



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 obligation under Revenue & Taxation Code 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

Members of the Board:
Malia M. Cohen, Chair
Antonio Vazquez, Member
Joe Stephenshaw, Member

Executive Officer: Selvi Stanislaus

Published March 2023

Background

Chapters 69 and 70 of the Statutes of 2013 (AB 93 and SB 90 respectively) created the California Competes Tax Credit (CCTC). The credit is 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 amount of the credit 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.

Franchise Tax Board Statutory Reporting Requirements

In accordance with Sections 17059.2 and 23689 of the Revenue and Taxation Code (RTC), the Franchise Tax Board (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 of the total dollar amount of credits claimed with respect to that fiscal year with the department's estimate with respect to that 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.

Starting with this report, actual claims will be compared to projected credit usage from FTB's annual Tax Expenditure Report.

Data

Table 1 presents data provided by GO-Biz. There were \$221.5 million in awarded and allocated tax credits that could be claimed for the 2020 tax year and \$215.4 in tax year 2021, contingent upon achievement of certain contractual milestones provided in the written agreements between each taxpayer and GO-Biz. After accounting for \$79.3 million in credit recaptures for tax year 2020, and \$46 million for tax year 2021 by GO-Biz, the net amount of awarded credits is \$142.2 million for tax year 2020 and \$169.4 for tax year 2021.

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

Description	2020	2021
Total awarded and allocated tax credits by Go-Biz	\$221.5	\$215.4
Total credit recaptured by GO-Biz	\$79.3	\$46.0
Net amount of credits awarded by GO-Biz	\$142.2	\$169.4

Table 2 presents data on the California Competes Tax Credits claimed on tax returns for the 2020 and 2021 tax years. The data is based on taxpayer's self-reported tax return information for returns processed as of November 2022.

Table 2: Total Credit Claimed by Tax Year

Tax Year	Number of Returns	Total Credits Claimed
2020	548	\$61,031,978
2021*	459	\$72,264,684
Total	1,007	\$133,296,662

* Not all timely 2021 tax year returns have been processed as of this writing.

The majority of tax returns reporting credits claimed for the 2020 tax year under RTC sections 17059.2 and 23689 were filed during calendar year 2021. Since the release of the CCTC report dated March 1, 2022, data for the 2020 tax returns have been updated to reflect additional returns processed as of November 2022, which include corporate fiscal year return data that were not fully available in last year's report. 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 over 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 2019 Tax Expenditure Report estimate with actuals claimed for the fiscal year 2020-21.

Table 3: Total Credit Estimate and Actual by Fiscal Year

Fiscal Year	2020-21*
Actual CCTC amounts claimed	\$64,449,283
Estimated CCTC amounts claimed	\$54,639,321

* Not all timely 2021 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.

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.