



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, 2023, Chapter 55 of the Statutes of 2023 (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 the 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 available income tax liability or can be carried over to the six subsequent tax 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: GO-Biz Awards by Taxable Year (Amounts in Millions)

Description	2023	2024
Total awarded tax credits by GO-Biz	\$185	\$229
Total credits recaptured by GO-Biz	\$75	\$74
Net amount of credits	\$110	\$155

Table 1 presents data provided by GO-Biz for credits awarded and recaptured by year. There were approximately \$185 million in CCTC awarded to taxpayers in tax

year 2023 and \$229 million awarded in tax year 2024. After accounting for \$74 million in credit recaptures for tax year 2023, and \$74 million for tax year 2024, the net amount of awarded credits was \$110 million for tax year 2023 and \$155 million for tax year 2024.

Table 2: Total Credit Claimed by Tax Year

Tax Year	Number of Returns	Total Credits Claimed
2023	219	\$44,820,897
2024*	137	\$19,385,025
Total	356	\$64,205,922

* Not all timely 2024 tax year returns have been processed as of this writing.

Table 2 presents data on the California Competes Tax Credits claimed on tax returns for the 2023 and 2024 tax years. The data were based on taxpayers' self-reported tax return information for returns processed as of December 2025.

The majority of tax returns reporting credits claimed for the 2023 tax year under RTC sections 17059.2 and 23689 were filed during calendar year 2024. Since the release of the CCTC report dated March 1, 2025, data for the 2023 tax returns have been updated to reflect additional returns processed as of December 2025. 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' achievements 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: Total Credit Estimate and Actual by Fiscal Year

Fiscal Year	2023-24*
Actual CCTC amounts claimed	\$30,157,155
Estimated CCTC amounts claimed	\$40,948,379

* Not all timely 2024 tax year returns have been processed as of this writing.

Table 3 compares the FTB's tax year 2022 Tax Expenditure Report estimate with actuals claimed for the fiscal year 2023-24.

The Fiscal Year 2023-24 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. With only tax return data available to the FTB, related to the California Competes Tax Credit, the FTB does not have enough information to accurately propose options for increasing the annual claims of the credit.

Although FTB does not know the reason for the decline, there are several possible factors that may contribute to a decrease in general credit usage. First, some taxpayers may lack sufficient tax liability to fully utilize the credit, thereby reducing overall application. Second, statutory credit ordering and usage provisions may result in taxpayers using other credits with higher application priority. FTB is aware that not all taxpayers have filed their 2024 tax returns as of the time of this report. A similar circumstance occurred in the prior year's report, dated March 2025, which resulted in an additional increase of \$12 million in claimed credits for taxable year 2023. It is anticipated that this may likely occur in the current year's report for taxable year 2024. These factors may account for decreases in credit utilization, but other factors may exist beyond those identified.

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.