City Tax**
St. Louis assesses employers 0.5% of an employee’s gross wages and requires 1.0% to be withheld from the employee’s gross wages.

**Oregon**
Tri-Met Transportation requires 0.7018% of wages subject to SIT for those working in Washington, Clackamas, and Multnomah counties. Lane County District requires 0.68% of wages subject to SIT for those working in Eugene, Springfield, and Lane counties. Personnel Assessment requires 1.4 cents per hour per employee and employer.

**Pittsburgh, PA**
Pittsburgh employer expense tax 0.55% of subject wages due quarterly.

**State Handling Fee Taxation**
States generate revenue through various forms of taxation, such as Personal and Corporate Income Taxes, Sales and Excise Taxes, and Property and Payroll Taxes. Another form of taxation on businesses is through a Gross Receipts Tax (GRT), which is imposed on the gross revenue of a company. This type of tax is similar to a sales tax and is imposed on most business types, including our payroll and administrative services. We collect either the sales tax or GRT directly from our clients, based on the following state requirements:

Gross Receipts Tax on all or a portion of our invoice components:
- Hawaii – our handling fees (HF) are subject to a rate of 4.5%
- New Mexico – for a) Super Loan-Out clients, the gross billings are subject to 5.125%; for b) all others, the HF are subject to a rate of 7%

Sales Tax on all or a portion of our invoice components:
- Connecticut – our handling fees are subject to 6.35%
- South Dakota – our **gross billings** are subject to 6.0%
- West Virginia – our handling fees are subject to 6.0%

In both cases – GRT and Sales Tax – our invoice programming depicts the amount as GRT. We are aiming to separately label the two types of taxes in 2013.

We realize these taxes represent an added burden and appreciate our clients understanding that these states are requiring the collection and remittance of the tax.
Canadian Taxation – General Info

Entertainment Partners withholds Canadian tax from non-residents working in Canada. This includes the Regulation 105 taxation of behind-the-scenes staff and crew, and the Part XIII taxation of actors, to include anyone in front of the camera.

We also withhold Canadian Provincial tax for anyone working in the Province of Québec. We do not withhold Provincial taxes for any other Canadian provinces or territories at this time.

In addition, we withhold tax on box rental payments.

Taxes in Canada are withheld for both individuals, and individuals being paid as loan-out corporations. Canada does not make a distinction as the US does.

Current taxes withheld, as of January 1, 2013, are as follows:

- Actors are taxed at a flat 23%
- Behind-the-scenes crewpersons are taxed at a flat 15%. Individuals pay 10% on their first $5000.00 earned. Loan-out crewpersons are just flat 15%.
- Box rentals are taxed at a flat 10%. Tax waivers never include box rentals.
- Québec Provincial tax is an additional flat 9%.

It should be noted that the above percentages are what EP is required to withhold from the employee working in Canada. An employee may actually owe more or less tax to CRA (Canada Revenue Agency) at the end of the year, depending on Canadian residency status, income tax bracket, waiver status, etc. It is very important that each employee be in touch with their own personal tax accountant, preferably one with knowledge of the Entertainment Industry, AND with experience dealing with international taxation issues. Per the Canada Revenue Agency website and other printed documentation, most employees are required to file a Canadian Income Tax Return, the T1 for Individuals and the T2 for Loan-Out Corporations. The CRA website has tax packages available for free download, though consulting with a personal accountant is strongly advised.

Exchange Rate

While different productions come up with different exchange rates for their own budgeting purposes, EP always pays employees in US dollars only. You could think of this as using a 1:1 exchange rate, if your books are being kept in Canadian dollars. We can unfortunately not accommodate varying exchange rates for different productions in the payment of income or per diem calculations. Per the Canada Revenue Agency, we must convert from US dollars to Canadian dollars using an official exchange rate provided at the end of each year.

Tax Waivers

Behind-the-Scenes employees are eligible to apply to the CRA for a waiver of Regulation 105 withholding. If approved, no Canadian source withholding will occur during the period of the waiver, during the time frame stated on the waiver, for the specific services stated on the waiver, and for that one show only. So if you have a Director/Producer working in Canada, he will need a tax waiver which states that both Director Services AND Producer Services have been approved for the waiver. If payments have been made to the employee prior to the receipt of the waiver, once the waiver comes in it may NOT be retroactively applied to those payments...even if they were for work done within the
waiver period. So if you expect a waiver for an employee, you would have to hold payments to them in order to take advantage of the waiver.

Actors are not eligible for Regulation 105 waivers, since they are not paid under Regulation 105 of the Canadian Income Tax Act; they are instead paid under Part XIII. And while there are technically no waivers of Part XIII tax, there is something similar called a Reduction of Withholding Tax under subsection 212 (5.3) of the Canadian Income Tax Act.” The actors EP pays generally do not meet the requirements of this income tax reduction, but they are welcome to apply for it, and if granted, a copy should be forwarded to the paymaster with other timecard paperwork.

Both actors and behind the scenes crew can apply to the Province of Québec for a provincial tax waiver.

Taxation of box rentals is never waived. This is another Part XIII tax that has nothing to do with Regulation 105, and therefore a Regulation 105 tax waiver is not applicable. There is no reduction available for box rental tax either. And to make matters even more confusing, there is sometimes verbiage on the waiver documentation that states that, “Payments from Canadian residents such as interest or rental fees for the use of equipment in Canada are subject to a 25% withholding tax under Part XIII of the Canadian Income Tax Act when paid to a non-resident of Canada.” Some employees want to avoid the box rental tax by stating that EP is not a Canadian resident corporation, and therefore the tax does not have to be withheld. However CRA recognizes the dual-employer setup common in the Film Industry (The production company is a Canadian resident corporation while EP is a non-resident corporation), and therefore CRA extends the requirement to withhold box rental tax accordingly. Information Circular IC77-16r4e clarifies this in the following excerpt from section 10:

10. Any non-resident person who pays or credits any of the following amounts to another non-resident must withhold Part XIII tax from the amount: (a) rent for the use of property in Canada (other than railway rolling stock)

Therefore, we must unfortunately always withhold the 10% Canadian tax on box rentals.

**Waiver Process**

The production should forward any approved waivers to their EP paymaster. This information will be entered into our system at that time, and going forward Canadian taxes will not be withheld for the duration of the waiver period. The production will need to apply to Canada and/or Québec for an extension of the waiver, should one be needed. When Canadian tax is waived, we automatically withhold any US taxes due instead, as appropriate. The Canadian waivers have verbiage on them now that prevents us from retroactively applying them to payments already made to the employee. If you know a waiver is coming, the only legal way for us to not withhold Canadian tax from any payments for work within that waiver period, is to hold payments and wait until after the receipt of the approved waiver. The CRA is also increasingly requiring employees to have filed previous year tax returns, prior to issuing new waivers. If the employee worked for EP in the past, we will be happy to provide duplicate tax forms to assist the employee in this situation.

**Per Diem and Lodging**

Canada does not have anything called a “living allowance.” The production must break out on the timecard how you would like to report any of these types of allowances for your paymaster. Per diem in Canada is reserved for meals only, and lodging is for lodging accommodations only. That said, as long as the employee stays under the Canadian allowables below, no receipts are required and we do not ask for proof of how these monies were in fact spent. Anything over these allowables needs to be taxed at the usual rates.
Canada has its own rules regarding the payment of per diem for meal allowances. We are required to withhold tax on any portion of the per diem payment beyond what is allowable. The Canadian allowable amounts are different than the US OCONUS allowables. (If you are looking for the OCONUS allowables for Canada, you can find them here on the US Department of State website). Our payroll system is programmed to automatically handle the Canadian per diem and lodging tax calculations, as long as the production submits time cards with the correct number of work days indicated. If per diem is being paid for a period different from the number of work days on the same check, the production needs to notify the paymaster of this, and the paymaster can manually correct the system calculation.

**Canadian Allowables**

<table>
<thead>
<tr>
<th>Per Diem (meals):</th>
</tr>
</thead>
<tbody>
<tr>
<td>Crew $45.00 per day is allowable for meals for crew.</td>
</tr>
<tr>
<td>Actors $100.00 per day is allowable for meals for actors.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Lodging (hotel or house/apartment rent):</th>
</tr>
</thead>
<tbody>
<tr>
<td>Crew $100.00 per day is allowable for lodging for</td>
</tr>
<tr>
<td>Actors No special lodging.</td>
</tr>
</tbody>
</table>

Tax on the non-allowable portion of Canadian per diem will show up on an edit, and under the Voluntary Deduction section of an employee’s Detail Earnings Report or Paycheck as an item identified as CNC-DM for crew, and as an item identified as CNDIEM for actors. Tax on the non-allowable portion of Canadian lodging will show up as CNLODG for crew. Since actors get no special lodging allowance, all of their lodging is taxed at 23%, and it is lumped together with other work state tax.

**End of Year**

Just as all employees are issued US W2’s and 1099’s at the end of the year, all employees who have worked in Canada will be issued the Canadian equivalents to these forms:

- Crewpersons are issued T4A-NR forms.
- Actors are issued NR4 forms.
- Anyone working in Québec is issued the Relévé 1 form (RL-1).
- Any box rentals will be reported on an NR4 form.
- Canadian residents who earned residuals are issued T4A forms.

The US W-2 and 1099 will be mailed out to employees by the last day of January each year. The Canadian forms will be mailed out by the last day of February each year. These dates are the legal deadlines established by each country’s tax authority.

Dollar amounts on the Canadian tax forms are reported in Canadian dollars, using the official annual exchange rate provided by the Bank of Canada. This rate is printed on the back of each form. Amounts reported to Canada on the Canadian tax forms are ALREADY INCLUDED in the employee’s corresponding US W-2 and 1099 forms; the employee should not add these numbers together or they will be as much as doubling their income and tax!

Should the employee need duplicate forms mailed, or should corrections need to be made, the employee should contact us directly and provide any documentation requested. EP will not make any adjustments of this sort without the written approval of the production/studio.
As a general rule, refunds can only be made by EP prior to December 31 of the current year. Any refunds necessary after that point will need to be requested from the Canada Revenue Agency, when the employee files their tax return.
Chapter 11: Workers’ Compensation

Entertainment Partners calculates Workers’ Compensation on all hours worked or guaranteed at the straight-time labor rate, not on gross payroll, which typically includes overtime pay. We also classify each employee by his/her job description with the appropriate Workers’ Compensation rate as set forth by each state. For example, a Director is classified at the talent rate; accountants and writers are classified at the clerical rate.

**NOTE:** If you have employees who are typically considered *production* employees, but who, however, are working in clerical positions, please specify this on the employee’s Start Card. For example, we assume a P.A. is a typical production classification; if any particular P.A. is strictly in the office, please indicate this on the Start Card as *office P.A.* or *clerical*, etc.

Certain activities require prior approval (e.g., aircraft, watercraft, stunts, foreign locations). Any questions regarding Workers’ Compensation rates should be addressed to our Risk Management department by emailing [insurance@ep.com](mailto:insurance@ep.com).

**Claims**

The Workers’ Compensation policies cover any employee on Entertainment Partners’ payroll worldwide. All Workers’ Compensation claims are coordinated in the Burbank office. Each state has different laws and requirements for the reporting of work-related injuries and illnesses, and many states have enacted legislation that can levy heavy fines for late or improper reporting. Therefore, it is imperative that claims be reported within 24 hours of the notice to you by the employee.

Claims are reported by calling our toll free number — **800.955.HURT (4878)** — between the hours of 8:00 am and 6:00 pm (Pacific), Monday through Friday. Claim information may also be faxed to 818.559.3283 or emailed to [claims@ep.com](mailto:claims@ep.com) by using the EP Injury Report Form that can be downloaded from the EP website. EP will complete the necessary forms and report the Workers’ Compensation claim. However, please note that it is the responsibility of the Production Company to maintain and update all OSHA logs and reports.
Chapter 12: Affordable Care Act (ACA)

Entertainment Partners has created a family of products and services that make ACA compliance simple and affordable, reducing the client’s burden of responsibility.

Basic Services

EP provides various complimentary ACA services to its clients, including:

- Dedicated ACA department
- Automated Notice of Exchange (NOE): EP has created an online automated template generator to assist employers with the NOE requirement. Employers can simply submit their production company information online and a customized template will be generated. For more details, please visit our website at https://www.ep.com/aca_production_companies_noe/
- W-2 reporting of employer-paid health care coverage
- Employee paycheck deductions within ACA affordability limit to minimize employer health care costs
- Start Cards and Time Cards are ACA-compliant:
  - Start Cards now include an NOE checkbox and employment status categories. In order for EP to help clients track health insurance eligibility, it is necessary that Start Cards indicate the employment status: Full-time, part-time, seasonal, and variable.
  - Time Cards include an area for termination date. When an employee is terminated or laid off, the production company must complete the “layoff/termination date” field in the EP Time Card by identifying the layoff/termination date. An employee is considered terminated/laid off when there is no reasonable expectation of re-employment.
- Obtain union benefit plan minimum value coverage and affordability certificate
- ACA consulting and evaluation assistance
- EP payroll reports showing full-time activity across all shows/EINs in controlled group
- ACA Compliance Center: EP had developed specialized web pages containing ACA updates, information, and downloadable help documents tailored specifically for both production companies and production workers. These websites can be accessed by visiting EP’s ACA Compliance Center at http://www.ep.com/aca/.
- Updates on ACA changes and industry-specific impact
- ACA explanatory materials

EP Cares™ Insurance Solution

EP has partnered with Anthem Blue Cross and Lockton Companies to create the EP Cares™ Insurance Program, an all-in-one, ACA-compliant, entertainment industry solution that includes insurance, enrollment, administration, support and program management for full-time non-union production crew. The EP Cares™ Insurance Program is fully implemented and began offering coverage to hundreds of productions’ non-union workers starting on January 1, 2014 in California and New York.
The EP Cares™ Insurance Program includes the following features:

- ACA-compliant insurance offering for non-union production workers
- EP manages all financial, administrative, and compliance responsibilities
- Available to entire entertainment industry, irrespective of payroll provider
- EP has integrated the insurance process into existing payroll procedures
- Multiple ACA-compliant medical plan options, including HMO and PPO, with optional dental, vision, life, and AD&D insurance
- No additional fees beyond competitive insurance premiums
- Program rates assessed across the entire non-union production worker pool instead of on a per-company basis, resulting in low premiums that are uniform across the entire industry with no additional fees
- Transferable coverage for workers across participating production companies
- Employee deductibles and out-of-pocket maximums are transferable across different employments if in the same plan during a calendar year
- EP Cares™ Contact Center representatives will assist both production companies and workers with insurance inquiries, onboarding, enrollment, and ongoing support

For more information, please call 855.339.7350 or email epcares@ep.com.

Other Health Insurance

Employees also have direct access to health benefits. An innovative Self-Pay program is available, designed specifically for production workers and other temporary employees who may be unable to qualify for union benefits or employer-sponsored programs. For more information, please call 866.206.8493.

Data & Reporting Tool

EP has developed the EP Data & Reporting Tool to collect, track, and manage production worker activity across all shows in the controlled group for health benefit eligibility purposes. The primary features of the tool include the following:

- Collect and aggregate payroll data from all payroll providers and in-house payroll systems across all shows, production companies, and divisions within a controlled group
- Track and record hours to determine worker status for health benefit eligibility
- Aggregate payroll data across all payroll systems to assess measurement and stability periods, administrative periods, and breaks in service
- Transmit relevant payroll data to health insurance administrator(s)
- Generate the information needed for the client to prepare and file IRS 6056 reports for government reporting for each calendar year
- Provide for role-based security, allowing different access levels for corporate, division, and show personnel
- Supply data stewardship services including code mapping, organizational structure maintenance, and quality assurance through automated validation testing
• Generate advanced and multiple workforce reports
• Allow users via cloud platform to access data through the web from anywhere and on any device
• Provide full ACA consulting and compliance advisory services including determination and selection of measurement, stability, and administration periods

Management Reporting Services

EP provides ACA Management Services, which facilitates client preparation and filing of all necessary IRS 6056 returns and assists clients in fulfilling their recordkeeping obligations and includes:

• Tracking data in 2015 for 2016 filings with IRS
• Filing individualized employee returns (6056) with IRS for each full-time employee
• Providing necessary 6056 reporting statements to all full-time employees
• Retrieving necessary information from labor management plans for union full-time employees
• Coordinating all aspects of ACA services offerings in which the client participates
• Managing communication with the IRS
Chapter 13: Miscellaneous

MPRF/PCC Deductions

The Entertainment Industry Foundation, also known as Permanent Charities Committee (PCC) and the Motion Picture Relief Fund (MPRF) send EP a weekly magnetic tape of active donors. This tape automatically sets up deductions for these funds. For this reason, if an employee would like to stop this deduction, s/he must go directly to the fund. The telephone numbers are:

- PCC: 213.240.3900
- MPRF: 818.876.1931

Workplace Health and Safety Laws

All requirements relating to workplace health and safety laws, including training, prevention, investigation, reporting, and recordkeeping are the responsibility of the production company. Note that for Cal-OSHA (applies to any production filming in California), productions must report any serious injury or fatality directly to the California Division of Occupational Safety & Health as soon as practically possible and not later than 8 hours of occurrence (extended to 24 hours in case of exigent circumstances). These requirements are separate from, and in addition to, reporting workers’ compensation claims to Entertainment Partners.