



FOX
CONSULTING
GROUP

California Competes Tax Credit FAQ

What is the California Competes Tax Credit?

The California Competes Tax Credit is an income tax credit available to businesses that relocate to California or remain and grow in the state for taxable years beginning prior to January 1, 2030. The program is administered by the Governor's Office of Business and Economic Development (GO-Biz).

What businesses are eligible for the credit?

Businesses of all sizes may submit an application, but retail businesses are generally ineligible.

What is the application process?

The Phase I evaluation is a quantitative analysis in which the cost-benefit ratio (CBR) is calculated by dividing the applicant's credit request by the sum of the aggregate employee compensation and property investment forecasted over the next five years. Phase II takes into consideration a variety of quantitative and qualitative factors including:

- **The number of full-time jobs created or retained in California**
- **Compensation paid to employees**
- **Amount of property investment**
- Unemployment or poverty in business area
- Incentives available in other states
- Duration of proposed project and duration of commitment to remain in California
- Strategic importance to the state, region, or locality
- Opportunity for future growth and expansion
- Benefit to the state that exceeds the amount of the tax credit

What is the benefit?

The CCTC is a non-refundable income tax credit. If the credit exceeds the tax due, the excess may be utilized to reduce the tax in the succeeding six years until exhausted. GO-Biz has budgeted \$180 million annually and any unallocated credits are carried forward to the next fiscal year. As a result, **\$304,727,233** is available in fiscal year 2022-2023 during 3 application periods:



**FOX
CONSULTING
GROUP**

- \$85M – 7/25/22 to 8/15/22
- \$120M – 1/3/23 to 1/23/23
- \$99.7M – 3/6/23 to 3/20/23

How much time is required to submit an application?

Although each business is unique, most Phase I applications take no more than 10 hours to complete and those accepted into Phase II require an additional 5-10 hours. The CCTC awards are typically six-figures so the ROI is extremely attractive to taxpayers. Awards are generally approved by the CCTC Committee within 90 days of submission.

What compliance is required after receiving an award?

Awardees must provide an employee count and compensation data as well as property investments each tax year to determine if milestones of the CCTC agreement have been met.

What are the CCTC services provided by FCG?

FCG seeks to maximize CCTC claims of its clients by offering the following services:

- Preparing the Phase I application
- Researching historical CCTC and industry data to determine the award request
- Interfacing with GO-Biz to resolve any uncertainties with the application
- Assembling required documentation
- Drafting the narrative and Phase II application
- Attending CCTC Committee meetings
- Completing annual certification worksheets
- Assisting with reporting the CCTC in tax return preparation

So what's the bottom line?

The CCTC can be extremely valuable. [Here](#) is a recent award we obtained on behalf of our client. Yes, that's **\$1.585M** available to reinvest in the business. Call or [email](#) us for a **free consultation**.