

## Invest in California: State Level Business Incentives

The State of California has several programs and opportunities that may be of interest to companies interested in establishing a California operation. The following is a summary of possible programs:

### **Enterprise Zone (State Program)**

Businesses located within California's enterprise zone(s) are eligible for substantial tax credits and benefits including:

- Up to 100% Net Operating Loss (NOL) carry-forward. NOL may be carried forward 15 years (suspended for tax years 2002 and 2003);
- Firms can earn up to \$37,440 in state tax credits for each qualified employee hired;
- Corporations can earn sales tax credits on purchases of \$20 million per year of qualified machinery and machinery parts;
- Up-front expensing of certain depreciable property. Lenders to Zone businesses may receive a net interest deduction;
- Unused tax credits can be applied to future tax years, stretching out the benefit of the initial investment;
- Enterprise Zone companies can earn preference points on state contracts.

### **Employment Training Panel (ETP)**

- A company may be eligible for a contract with ETP to help assist with post-hire training reimbursement. If the training qualifies and meets ETP's eligibility criteria, a contract will be developed.

### **Research & Development Tax Credit**

- This State Tax Credit is designed to encourage companies to increase their basic research and development activities in California, the research and development tax credit allows companies to receive a 15 percent credit against their bank and corporation tax liability for qualified in-house research expenses, and a 24 percent credit for basic research payments to outside organizations.

### **Workforce Development**

- The Employment Development Department, in partnership with Local Workforce Investment Area, may assist recruit, screen, and test, evaluate and hire qualified employees.

### **Industrial Development Bonds**

- Congress created tax-exempt Industrial Development Bond ("IDB") financing to promote investment in land, buildings and new equipment associated with domestic manufacturing and processing operations.
- IDBs allow private-sector entities to borrow at the low interest rates normally reserved only for state and local government entities. Several local Industrial Development Authorities issue IDBs on a conduit revenue bond: issued by a governmental agency, but payable solely from the loan repayments received from the borrower.
- Bonds cannot exceed \$10 million during the six-year period beginning three years prior to the date of issuance of the bonds and ending three years after the issuance date, must include the creation of new jobs.

### **A California Business Address**

- Provides direct access to the eighth largest economy in the world.