



GOVERNOR'S OFFICE OF BUSINESS AND ECONOMIC DEVELOPMENT

STATE OF CALIFORNIA ♦ OFFICE OF GOVERNOR EDMUND G. BROWN JR.



California Competes Tax Credit

Governor's Economic Development Initiative (GEDI)

Hiring Tax Credit (New Employment Credit)

- Started January 1, 2014
- Administered by Franchise Tax Board
- FAQs at www.ftb.ca.gov



Manufacturing Partial Sales Tax Exemption

- Started July 1, 2014
- Administered by Board of Equalization
- FAQs at www.boe.ca.gov



California Competes Tax Credit

- Started March 2014
- Administered by GO-Biz



The California Competes Tax Credit

California Competes Tax Credit:

- Credit against the income tax due the Franchise Tax Board
- Non-refundable
- 6 tax year carryover
- Legislation signed by Governor Brown in September 2014 allows the credit to offset Alternative Minimum Tax (AMT)

Accountability:

- Tied to achieving contractual (hiring / investment) milestones
- Recapture provisions

Evaluation Factors

Credit awards are based on 11 factors:

- Number of jobs created or retained
- Compensation paid to employees
- Amount of investment
- Extent of unemployment or poverty in business area
- Other incentives available in California
- Incentives available in other states
- Duration of proposed project and duration of commitment to remain in this state
- Overall economic impact
- Strategic importance to the state, region, or locality
- Opportunity for future growth and expansion
- Extent the benefit to the state exceeds the amount of the tax credit

Tax Credit Availability

Tentative Amount of Credits Available:

- \$200 million in each fiscal year 2015/16 – 2017/18

Note:

- No more than 20% may go to any one applicant per fiscal year
- 25% of total amount each fiscal year reserved for small businesses

Application Periods

The Director of GO-Biz sets the application periods each fiscal year

Fiscal Year 2015-2016:

July 20, 2015 – August 17, 2015

- \$75 million available

January 4, 2016 – January 25, 2016

- \$75 million available

March 7, 2016 – March 28, 2016

- \$50.9 million plus unallocated amounts from previous application periods

Application Process

- Online application submission:
<https://www.calcompetes.ca.gov>
- Notices and technical assistance:
www.business.ca.gov/CalCompetes.aspx
- Unsuccessful applicants may resubmit applications in the next application period in the same fiscal year after updating the **Employees** and **Investment** sections and **Current Tax Year**
- All applications expire at the end of each fiscal year

The Application

Sections	
Contact Information	Not Started >
Business Information	Not Started >
Business Structure	Not Started >
Proposed Project	Not Started >
Project Locations	Not Started >
Employees	Not Started >
Investment	Not Started >
Ownership	Not Started >
Incentives and Programs	Not Started >
Litigation and Violations	Not Started >
Consultant Questions	Not Started >

Submit Options Report Phase II

Two Phase Evaluation Process

- Phase I is an automated process in which the applicant's requested tax credit, aggregate employee compensation, and aggregate investment are evaluated to determine a cost-benefit ratio (return on investment) for the state
- Phase II evaluates applicants based on eight additional factors including the Phase I ratio calculation

Note:

- Applications from small businesses will be compared to applications from other small businesses
- Applicants certifying that absent award of the credit the project will/may occur in another state will be moved to Phase II

Phase I Evaluation

Cost-Benefit Ratio:

Amount of Credit Requested

Aggregate Employee Compensation + Aggregate Investment

Note:

- Applications with the most advantageous cost-benefit ratio will be moved to Phase II
- There will be a review of the top 200% of applicants

Phase II Evaluation

- Phase I information
- Extent of unemployment / poverty
- Other incentives available
- Economic impact
- Strategic importance
- Number of retained employees
- Opportunity for growth/expansion
- Salary / benefits
- Other information requested

Note: Evaluated factors are in no particular order

Agreements

Terms and conditions of the agreements include:

- Minimum employee compensation and retention period
- Credit distribution period
- Recapture provisions if applicant fails to meet commitments

Tax credit agreements must be approved by California Competes Tax Credit Committee

- Committee Members: State Treasurer, Director of the Department of Finance, two legislative appointees, and the Director of GO-Biz (Chair)

Post Committee Approval

GO-Biz is required to post on its website the following information:

- The name of each applicant awarded a credit
- The estimated amount of investment by each awardee
- The estimated number of jobs created or retained
- The amount of the credit allocated to the awardee
- The amount of the credit recaptured from the awardee, if applicable

Oversight / Accountability

Franchise Tax Board (FTB)

- Access to application and all documentation
- Will review books/records for agreement compliance unless the recipient is a small business
- May review books/records for agreement compliance if the recipient is a small business

Material Breach

- FTB informs GO-Biz
- Committee approves or denies recapture

Awardees

Nearly \$180 million in tax credits awarded to date

- 35,000 jobs and \$9 billion in investments
- Awardees include:



NORTHROP GRUMMAN



Honeywell

SKECHERS



Gordon Brush Mfg. Co., Inc.
BIGGER BETTER BRUSH IDEAS



esri®

U.S. CORRUGATED, Inc.

California Competes Tax Credit

Questions?



Apply: www.CalCompetes.ca.gov

Email: CalCompetes@gov.ca.gov

Phone: (916) 322-4051

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www.business.ca.gov/CalCompetes.aspx