



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

California Competes 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

Award 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

Evaluation and Approval Process

PHASE I

- Quantitative analysis
- Cost-benefit ratio

Amount of Credit Requested

Aggregate Employee Compensation + Aggregate Investment



PHASE II

- Qualitative analysis
- Evaluates applicants based on eight additional factors plus Phase I ratio



GO-Biz is required to post:

- Name of each awardee
- Number of jobs to be created
- Amount of investment
- Amount of credit allocated
- Amount of credit recaptured



- Agreements include: credit distribution period, recapture provisions, minimum employee compensation
- Must be approved by the California Competes Tax Credit Committee

**POST COMMITTEE
APPROVAL**

AGREEMENTS

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



Eldorado
National



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

Governor's Office of Business & Economic Development
1325 J Street, Suite 1800
Sacramento, CA 95814

www.business.ca.gov/CalCompetes.aspx