

## Incentives

*The State of California and local jurisdictions have several programs, opportunities and business friendly policies that may be of interest to companies interested in expanding or establishing a California operation. Local incentives are also available. The Economic Development and Workforce Organizations for each county assist companies in accessing these programs:*

### California Incentives, Tax Credits and Exemptions

#### California Competes Tax Credit

The California Competes Tax Credit is an income tax credit available to businesses who want to come, stay, or grow in California. Tax credit agreements are negotiated by GO-Biz and approved by a statutorily created 'California Competes Tax Credit Committee'. There are three deadlines throughout the year where businesses can apply.

#### New Employment Credit

The New Employment Credit is an income tax credit available to companies that hire qualified full-time employees within designated geographic areas. The credit is based on 35% of qualified wages.

#### Advanced Transportation and Manufacturing Sales and Use Tax Exemption

The California Alternative Energy and Advanced Transportation Financing Authority (CAEATFA) offers a full sales and use tax exclusion to manufacturers that promote alternative energy and advanced transportation.

#### Research & Development Tax Credit

A business may qualify for an income tax credit if it paid for or incurred qualified research expenses while conducting qualified research activity in California. Qualified research expenses include wages, supplies, and contract research costs.

#### Sales and Use Tax Exemption for Agriculture

The California Department of Tax and Fee Administration administers a partial exemption from the sales and use tax for the sale, storage, use, or other consumption of farm equipment, machinery and their parts.

#### Sales and Use Tax Exemption for Manufacturing

The California Department of Tax and Fee Administration administers a partial exemption of sales and use tax on certain manufacturing and research and development equipment purchases and leases.

#### Net Operating Loss Carryover and Carryback

If you're like most business owners, you won't see a profit in your first year of operation. As your business grows, you may face one or more years in which your business' expenses exceed its income. In other words, the business may have a loss, which may translate into a Net Operating Loss (NOL) deduction.

#### Economic Development Rate Program

This program gives special utility discounts for businesses that require high-energy loads to operate, or continue operating, in California. In Central Valley, [Pacific Gas & Electric](#) offers a reduction of commercial and industrial electrical rates of up to 25% for up to five years.

#### Self-Generation Incentive Program

This program provides rebates for qualifying distributed energy systems installed on the customer's side of the utility meter. Qualifying technologies include wind turbines, waste heat to power technologies, pressure

reduction turbines, internal combustion engines, microturbines, gas turbines, fuel cells, and advanced energy storage systems.

## Special Zones and Programs

### Opportunity Zone

Opportunity Zones are a federal economic development tool aiming to improve the outcomes of distressed communities around the country. They offer tax incentives to groups who invest and hold their capital gains in Zone assets or property for at least 5 years, and a permanent exclusion from a tax on capital gains from the Opportunity Zones investments for investments held for 10 years. Central California has 157 designated Census Tracts included. [Map](#)

### Innovation Hubs

The iHub program improves the state's national and global competitiveness by stimulating partnerships, economic development, and job creation around specific research clusters through state-designated iHubs. In Central California, Fresno and Stockton have an iHub.

### Empowerment Zones

The federal government has designated sections of several California communities as Renewal Communities, Empowerment Zones and Enterprise Communities (RC, EZs and ECs). Within Central California, the cities of Fresno, Orange Cove, and Parlier are designated.

### Foreign Trade Zones

Central California's Foreign Trade Zones (FTZ) are located in Merced/Madera/Fresno/Tulare counties, Kern, County, Stockton. FTZs are secured areas legally outside of U.S. customs territory usually located in or near customs points of entry. FTZs allow entry of foreign or domestic merchandise without formal customs entry or government excise taxes.

### Recycling Market Development Zone (RMDZ)

The RMDZ program combines recycling with economic development to provide attractive loans, technical assistance, and free product marketing to businesses that use materials from the waste stream to manufacture their products and are located in a zone. In Central California, the zones are located in Kern, Tulare, Fresno, Madera, Merced, Stanislaus and San Joaquin counties.

## Workforce Training and Incentives

### Job Referral and Placement

America's Job Center of California<sup>SM</sup> (AJCC) is your easy one-stop access to the state's employment-related services. Explore the resources through this Web portal or visit a local center. Employers can get help in posting job openings and recruiting candidates.

On the Job Training OJT The On-the-Job Training (OJT) program enables businesses to hire qualified employees and receive a reimbursement for a portion of that employee's wages during the training agreement that is equivalent to their training costs. Will reimburse up to 50% of training costs.

### Employment Training Panel

A cash reimbursement for training cost incurred by employers set by a pre-determined two-year performance based contract. Contracts vary based on number of employees enrolled, hours of training, training material and employee wages.

#### **Work Opportunity Tax Credit**

The Work Opportunity Tax Credit (WOTC) provides a tax credit of up to \$9,600 for employers who hire individuals who belong to one or more of the nine target groups specified in the law.

#### **Worksharing Unemployment Benefits**

The Work Sharing Unemployment Insurance program allows for the payment of benefits to employees whose hours and wages have been reduced. Any employer who has a reduction of production, services, or other conditions that cause the employer to seek an alternative to layoffs can consider participating.

### **Financing Programs**

#### **Industrial Development Bonds**

Industrial Development Bonds (IDBs) are tax-exempt securities issued up to \$10 million by a governmental entity to provide money for the acquisition, construction, rehabilitation and equipping of manufacturing and processing facilities for private companies.

#### **SBA 504 Loans**

SBA (Small Business Administration +Corporations (CDC). Through the SBA 504 program, CDCs provide up to 90% of fixed-asset financing costs. The second mortgage, long-term, fixed-rate financing nature of the program allows banks to participate in business expansion by reducing risk exposure.

#### **Brownfields Revolving Loan Fund Program**

This program provides low-interest rate loans between \$200,000 and \$900,000 for financing cleanup activities of sites by eligible public or private property owners, including government agencies, private property owners as well as non-profit organizations.

#### **California Capital Access Program**

This program encourages lenders to make loans to small businesses that may have difficulty obtaining capital. These credit enhancement mechanisms minimize the credit risk for lenders, and make it possible for new and existing businesses in California to qualify for small business loans.

#### **California Infrastructure and Economic Development Bank (IBank) CLEEN Center**

The IBank established the California Lending for Energy and Environmental Needs (CLEEN) Center to offer financing to public agencies and non-profit corporations to help achieve the State's greenhouse gas reduction goals and increase market confidence in green investing.

#### **California Infrastructure and Economic Development Bank Export Financing Program**

This program helps provide loans to small businesses that sell goods in other countries through the Small Business Loan Guarantee Program.

#### **Export-Import Bank**

This bank is the official export credit agency of the United States. Its mission is to ensure that U.S. companies — large and small — have access to the financing they need to turn export opportunities into sales.

### **JumpStart Loan Guarantee Program**

The program provides microloans for low-wealth entrepreneurs located in a low wealth community or disaster area.

### **Providing Loan Assistance for California Equipment (PLACE) Program**

The California Air Resources Board offers financing opportunities for off-road vehicles, fleet vehicles, and equipment used in freight movement.

### **Recycling Market Development Zone Loan Program**

This program provides attractive loans, technical assistance, and free product marketing to businesses that use materials from the waste stream to manufacture their products and are located in a zone.

### **Small Business Loan Guarantee Program**

This program provides “access to capital” that may not have been available to growing businesses without this guarantee. The guarantee minimizes the credit risk for lenders, and makes it possible for new and existing businesses in California to qualify for small business loans.

### **New Market Tax Credit**

The NMTC Program helps businesses with access to financing that is flexible and affordable. Terms can include lower interest rates, flexible provisions such as subordinated debt, lower origination fees, higher loan-to-values, lower debt coverage ratios and longer maturities.