



New CA State Business Incentives (2014)

On January 1, 2014, the State initiated a variety of new business incentives that are intended to assist job creation and business attraction/expansion efforts in the San Diego region. These incentives effectively replace the previous Enterprise Zone (EZ) program incentives which expired at the end of 2013. A summary of these State “replacement” incentives is summarized as follows:

NEW SALES OR USE TAX EXEMPTION:

- Goes into effect July 1, 2014.
 - Administered by State Board of Equalization (BOE).
- Affords 4.19% State sales & use tax exemption for qualifying industries “statewide”.
 - Qualifying equipment purchases are relieved of the State sales tax obligation; but businesses are still obligated to pay local sales tax (local portion of sales tax remains with community).
- Eligible industries include Manufacturing, Biotech and R&D.
 - Qualifying equipment includes “manufacturing” PLUS any related equipment necessary to accommodate needed tenant improvements.
- Maximum \$200m/year in qualifying equipment purchases per business.
 - Sales Tax exemption FAQ’s are available at http://www.boe.ca.gov/sutax/manufacturing_exemptions.htm#page=overview

NEW HIRING EMPLOYMENT CREDIT:

- Administered by California State Franchise Tax Board (FTB)
 - Applicable for eligible employees *hired on or after January 1, 2014*.
- Any business located in a former EZ, former LAMBRA’s, and other areas with high unemployment and poverty are eligible.
 - Applications for the State’s new hiring credit must demonstrate a net increase in total employer jobs resulting from the employee hire – Job retention is no longer a qualifier for the hiring credit. FTB has established an on-line “reservation” system for the new hiring credit. New employment credit FAQ’s are available at https://www.ftb.ca.gov/business/economic_development_incentives/index.shtml
- The following categories are eligible for the new employment credit:
 - Recently discharged veterans (within 1 year of military separation)
 - Earned Income Tax Credit (EITC) recipients
 - Ex-Offenders
 - Recipients of CalWorks or general assistance
 - Individuals unemployed for 6 months

- Potential Credit Amount:
 - Max \$58,000 per qualified employee over 5 year period (2,080 annual hours worked).
 - Minimum hourly wage = \$12/hour (150% minimum wage)
 - Minimum hourly wage = \$28/hour (350% minimum wage).
 - Effective July 1, 2014, the State's minimum hourly wage will increase from \$8.00 to \$9.00; thus increasing the minimum hourly wage for the employee credit to \$13.50.
 - Effective July 1, 2016, the State's minimum hourly wage will increase from \$9.00 to \$10.00; thus increasing the minimum hourly wage for the employee credit to \$15.00.

CA COMPETES TAX CREDIT PROGRAM:

- Flexible income tax credit intended to promote/incentivize business attraction, retention and expansion in California.
 - Competitive program is administered by the Governor's Office of Economic Development (GO-BIZ) and the amount of credits available will change from year to year.
- Businesses must submit their tax credit proposal to GO-BIZ for evaluation and consideration.
 - Actual credit amount will depend on several factors; such as:
 - Number of jobs created or retained by a business
 - Employee wages and overall compensation
 - Capital investment in the State
 - Overall projected economic impact to region
- Credit is negotiated between GO-BIZ and business(s) selected for CA Competes Tax Credits.
 - No single business will receive more than 20% of total available CA Competes Tax Credits.
- At least 25% of credits must go towards small businesses.
 - To be added to GO-BIZ's list please e-mail them at cacompetes@gov.ca.gov.
- The City of San Diego and regional economic development partners can assist business with the required tax credit proposal.

GO-BIZ contact in San Diego:

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