

STATE & LOCAL TAX ALERT

*Relevant Alerts
Direct to Your Inbox*

September 24, 2014

California Announces 2nd Round of Applications for the California Competes Credit

The State of California recently announced three application periods for the California Competes Credit program for fiscal year 2014/2015. The State has allocated over \$150 million to the program for fiscal year 2014/2015.

What is the California Competes Credit?

The California Competes Tax Credit is an income tax credit available to businesses that want to come to California or stay and grow in California. In order to qualify for the credit, the state is looking at businesses that are making aggregate investments in employment and capital investments in the current year and the four subsequent taxable years. Based on prior allocations, the State is heavily focused on certain industries including biotechnology, technology, agriculture and manufacturing.

When are the remaining application periods?

The remaining application periods for fiscal year 2014/2015 are as follows including the amount of credit available for each application period:

- September 29, 2014 – October 27, 2014 with \$45 million of available credit
- January 5th, 2014 – February 2, 2015 with \$75 million of available credit
- March 9th, 2015 – April 6th, 2015 with \$31.1 million of available credit

Under new regulations issued by the State, the minimum requested credit is \$20,000 and the maximum will be determined under California law.

Should my company apply?

Taxpayers looking to make a significant investment in both employment hires as well as capital should consider applying for an allocation of the California Competes Credit. The application process can be time consuming with no guarantee that any credit will be allocated. The State asks for a significant amount of information; therefore, taxpayers should discuss with their tax advisors whether the company or its shareholders can benefit from the credit before moving forward with the application process.

Given that the credit has a five year carry forward period, taxpayers with significant California net operating loss carryforwards may not be able to fully utilize and benefit from these credits if obtained. Taxpayers in biotechnology, agriculture, technology and manufacturing should consider applying for a potential credit allocation to the extent the company has a plan to make significant investments in California over the next few years. If a taxpayer applies during one application period and is not allocated any credit, then the taxpayer's application is automatically moved to the next round. The application process can be accessed at the following link - <https://www.calcompetes.ca.gov/Login.aspx?ReturnUrl=%2f.&>

Contact Us:

Akash Sehgal

Director

310.873.1622

asehgal@greenhassonjanks.com

Copyright © 2014 Green Hasson & Janks LLP. All rights reserved. An independent member of HLB International, a worldwide network of accounting firms and business advisors.

The information presented is only of a general nature, intended simply as background material, is current only as of its indicated date, omits many details and special rules and accordingly cannot be regarded as legal or tax advice. This material is not intended to constitute a complete analysis of all tax considerations. Internal Revenue Service regulations generally provide that for the purpose of avoiding United States federal tax penalties, a taxpayer may rely only on formal written opinions meeting specific regulatory requirements. This material does not meet those requirements. Accordingly, this material was not intended or written to be used, and a taxpayer cannot use it, for the purpose of avoiding United States federal or other penalties or of promoting, marketing or recommending to another party any tax-related matters.

This publication is issued periodically to keep Green Hasson Janks clients and other interested parties informed on current tax developments that may affect or otherwise be of interest to them. To update your e-mail address or remove yourself from future tax notifications, please send an e-mail to alerts@greenhassonjanks.com.