



STATE OF CALIFORNIA
Franchise Tax Board

California Competes Tax Credit Report

Economic and Statistical Research Bureau



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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:
Betty T. Yee, Chair
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California Competes Tax Credit

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. 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.

According to data provided by GO-Biz, there were \$114.7 million in awarded and allocated tax credits that could be claimed for the 2017 tax year, contingent upon achievement of certain contractual milestones provided in the written agreements between each taxpayer and GO-Biz. After accounting for \$10.3 million in credit recaptures for tax year 2017 by GO-Biz, the net amount of awarded credits is \$104.4 million.

The majority of tax returns reporting credits claimed for the 2017 tax year under Revenue & Taxation Code sections 17059.2 and 23689 were filed during calendar year 2018. Since the release of the CCTC report dated March 1, 2019, data for the 2017 tax returns has been updated to reflect additional returns processed as of January 2020, which includes corporate fiscal year return data which were not fully available in last year's report. As of the date of this report, \$27.1 million CCTC were claimed on 788 returns for tax year 2017. 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' CCTC exceeded their tax liability to claim the full credit or in which 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.

At the time of this report, GO-Biz data indicates that there have been \$154.4 million in awarded and allocated tax credits that could be claimed for the 2018 tax year, contingent upon achievement of certain contractual milestones provided in the written agreement between each taxpayer and GO-Biz. After accounting for \$15 million in credit recaptures for tax year 2018 by GO-Biz, the net amount of awarded credits is \$139.4 million.

Franchise Tax Board data for returns processed as of January 2020 shows \$55.1 million CCTC were claimed on 778 returns for tax year 2018, which may include tax credits that were eligible to be claimed on a tax return prior to 2018. As of the date of this report, the 2018 tax year totals do not include all fiscal year filers.

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.