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
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

  - $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

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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)
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:
California Competes Tax Credit

Questions?

Apply:  www.CalCompetes.ca.gov
Email:  CalCompetes@gov.ca.gov
Phone: (916) 322-4051

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