

California Competes Tax Credit Program (CCTC)

If your business is creating well-paying jobs in California, you may qualify to receive valuable credits against your company's California income tax bill. The California Competes Tax Credit Program, part of Governor Jerry Brown's Economic Development Initiative, is designed to keep businesses in the state, help current California businesses grow, and encourage businesses to move to the state or expand their California operations.

Key Points

Competitive process: Unlike calculation-based tax incentives, California Competes applicants vie against one another for a limited pool of available funds. The online-only applications undergo a two-phase review and approval process by a newly created California Competes Tax Committee. Fierce competition is expected for this lucrative program, with allocated funds totaling:

- **\$30 million for fiscal year 2013/2014 - Act fast to meet April 14, 2014 application deadline!**
- **\$150 million in fiscal year 2014/2015**
- **\$200 million in 2015/2016, 2016/2017, and 2017/2018**

Negotiated credit agreements: Awards are granted on a case-by-case basis, with applicants requesting award amounts and negotiating final credit agreements with GO-Biz.

Benefit assessment: The two-phase analysis is designed to award tax credits to companies that create the highest number of jobs and deliver the greatest economic benefit to the state. Factors evaluated include:

- **The number of new full-time jobs added**
- **Employee compensation and benefits**
- **How many jobs the company will create in poverty-stricken areas with high unemployment**
- **The company's overall investment in the state**
- **How long the business commits to remaining in California**
- **The company's potential for growth/expansion**
- **The business' strategic importance to the state, region, and/or locality**
- **The extent of the state's anticipated benefit weighed against the company's tax-credit benefit**
- **Other quantitative and qualitative factors, including competition from other states**

Application Process

The process begins with an online application, which must be completed by the applicant or an authorized representative. Once the online application is submitted to GO-Biz, it's subject to a two-phase review process. Phase one is automated and covers the quantitative cost-benefit analysis. The most competitive applications (those with the lowest tax-credit request amounts and highest aggregate employee compensation and investment packages) move on to phase two. It's interesting to note that a company may be allowed to bypass the first phase if a key leader certifies that, absent a California Competes Tax Credit award, the company intends to relocate some or all of its operations to another state.

During the second phase, the committee performs a qualitative evaluation of the business' job-creation benefits and economic importance to the state. Though phase two rests on a foundation of economic modeling, it requires companies to present a credible and compelling case the committee can quickly see and support.

Challenge versus Reward

The program's rewards are worth the effort, but landing a California Competes award is not an easy process. The program requires that you demonstrate and quantify your job-creation value and overall economic impact on the state, determine and request an exact and reasonable tax-credit amount, and make a compelling case that puts you ahead of competing applicants. The "secret sauce" for a winning application also includes:

1. **Advocacy with GO-Biz officials** – we have a long-standing relationship with key GO-Biz officials and will contact GO-Biz officials directly to ensure your applications gets a fair review
2. **Written justification that has legs** – California Competes is new and is being closely monitored by the Governor and Legislature. Applications that present a well-written narrative have a much higher probability of success.
3. **Conservative request** – It was clear from the first round of funding that the amount of the tax credit requested has to far exceed the benefit (ratio of less than 10).

How We Can Help

While this type of negotiated-incentive program is new to California, we have considerable experience with other California agencies where negotiated subsidies are the norm. We will use that experience to help you quantify the projected benefits and develop a viable award request that moves you into the smaller pool of phase-two applicants. Even more vital to your success, we can help you craft an accurate yet compelling narrative, as required, adding persuasive power to your application and giving you a competitive advantage during the phase two committee review. Lastly, we are poised to perform the required advocacy in Sacramento directly with GO-Biz officials to ensure success.

We look forward to the opportunity to help you take advantage of the California Competes Tax Credit. To learn more or begin your application process, contact us today.
