



California Competes Tax Credit

Overview

The California Competes Tax Credit (Cal Competes) is an income tax credit available to businesses who want to come, stay, or grow in California. Tax credit agreements are negotiated by 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.

Who should apply?

Any business that is growing in the state of California over the next five years or is considering leaving California.

Basics of the Program

This program is fundamentally a jobs program that is designed to attract and retain high value employers in the state. The program does this by providing a tax credit that can offset or eliminate a company’s income tax liability with the state of California. Cal Competes awards its annually allocated tax credits in three rounds each fiscal year, July-June.

2020 - 2021 Fiscal Year

July 27, 2020, through August 17, 2020

January 4, 2021, through January 25, 2021

March 8, 2021, through March 29, 2021

A company applying for this program will compete against other businesses applying for credits in the round in which they apply from across the state of California. The program asks each business to complete a relatively short online application where they will lay out their company’s growth plans over the next five years in terms of net new hires (Full Time Equivalents) and investments within the state of California.

The actual amount of the credit request is left up to business to decide, but their competitiveness for an award will be determined in part based on the size of the credit request divided by the businesses’ five year project totals for investments and wages of the net new hires. That percentage is referred to as the cost-benefit ratio (CBR).

$$\text{Cost-Benefit Ratio} = \frac{\text{Amount of Credit Requested}}{\text{Aggregate Employee Compensation} + \text{Aggregate Investment}}$$

Credit Request

Determining what is a competitive tax credit for your specific business is one of the biggest challenges to completing a winning application. The average CBR changes every round. EDC can help you determine a competitive CBR.

Timeline (approximately 90 Days from time of submission)

Application Period (Approximately 1 month)

The online application for the Cal Competes credit will open three times per fiscal year and is open for one month. In each round, companies will compete against other companies who submitted in that round for a piece of the total amount of tax credits available.

Phase I – Initial Online Application (24 Hour Period)

24 hours after the deadline for any given round companies will be notified if they have moved on to Phase II. Cal Competes staff move companies into Phase II by sorting all applicants from that round low to high based on their cost-benefit ratio. The program will move 200% the dollar value they intend on awarding into Phase II based off that low to high sort.

Phase IIA (Two weeks)

Additional information will be requested of your business as the Cal Competes team begins their due diligence. They will be evaluating the legitimacy of the proposed growth in each project submitted in Phase 1. In this phase Cal Competes staff will compare applicants in order to determine the credibility of the application and evaluate them based of the 11 metrics below. Ultimately this group will be narrowed down to the final list of companies who will then move into Phase IIB.

- Number of jobs created or retained
- Compensation paid to employees
- Amount of investment
- Duration of proposed project and commitment to remain in this state
- Extent of unemployment or poverty in business area
- Extent the benefit to the state exceeds the amount of the tax credit
- Incentives available in other states
- Opportunity for future growth and expansion
- Other incentives available in California
- Overall economic impact
- Strategic importance to the state, region, or locality.

Phase IIB (One Month)

If a company has made into Phase IIB it is very likely that you will win a credit. Additional documentation will be requested to further validate the company's proposal and a credit contract will be drafted, reviewed and signed by the company during this phase. The award is not finalized until the committee hearing.



Committee Hearing

All proposed tax credit awards go before the California Competes Committee consisting of appointed representatives for final approval. It is rare that any company who makes it to this stage is not awarded the tax credit negotiated in Phase IIB. Every company that goes before the committee has the support of the Cal Competes staff, but it is often worthwhile to send a representative of the company to the hearing in Sacramento to speak on behalf of the company should any questions arise.

Additional Resources

[Program Presentation Slide Deck](#)

[FAQ](#)

[Online Application Guide](#)

How EDC can help

EDC has worked, free of charge, with dozens of companies who have successfully won Cal Competes credits across San Diego County from a variety of industries. Our knowledge of the program process, goals, and history can be leveraged to help companies understand how to complete a competitive application. Contact Ashley Swartout for further information at AS@sandiegobusiness.org

About EDC

San Diego Regional Economic Development Corporation's (EDC) mission is to maximize the region's economic prosperity and global competitiveness. As an independently funded non-profit organization, EDC promotes the region, facilitates corporate expansion across diverse industry sectors and supports the talent pool that drives their success.