



Notice of Funding Opportunity

Title: California Competes Tax Credits
Website: <https://business.ca.gov/california-competes-tax-credit/>
Funding: \$80,000,000
Dates: Webinars: July 29, 2020, August 6, 2020, August 11, 2020
 Application Period Timeline: July 27, 2020 – August 17, 2020

Summary: The California Competes Tax Credit (CCTC) 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 the Governor’s Office of Business and Economic Development (GO-Biz) and approved by a statutorily created “California Competes Tax Credit Committee,” consisting of the State Treasurer, the Director of the Department of Finance, the Director of GO-Biz, and one appointee each by the Speaker of the Assembly and Senate Committee on Rules. There are \$80 million in tax credits available during this application period for businesses that are expanding and adding full-time jobs in the state.

Project Topic Areas:

Award 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, benefits, 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 applicant’s project or 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 training opportunities provided to employees.
- The extent to which the anticipated benefit to the state exceeds the projected benefit to the business from the tax credit.
- The extent to which the credit will influence the applicant’s ability, willingness, or both, to create new full-time jobs in this state that might not otherwise be created in the state by the applicant or any other business in California.

Funding:

The California Competes Tax Credit only applies to income tax owed to the Franchise Tax Board. The credit is non-refundable. If the credit allowed exceeds the tax due, the excess may be carried over to reduce the tax in the following year, and the succeeding five years if necessary, until exhausted. The minimum amount a business can request is \$20,000.

The tentative amount of credits that can be allocated by GO-Biz is as follows: \$180 million in each fiscal year 2018-19 through 2022-23. No more than 20% may go to any one applicant per fiscal year.

A total of \$231,135,999 in California Competes Tax Credit is available for allocation in the 2020-2021 fiscal year. The Director of GO-Biz sets the application periods each fiscal year:

Fiscal Year 2020-2021		
July 27, 2020 – August 17, 2020	January 4, 2021 – January 25, 2021	March 8, 2021 – March 29, 2021
\$80 million available	\$80 million available	Any unallocated remaining amounts



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Topic Area Requirements:

GO-Biz is required by statute to consider the extent to which the credit will influence the business's ability, willingness, or both, to create jobs in this state that might not otherwise be created in the state by the taxpayer or any other taxpayer. The Phase I evaluation is a quantitative analysis in which the credit amount requested is compared to the hiring and investment commitments of each applicant. This "ratio" is automatically calculated based on the applicant's credit request divided by the sum of its aggregate investment and aggregate employee compensation. Phase II brings into consideration a variety of quantitative and qualitative factors, including local unemployment and poverty, competing incentives, economic impact, strategic importance, and industry outlook. GO-Biz may automatically move an application to Phase II, regardless of cost-benefit ratio if the applicant certifies that: a. absent award of the credit, the applicant's project may/will occur in another state, or the applicant may/will terminate or relocate all or a portion of its employees to another state; or b. at least 75% of the applicant's net increase of new full time employees work at least 75% of the time in an area of high unemployment or high poverty.

Businesses that apply for the tax credit are not required to have an existing signed lease or purchase agreement; but applicants should have an idea of the general location in California because this will be taken into account during the Phase II evaluation. The applicant should also be able to demonstrate the finance mechanism(s) it has secured or will use to secure its facility(ies). A business should request the amount of credit that it needs to be able to commit to implementing its proposed project. In the Proposed Project narrative, you should explain not only why your business "needs" a credit, but specifically how the amount of credit you are requesting will enable or incentivize your business to create new full-time jobs that might not otherwise exist in California.

The process takes approximately 90 days which includes the period when applications will be reviewed and presented to the California Competes Tax Credit Committee for approval. Applicants not awarded a credit during an application period can update and resubmit their application in a subsequent application period. Businesses are not limited to the number of times they can apply or the number of times they can be awarded tax credits for additional full-time job growth and investments. There is no minimum number of jobs that must be created. However, the credit will be awarded on a competitive basis. Applicants should keep in mind that the primary goal of the California Competes Tax Credit program is to stimulate the creation of high-quality full-time jobs. New part-time employees do not qualify and will not be counted towards the employment requirement, even partially.

Terms and conditions of the agreements include: Information Posting; Required Reporting; Agreement Compliance; Minimum employee compensation and retention period; Credit distribution period; Recapture provisions if applicant fails to meet commitments; and Payroll records for full-time employees employed by the applicant in its prior tax year. A 5 year business plan is required, that includes: Projected number of new full-time employees, their job classifications, and wages; and Projected amount of new investment.

Eligible Applicants:

Any business and businesses of any size can apply for the California Competes Tax Credit. The credit is available statewide to all industries. However, while there are no geographic or sector-specific restrictions, the purpose of the California Competes Tax Credit is to attract and retain high-value employers in California in industries with high economic multipliers and that provide their employees good wages and benefits.