



STATE OF CALIFORNIA
Franchise Tax Board

California Competes Tax Credit Report

Economic and Statistical Research Bureau

Purpose

This report is intended to fulfill the Franchise Tax Board's (FTB) obligation under Revenue & Taxation Code (RTC) sections 17059.2 and 23689 to annually report by March 1, to the Joint Legislative Budget Committee, the total amount of the credits claimed under these sections for the most recent fiscal year.

Prepared by the Staff of the
Franchise Tax Board
STATE OF CALIFORNIA

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Background

Chapters 69 and 70 of the Statutes of 2013 (AB 93 and SB 90 respectively) created the California Competes Tax Credit (CCTC). The non-refundable credit was originally operative for taxable years beginning on or after January 1, 2014, and before January 1, 2025. Chapter 52 of the Statutes of 2018 (SB 855) extended the credit's operative date through 2030. On June 30, 2022, Chapter 55 of the Statutes of 2022 (AB 194), expanded the credit allocations through fiscal year 2027-28. The credit amount available to a taxpayer, for a taxable year, is negotiated and set forth in a written agreement between the Director of the Governor's Office of Business and Economic Development (GO-Biz) and the taxpayer.

Following approval of the agreements and corresponding credits, the credits are awarded in installments over a five-year period contingent upon achievement of certain contractual milestones provided in the written agreements between each taxpayer and GO-Biz. After the contractual milestones are met, the credits are eligible to be claimed by taxpayers and used to offset any income tax liability, if available, or can be carried over for six years.

Franchise Tax Board Statutory Reporting Requirements

In accordance with Sections 17059.2 and 23689 of the RTC, the FTB is required to provide a report, no later than March 1, to the Joint Legislative Budget Committee that includes the following:

- The total dollar amount of the credits claimed under this section with respect to the relevant fiscal year.
- A comparison between the total dollar amount of credits claimed with respect to that fiscal year and the department's estimate with respect to the same fiscal year.
- Should the total dollar amount of credits claimed for the fiscal year be less than the estimate for that fiscal year, the report shall identify options for increasing annual claims of the credit so as to meet estimated amounts.

Data

Table 1 presents data provided by GO-Biz for credits awarded and recaptured by year. There were \$215.4 million in CCTC awarded to taxpayers in 2021 and \$190.5 million awarded in tax year 2022. After accounting for \$74.3 million in credit recaptures for tax year 2021, and \$43.8 million for tax year 2022, the net amount of awarded credits was \$141.1 million for tax year 2021 and \$146.7 for tax year 2022.

Table 1: GO-Biz Awards by Taxable Year (Amounts in Millions)

Description	2021	2022
Total awarded tax credits by Go-Biz	\$215.4	\$190.5
Total credits recaptured by GO-Biz	\$74.3	\$43.8
Net amount of credits	\$141.1	\$146.7

Table 2 presents data on the California Competes Tax Credits claimed on tax returns for the 2021 and 2022 tax years. The data is based on taxpayer's self-reported tax return information for returns processed as of December 2023.

Table 2: Total Credit Claimed by Tax Year

Tax Year	Number of Returns	Total Credits Claimed
2021 ¹	401	\$56,342,520
2022*	274	\$101,850,900
Total	675	\$158,193,420

* Not all timely 2022 tax year returns have been processed as of this writing.

The majority of tax returns reporting credits claimed for the 2021 tax year under RTC sections 17059.2 and 23689 were filed during calendar year 2022. Since the release of the CCTC report dated March 1, 2023, data for the 2021 tax returns have been updated to reflect additional returns processed as of December 2023. The amount of credits claimed may differ from the amount of credits awarded because claiming the awarded tax credits on a tax return is contingent upon taxpayers' achievement of the annual contractual milestones provided in taxpayers' agreements with GO-Biz. In addition, the amount of credits claimed may differ due to instances in which taxpayers had insufficient tax liability to fully claim the CCTC or the taxpayers utilized other credits instead of the CCTC. Lastly, the amount of credits claimed in any given year may include credits carried over from prior years.

Table 3 compares the FTB's taxable year 2020 Tax Expenditure Report estimate with actuals claimed for the fiscal year 2021-22.

Table 3: Total Credit Estimate and Actual by Fiscal Year

Fiscal Year	2021-22*
Actual CCTC amounts claimed	\$78,331,673
Estimated CCTC amounts claimed	\$69,151,231

* Not all timely 2022 tax year returns have been processed as of this writing.

As required by law, because the actual amounts claimed exceed the FTB's estimated amount, the FTB will not be attempting to identify options for increasing annual claims of the credit.

¹ A coding error erroneously duplicated the return counts and amounts for the preliminary 2021 data from the March 2023 report. This report has corrected the error and includes additional returns processed to date.

Refer to the California Competes Tax Credit Awardee List located on the GO-Biz website at <https://business.ca.gov/california-competes-tax-credit/> for additional information on credits awarded and recaptures to date.

Addendum to March 2023 Report

Table 4: Updated Fiscal Year 2020-21 Total Credit Estimate and Actual by Fiscal Year

Fiscal Year	2020-21*
Actual CCTC amounts claimed	\$47,970,566
Estimated CCTC amounts claimed	\$54,639,321

* Not all timely 2021 tax year returns were processed at the time of last year’s report.

An error was identified which impacted Table 3, the Total Credit Estimate and Actual by Fiscal Year, for the March 2023 report. After updates, shown above in Table 4, the Fiscal Year 2020-21 actual amounts fell below the estimated amounts claimed.

In accordance with the sections 17059.2 and 23689, should the actual amount be less than the estimated amount, the report shall identify options for increasing annual claims of the credit so as to meet estimated amounts. The FTB reviewed the data for the applicable years and believes that the primary cause of the difference between actual and estimated credit claims resulted from the \$5 million tax credit limitation imposed by Assembly Bill 85 (Chapter 8 of the Statutes of 2020) for taxable years 2020 and 2021. While originally accounted for in the estimate, the FTB believes that the limitation impacted the credit usage more than estimated. This is supported by preliminary data available for taxable year 2022, which follows the expiration of the limitation created by Assembly Bill 85, and credit amounts claimed have returned to the estimated range.