ALERT

California Competes Tax Credit Program - Apply Now!

The "California Competes Tax Credit" is an income tax credit available to businesses that are expanding or relocating to California. The program was created to attract and retain high-value employers in California industries with high multipliers and to provide their employees good wages and benefits.

Tax credit agreements are negotiated by GO-Biz (the state's economic development office) and approved by a "California Competes Tax Credit Committee". The next committee meetings will be held on April 13, 2017 and June 15, 2017.

Program Highlights

- Any business can apply, even a business that is not currently located in California who may be considering a location in California.
- There are no fees to apply.
- No more than 20% of the annual tax credits may go to any one applicant.
- 25% of annual tax credits are reserved for small businesses with worldwide gross receipts not exceeding $2 million for the most recent tax year.
- The application process is highly competitive.
- Tax credit awards are tied to achieving contractual (hiring / investment) milestones in California.
- Recapture of tax credits may occur if milestones are not achieved.

Application Periods

- For the January 2, 2017 through January 23, 2017 application period, $100 million of tax credits are available; and
- For the March 6, 2017 through March 27, 2017 application period, $68.3 million of tax credits are available.

Application Process

- The minimum amount of tax credit that a business can request is $20,000.
- Applications are submitted online at: www.calcompetes.ca.gov
- Notices and technical assistance is located online at: www.business.ca.gov/Programs/CaliforniaCompetesTaxCredit
- The application process takes approximately 90 days from start to finish.
- An unsuccessful application may be resubmitted during the next application period provided the jobs and investments are modified.
- Phase I of the application review process is a cost / benefit analysis whereby the tax credit requested is compared to the total proposed investment and employee compensation. The Phase I analysis can be bypassed when a responsible officer of the business certifies that the project will not occur in California without a credit award.
- Phase II is a qualitative analysis based on the following factors:
    1. Number of jobs to be created or retained by the business;
    2. Annual compensation paid to employees;
    3. Amount of the proposed investment;
    4. Duration of the proposed project and duration of the commitment to remain in California;
    5. The extent of unemployment or poverty in the area within California where the business is located;
    6. Potential benefit to California v. the proposed tax credit award;
    7. Competing incentives offered by other states;
    8. The opportunity for future growth and expansion of the business in California;
    9. Other incentives that are available to the business in California;
    10. The overall economic impact of the business in California; and
    11. The strategic importance of having the business operate in the specific area within California.

Tax Credit Mechanics

- The tax credit is not refundable, but can be carried forward for up to five- tax-years.
- The tax credit is applied to income tax owed to the California Franchise Tax Board.
- The negotiated tax credit agreement specifies when the tax credit may be claimed.
- An S-Corporation can use one-third of the tax credit at the entity level, and 100% of the tax credit passes through to the shareholders.

For additional information regarding the California Competes Tax Credit Program,
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