



California Competes Tax Credit FAQ

General

1. What is the California Competes Tax Credit?

The California Competes Tax Credit is an income tax credit available to businesses that want to locate in California or stay and grow in California. Tax credit agreements will be negotiated by GO-Biz and approved by a newly created "California Competes Tax Credit Committee," consisting of the State Treasurer, the Director of the Department of Finance, the Director of GO-Biz, one appointee from the Senate, and one appointee from the Assembly.

2. How much in tax credits will be available each year?

The tentative amount of credits that GO-Biz can allocate is as follows:

- \$30 million in fiscal year 2013/14.
- \$150 million in fiscal year 2014/15.
- \$200 million in each fiscal year 2015/16 through 2017-18.

Application Timeline and Process

1. When and how can businesses apply for the California Competes Tax Credit?

GO-Biz plans to start accepting applications around March/April 2014. The Director of GO-Biz will determine when the applications can be submitted. More details will be available on GO-Biz's website in the coming weeks.

2. Is there a fee to apply for the California Competes Tax Credit?

No, there is no fee to apply for the credit.

3. How long will the process take from application to award?

Upon opening of the application period, we anticipate the process will take approximately 90 days.

4. If not awarded a credit, can companies reapply that same fiscal year?

Applicants not awarded a credit during an application period will automatically be considered during the next application period within the same fiscal year. Applicants not awarded a credit by the end of the fiscal year will need to reapply in the next fiscal year.

5. Can a company that receives an award apply and receive another award in a subsequent year if it creates more jobs and competes well according to the formula?

Yes, a company may apply and be awarded a credit in more than one fiscal year.

Evaluation Factors

1. What factors will GO-Biz consider when awarding the credit?

The value of the credit will be based on the following factors:

- The number of jobs the business will create or retain in this state.
- The compensation paid or proposed to be paid by the business to its employees, including wages and fringe benefits.
- The amount of investment in this state by the business.
- The extent of unemployment or poverty where the business is located.
- The incentives available to the business in this state, including incentives from the state, local government, and other entities.
- The incentives available to the business in other states.
- The duration of the business' proposed project and the duration the business commits to remain in this state.
- The overall economic impact in this state of the business.
- The strategic importance of the business to the state, region, or locality.
- The opportunity for future growth and expansion in this state by the business.
- The extent to which the anticipated benefit to the state exceeds the projected benefit to the business from the tax credit.

2. Will small businesses be able to apply for the credit?

Yes, not only are small businesses able to apply for the credit, 25 percent of the total credits available each year is expressly reserved for small businesses (gross receipts of less than \$2 million during the previous taxable year).

3. Will new industry/emerging sectors be considered during the evaluation?

Yes, this will be taken into consideration during the phase two evaluation.

4. Are other grants/incentives included in phase one evaluation?

No, these are not taken into consideration until phase two.

5. Will letters of support from local governments be a part of the process?

Yes, although not required, letters of support will be taken into consideration during phase two of the application process.

6. Is a business required to have site control to be eligible for tax credits? For example, if a company is looking to start a business in California, must they have already signed a lease?

Businesses that apply for the tax credit are not required to have an existing signed lease, but applicants should have a good idea of the location because the phase two evaluation will take this into consideration.

Evaluation Process

1. Is the phase one formula detailed in the regulations?

Yes, please go to <http://business.ca.gov/Programs/CaliforniaCompetes.aspx> for a copy of the regulations.

2. What is the difference between the phase one evaluation and the phase two evaluation?

The phase one evaluation is a quantitative analysis in which the credit amount requested is compared to the hiring and investment commitments of each applicant.

The phase two evaluation brings into consideration a variety of qualitative factors including, but not limited to, local unemployment, competing incentives, economic impact, and industry and business outlook. Phase two allows for a discretionary balancing of these factors based on the wide variety of circumstances and different regional needs within California.

3. Are there any exemptions to phase one calculation which would allow an application to be considered in phase two?

Yes, GO-Biz may move an application to phase two if the owner, president, chief executive officer, chief financial officer or other equivalent person of the applicant certifies to GO-Biz that absent consideration for the credit the applicant is at risk of terminating or relocating its employees to another state.

Tax Credit Mechanics

1. How does the California Competes Tax Credit work on alleviating my tax burden?

The California Competes Tax Credit only applies to state income tax owed to the Franchise Tax Board. The credit is non-refundable, and in the case where the credit allowed exceeds tax owed, the excess may be carried over to reduce the tax in the following year, and the succeeding five years if necessary, until exhausted.

2. Is there a minimum credit amount that will be awarded per business?

No, there is no minimum amount a business can request or be awarded.

3. Will there be any priorities or specific terms in an awarded credit?

Each fully executed and finalized credit agreement will contain specifics on how and when the tax credit can be used.

Employment Requirements

1. Are there a minimum number of jobs that must be created?

There is no minimum number of jobs that must be created. However, the credit will be awarded on a competitive basis. Note that applications from small businesses will be compared to the applications from other small businesses.

2. What is considered a full-time employee for the California Competes Tax Credit?

A full-time employee is defined as an individual that is paid wages for services in this state of not less than an average of 35 hours per week.

3. Do new part-time employees fulfill the new employee requirements?

No, new part-time jobs do not qualify and will not count towards the employment requirement, even partially. For example, two new part-time hires do not equal one new full-time hire for the purpose of fulfilling the credit requirements.

4. Do part-time employees upgraded to full-time employees count as new full-time hires for the purpose of the credit?

Yes, employees upgraded to full-time count as new full-time employees.

Privacy

1. What is the public disclosure policy?

GO-Biz is subject to the California Public Records Act (Government Code section 6250 et. seq.) and there is no explicit exemption under the statute that would prevent the required disclosure of information provided to GO-Biz related to applications for the California Competes Tax Credit. However, GO-Biz's dealing with applicants with regard to trade secrets, financial information and similar types of information are protected under certain Government Code sections. The tax credit agreements between GO-Biz and the applicant receiving the tax credit will be made public as required by the statute. In addition, the statute specifically requires GO-Biz to post the following information on our website for taxpayers awarded credits:

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

Additional Economic Development Initiatives

1. Is the California Competes Tax Credit the only component of Governor Brown's Economic Development Initiative?

No, in addition to the California Competes Tax Credit, the Governor's Economic Development Initiative (GEDI) provides a partial sales tax exemption and a hiring credit that will be administered by the Board of Equalization and the Franchise Tax Board respectively. More information on the partial sales tax exemption and the hiring credit can be found here: http://www.boe.ca.gov/sutax/manufacturing_exemptions.htm and here: https://www.ftb.ca.gov/online/New_Employment_Credit_Reservation/index.shtml