

California's new incentive program opens its doors, applications due April 14, 2014

April 2, 2014

In brief

The California Competes Tax Credit (CCTC) was created in July 2013, and the application period for Fiscal Year 2013/14 is open through April 14, 2014. Companies intending to relocate to California, or to stay and expand in California, may request up to \$6 million in a non-refundable income tax credit.

In detail

Application deadline April 14

The application period for the new CCTC opened on March 19, 2014, and will end on April 14, 2014. The California Competes Tax Credit is a non-refundable state income tax credit that may be negotiated with the Governor's Office of Business and Economic Development (GO-Biz). This competitive incentive, the first such incentive offered by GO-Biz, is available to businesses intending to relocate to California, or to stay and expand in California. Any excess credit may be carried forward for six years and the credit is subject to recapture if terms of the negotiated agreement are not satisfied.

GO-Biz has allocated \$30 million for the program for the current application period

(Fiscal Year ending July 1, 2014). The state has authorized future funding as follows:

- \$150 million in Fiscal Year 2014/15
- \$200 million in Fiscal Year 2015/16
- \$200 million in Fiscal Year 2016/17
- \$200 million in Fiscal Year 2017/18

Applications will be reviewed in a two-phase process.

Phase 1 of the review is a cost-benefit analysis. Applications will be ranked by comparing project specifics such as job retention/job creation, investment, total incentives received, and amount of credit requested. The highest ranking applications move on to Phase 2.

Phase 2 is expected to start within three weeks of the application deadline and will build on the business case developed in Phase 1. Key factors to be evaluated include: job retention, future growth plans, economic impact to California, incentives offered by other jurisdictions, fringe benefits paid to employees, strategic importance, and the local community economic situation.

Credit award decisions will be made by the California Competes Tax Credit Committee on June 19, 2014.

Any one taxpayer may receive up to 20% of the available credit in any fiscal year, allowing that taxpayer to claim up to \$6 million of credit in the current 2013/2014 fiscal year.

In order to qualify for the credit, a taxpayer must propose a project with the purpose of business growth, retention, or relocation in the state. GO-Biz is also allowing an expedited Phase 1 process for businesses that will be forced to move out of California if consideration is not received for the credit. In addition, special attention is given to 'small businesses' with gross receipts of less than \$2 million, and 25% of the total

credit amount in each fiscal year is allocated to such businesses.

The takeaway

The California Competes Tax Credit provides a significant opportunity for taxpayers that intend to invest and grow anywhere in the state. Until now, the state's main incentive program was location-based. Interest taxpayers should be prepared for a rigorous

application and review process and a fast approaching deadline.

Let's talk

For a deeper discussion of how this issue might affect your business, please contact:

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