

Welcome

California Tax Credits & Grants
Growing Our Economy & Adding More Jobs



Diane L. Harkey

Vice Chair, 4th District
State Board of Equalization

In Partnership with:



Governor's Office of Business &
Economic Development (GO-Biz)



California State Board of
Equalization



SCEDC
South County Economic
Development Council



Event Sponsors:



Sid Voorakkara

Senior Business Development Specialist,
Governor's Office of Business and Economic Development

“Cal Compete & Employee Credit”





Briefing on Governor's Economic Development Initiative

**Business
Investment
Services**

**Small
Business
Advocate**

**Permitting
Assistance**

**Innovation
(iHubs)**

**International
Trade and
Investment**

WHAT IS GO-BIZ?



NEW EMPLOYMENT CREDIT



WHEN: Applicable for employees hired on or after Jan 1, 2014. Employer must have a net increase in jobs.



WHERE: Applies to businesses located in high unemployment and high poverty areas as well as former Enterprise Zones excluding wealthy areas, and former LAMBRAs



WHO: Persons unemployed 6 months, veterans within one year of separation, EITC recipients, ex-offenders and recipients of CalWorks or general assistance



HOW MUCH: Up to \$56,000 per employee (5-year total, 2,000 hours) based on wages above \$12 an hour & up to \$28 an hour (or above \$10 an hour base in limited pilot areas)



CA COMPETES TAX CREDIT



Flexible Income tax credit negotiated between GO-Biz and businesses that want to come to California or stay and grow in California



CC credit amount depends on several factors including number of jobs the business will create or retain, compensation paid to its employees, amount of investment in California and the business' economic impact here



No single business will receive more than 20% of the total amount available



25% of the credit must go towards small business. Which means we need LOCAL partners.



CA COMPETES TAX CREDIT

San Diego City Examples

Information Technology

iBoss

Underground Elephant

Maritime / Manufacturing

BAE Systems

NASSCO

QCMi

Craft Brewing

Modern Times

Council Brewing



CA COMPETES TAX CREDIT

San Diego City Examples

Life Sciences

Ajinomoto

Pharmaceuticals

LCMS Solutions

Small Businesses

L.B. Powers & Son

Plumbing, Co.

Pantek Partners, LL



ADDITIONAL INCENTIVES AND PROGRAMS

Ibank (Infrastructure and Economic Development Bank)

Research and Development Tax Credits

Employment Training Panel

California Alternative Energy and
Advanced Transportation Financing
Authority (CAEATFA)





Jordan Marks, Esq.

District Director, California State Board of Equalization

**“Manufacturing,
Research & Development
Partial Tax Exemption”**



The Honorable

Diane L. Harkey

California State Board of Equalization
Board Member - Fourth District



"It is my honor to serve you and all the taxpayers of the Fourth District.

Businesses provide jobs for millions of Californians.

Through the hard work and ingenuity of our business community, billions of dollars in taxes are paid to help fund California's public safety, education, and transportation systems.

Thank you for doing business here in California, and for your contributions to our state's economy."



manufacturing, research & development equipment

PARTIAL TAX EXEMPTION

State law (AB 93 and SB 90) allows manufacturers and some research and development businesses to receive a partial exemption of sales & use tax on qualifying purchases and leases. The law became effective July 1, 2014 and will remain in effect until July 31, 2022.

Is there a simple method for
determining if I own a qualifying


Business?

Businesses in the manufacturing, biotechnology, engineering, life science, or research & development sectors are assigned a North American Industry Classification System (NAICS) code between **3111-3399, 541711** or **541712**. If your business NAICS code falls within the correct range, it is a qualifying business.

A sepia-toned photograph of an industrial facility. On the left, a large building with a corrugated metal roof is visible. To the right, a tall, cylindrical industrial tank or silo stands, surrounded by scaffolding and pipes. The overall scene depicts a manufacturing or processing plant.

REQUIREMENTS

- ▶ Be a qualified business, i.e. engaged in certain types of business.
- ▶ Purchase or lease qualified tangible personal property.
- ▶ Use the qualified tangible personal property in manner set forth by this new law.

A black and white photograph of a male scientist with a beard and safety glasses, wearing a white lab coat and gloves. He is focused on his work, using a glass pipette to transfer a dark liquid from a small vial into a larger Erlenmeyer flask. The background is a plain, light-colored wall.

Any business
engaged over 50%
of the time
during the past
year or upcoming
year in any
qualifying
sector:

BUSINESS

- ▶ Research and development in biotechnology
- ▶ Research and development in the physical, engineering, or life sciences
- ▶ All forms of manufacturing

What determines whether my
equipment will be a qualified

Purchase?

- ▶ Machinery, equipment used in manufacturing or R&D
- ▶ Devices used to operate or maintain equipment
- ▶ Computers, software and data-processing equipment
- ▶ Replacement parts with a useful life exceeding one year

QUALIFIED PURCHASE

- ▶ Equipment used in pollution control to meet California pollution standards
- ▶ Structures used in manufacturing, processing, refining, fabricating, or recycling



BUILDINGS & FOUNDATIONS



For an entire building to qualify, no more than 33% of the building's usable volume can be utilized for non-qualifying purposes. However, in those instances where the entire building does not qualify, the portion of the building that is used for manufacturing may qualify.

QUALIFIED PURCHASE

Does NOT include:



- ▶ Consumables with a useful life of less than one year
- ▶ Furniture, inventory, and equipment used simply in the extraction and storage of finished product
- ▶ TPP used primarily in administration, general management, or marketing

QUALIFIED USE

Must be used more than 50 % of the time in one of the following manners:



- ▶ Manufacturing, processing, refining, fabricating or recycling
- ▶ Research and development
- ▶ Maintaining, repairing, measuring or testing of qualified TPP
- ▶ Contractor purchase on behalf of *qualified* person and use

QUALIFIED LEASES

Lease of qualified equipment is eligible under the same guidelines



Partial Exemption is available for all lease periods from July 1, 2014 through July 31, 2022 regardless of when lease agreement is initiated.

EXEMPTION RATE

$$7.25 - 3.9375 = 3.3125\%$$

Proposition 30 expires on December 31, 2016 (reducing the state sales tax rate by .25% to 7.25%). The partial exemption rate will be reduced by 0.25% to 3.9375 percent resulting in a taxable amount of 3.3125 percent.

EXEMPTION RATE

actual savings

\$41.88

The actual dollar amount saved with the partial sales tax exemption is \$41.88 for every \$1,000.00 spent on qualified purchases or lease payments.

EXEMPTION RATE

\$1,000,000 =

\$41 thousand

The actual dollar amount saved with the partial sales tax exemption is \$41.88 for every \$1,000.00 spent on qualified purchases or lease payments.

EXEMPTION RATE

\$200,000,000 =
\$8.37 million

The actual dollar amount saved with the partial sales tax exemption is \$41.88 for every \$1,000.00 in qualified purchases or lease payments.

How do I obtain the tax savings when making purchases that qualify for this

Exemption?

There is no need to apply directly to the BOE for the *Manufacturing and Research & Development Equipment Partial Tax Exemption*. Just provide the seller with a timely, and complete Partial Exemption Certificate to obtain the reduced tax rate.

EXEMPTION CERTIFICATES

230M

230MC

BOE 230M (2-14)

PARTIAL EXEMPTION CERTIFICATE FOR MANUFACTURING, RESEARCH AND DEVELOPMENT EQUIPMENT

STATE OF CALIFORNIA
BOARD OF EQUALIZATION

Section 6377.1¹

This is a partial exemption from sales and use taxes at the rate of 4.1875% from July 1, 2014 to December 31, 2016, and at the rate of 3.9375% from January 1, 2017 to June 30, 2022. You are not relieved from your obligations for the remaining state tax and local and district taxes on this transaction. This partial exemption also applies to lease periods occurring on or after July 1, 2014 and before July 1, 2022, for leases of qualified tangible personal property even if the lease agreement was entered into prior to July 1, 2014.

I hereby certify that the tangible personal property described below and purchased or leased from:

SELLER/VENDOR'S NAME

SELLER/VENDOR'S ADDRESS (please, city, state, zip code)

is qualified tangible personal property and will be used by me primarily (please check one):

1. ☐ for manufacturing, processing, refining, fabricating, or recycling;
2. ☐ for research and development;
3. ☐ to maintain, repair, measure, or test any property being used for (1) or (2) above; or
4. ☐ as a special purpose building and/or foundation.

Description of qualified tangible personal property purchased or leased²

If this is a specific partial exemption certificate, provide the purchase order or sales invoice number and a precise description of the property being purchased. If you want this certificate to be used as a blanket certificate for future purchases, describe generally the type of property you will be purchasing and ask your vendor to keep this certificate on file.

I, as the undersigned purchaser, hereby certify I am primarily engaged in manufacturing, processing, refining, fabricating, or recycling as described in codes 3111 to 3399 in the North American Industry Classification System (NAICS)³ or I am primarily engaged in biotechnology, or physical, engineering, and life sciences research and development as described in codes 541711 and 541712 of the NAICS.

I understand that by law, I am required to report and pay the state tax (calculated on the sales price/rentals payable of the property) at the time the property is purchased, removed, converted, or used if:

- the purchase exceeds the \$200 million limitation;
- the property is removed from California within one year of the date of purchase or lease;
- the property is converted for use in a manner not qualifying for the exemption; or
- the property is used in a manner not qualifying for the partial exemption.

NAME OF PURCHASER

ADDRESS OF PURCHASER, PURCHASER'S EMPLOYEE, OR AUTHORIZED REPRESENTATIVE

PRINTED NAME OF PURCHASER

TITLE

ADDRESS OF PURCHASER

PHONE NUMBER (if you are not required to list a phone number, enter n/a)

TELEPHONE NUMBER

MAILING ADDRESS OF PURCHASER

CITY

¹ The Sales and Use Tax Department is making this sample form available for industry's use. However, please note that the Board of Equalization (BOE) is prescribing the form of the certificate as part of Regulation 1626.4, which is pending adoption by the BOE and approval by the Office of Administrative Law. Until the regulation is adopted and approved, the form is subject to change.

² See Regulation 1626.4 (b)(6) for a description of what is included and excluded from "qualified tangible personal property."

³ Official 2012 US NAICS Manual, U.S. Office of Management and Budget, 2012 edition.

CLEAR

PRINT

BOE 230MC (2-14)

CONSTRUCTION CONTRACTS—PARTIAL EXEMPTION CERTIFICATE FOR MANUFACTURING, RESEARCH AND DEVELOPMENT EQUIPMENT

STATE OF CALIFORNIA
BOARD OF EQUALIZATION

Section 6377.1¹

This is a partial exemption from sales and use taxes at the rate of 4.1875% from July 1, 2014 to December 31, 2016, and at the rate of 3.9375% from January 1, 2017 to June 30, 2022. You are not relieved from your obligations for the remaining state tax and local and district taxes on this transaction.

I hereby certify that the tangible personal property described below and purchased from:

SELLER/VENDOR'S NAME

SELLER/VENDOR'S ADDRESS (please, city, state, zip code)

is qualified tangible personal property and will be used by me in the performance of a construction contract for a qualified person who will use that property as an integral part of the manufacturing, processing, refining, fabricating, or recycling process, or as a research or storage facility for use in connection with those processes.

Description of qualified tangible personal property purchased²

If this is a specific partial exemption certificate, provide the purchase order or sales invoice number and a precise description of the property being purchased. If you want this certificate to be used as a blanket certificate for future purchases, describe generally the type of property you will be purchasing and ask your vendor to keep this certificate on file.

I further certify I am performing a construction contract for a qualified person primarily engaged in manufacturing, processing, refining, fabricating, or recycling as described in codes 3111 to 3399 in the North American Industry Classification System (NAICS)³ or primarily engaged in biotechnology, or physical, engineering, and life sciences research and development as described in codes 541711 and 541712 of the NAICS.

I understand that if I use the property for any purpose other than indicated above, I am required to report and pay the state tax measured by the sales price of the property to me.

NAME OF PURCHASER

ADDRESS OF PURCHASER, PURCHASER'S EMPLOYEE, OR AUTHORIZED REPRESENTATIVE

PRINTED NAME OF PURCHASER

TITLE

ADDRESS OF PURCHASER

PHONE NUMBER (if you are not required to list a phone number, enter n/a)

TELEPHONE NUMBER

MAILING ADDRESS OF PURCHASER

CITY

¹ The Sales and Use Tax Department is making this sample form available for industry's use. However, please note that the Board of Equalization (BOE) is prescribing the form of the certificate as part of Regulation 1626.4, which is pending adoption by the BOE and approval by the Office of Administrative Law. Until the regulation is adopted and approved, the form is subject to change.

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CLEAR

PRINT



MAXIMUM EXEMPTION

Each qualified business or combined reporting unit is limited to \$200 million in purchases subject to the *partial exemption* for each calendar year. Any unused portion does not carry over to following year.

ONLINE SERVICES

www.boe.ca.gov

- ☐ Online Verification of Seller's Permit
- ☐ Enhanced tutorials
- ☐ Email notification for tax filing
- ☐ Workshop & Seminar registration
- ☐ Publications for a variety of businesses & industries
- ☐ Frequently Asked Questions (FAQ's)
- ☐ Directory of BOE Offices
- ☐ Tax News, Special Notices
- ☐ Credit Card Payments
- ☐ Links to other useful online resources

TAXPAYER INFORMATION

- ❑ Taxpayer Information Section
(general tax questions answered)
1-800-400-7115
Mon – Fri, 8:00 a.m. to 5:00 p.m.
- ❑ 24 hr. fax-back service for
commonly requested forms and
publications to choose from
automatically faxed back to you.



SOCIAL MEDIA

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THANK YOU

for doing business in

California

Thank You

California Tax Credits & Grants
Growing Our Economy & Adding More Jobs



Diane L. Harkey
Board Member, 4th District
State Board of Equalization

To Request a Presentation Contact:



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