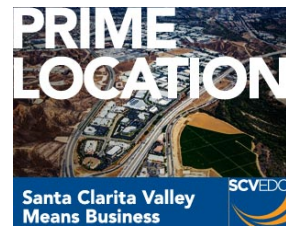


Santa Clarita Valley Incentives and Resources Guide



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Santa Clarita Valley Business Incentives

The SCVEDC is your primary point of contact to access local, state and federal incentives. Our team will help you navigate the regulatory and administrative hurdles to apply to all available programs. Below is a summary of each incentive program.

California Partial Sales Tax Exemption for Manufacturing and R&D Equipment

A tax exemption reduces the amount of tax paid at the time of purchase. This program exempts qualified SCV companies from paying the state sales tax portion of 3.9375%, reducing your total sales tax rate from 8.75% to 4.8125% on qualified property purchases.

For more information, please visit:

http://www.boe.ca.gov/sutax/manufacturing_exemptions.htm#Overview

SCV manufacturers will use BOE Form 230-M (<http://www.boe.ca.gov/pdf/boe230m.pdf>) when working with retailers and vendors to document the sales tax exemption.

California Partial Sales Tax Exemption for Construction and Tenant Improvements

Businesses engaged in manufacturing or R&D may also take a partial sales tax exemption when doing tenant or infrastructure improvements where the resulting improvement to real property is an integral part of the manufacturing, research process, or storage facility for use in connection with manufacturing processes. Firms will be charged the reduced state sales tax rate of 5.0625% at the time of purchase.

SCV manufacturers will use BOE FORM 230-MC (<http://www.boe.ca.gov/pdf/boe230mc.pdf>) when working with contractors or construction personnel to document the sales tax exemption.

California Competes Tax Credit

The California Competes Tax Credit is an income tax credit available to businesses that want to come to California or *stay and grow in California*. This tax credit is a negotiated credit, meaning the state, economic developers and private sector businesses will submit an application that critiques the costs and benefits of each business expansion. Specifically, tax credit agreements will be negotiated by GO-Biz and approved by the California Competes Tax Credit Committee, consisting of the State Treasurer, the Director of the Department of Finance, the Director of GO-Biz, one appointee from the Senate, and one appointee from the Assembly.

There is an estimated \$200 million in tax credits available per year to assist in creating and maintaining jobs in California, 25% of which is allocated to small business (gross receipts less returns and allowances of less than \$2 million).

For more information, please visit:

<http://www.business.ca.gov/Programs/CaliforniaCompetesTaxCredit.aspx>

California Employment Hiring Credit

The New Employment Credit (NEC) took effect on January 1, 2014 and will be in effect until January 1, 2021. There is a strict set of eligibility criteria that businesses need to consider when applying, which include, but are not limited to, the following:

- The business must be located within a Designated Geographic Area (DGA) in the SCV. Check to see if your location is eligible here: <http://maps.gis.ca.gov/gobiz/dga/default.aspx>
- The business is not an excluded business (temporary help services or retail trades, and those primarily in food services, theater companies and dinner theaters, drinking places (alcoholic beverages,) or casinos and casino hotels.
- The business must show a net increase in the number of jobs
- The business hires an individual that is a qualified full-time employee who works at least an average of 35 hours per week and meets all of the following:
 - Is hired on or after January 1, 2014
 - Performs at least 50% of his/her services for the employer in the DGA
 - Receives starting wages that exceed 150% of the state's minimum wage
 - Is paid hourly wages for an average of at least 35 hours per week, or is salaried, and paid for full-time employment
 - Meets one of five conditions upon commencement of employment (see link below)

The hiring credit reimburses employers 35% of qualified wages between \$12 and \$28 per eligible employee. An annual certification of employment is required with respect to each qualified full-time employee hired in a previous taxable year.

For more information, please visit:

https://www.ftb.ca.gov/online/New_Employment_Credit_Reservation/index.shtml

Federal and State of California Research and Development (R&D) Tax Credits

R&D tax credits are available to eligible SCV businesses at both the federal and state levels. Most companies are engaged in efforts to improve products and processes as part of their day-to-day operations and the IRS defines these activities as R&D. The IRS recognizes that many of these changes are evolutionary rather than revolutionary in nature. Therefore, it is not necessary for the improvements to be significant enough to be patentable. Eligible firms are encouraged to precisely identify and track patents and inventions, as well as new or improved products, processes, techniques, formulas or computer software (collectively referred to as "business components") considered to be eligible. Below are a few questions that may help SCV firms understand whether they qualify for R&D tax credits.

- Does the project or activity rely on any form of physical or biological sciences, engineering, or computer science, etc.?
- Are you trying to make improvements to your products or processes?
- At the outset of the project, was there any uncertainty in regards to your development?
- Did you have to test your results or develop prototypes?

If you answered yes to these questions, please contact the SCVEDC to schedule a free preliminary assessment for qualifying for this lucrative tax credit.

Foreign Trade Zone

This extension of the U.S. Foreign Trade Zone (FTZ) program offers international traders, importers, and exporters outstanding opportunities to take advantage of special customs privileges. These incentives can lower barriers to trade, improve cash flow and enhance your company's profits while giving you a competitive edge in the global marketplace. In 2017, the FTZ service area was expanded to include all of Santa Clarita Valley. SCV businesses can now become an Operator, or a Sub-Operator through extension of an existing Operator's bond and zone to another company facility (requires Operator management oversight). Some core benefits include:

- *Duty Deferral* – Duties are only paid when imported merchandise is entered into the U.S. Customs territory
- *Duty Elimination* – No duties paid on merchandise that is exported from a FTZ, transferred to another zone, or destroyed
- *Duty Inversion* – Reduce or eliminate customs duties for products assembled, manufactured or kitted in a FTZ
- *Weekly Entry Program* – Caps total merchandise processing fees (MPF) at \$485 per week, vs. per shipment
- *Efficient Supply Chain/Direct Delivery* – Products that take days to clear through customs can be cleared in-bound directly and arrive more rapidly at importer's FTZ

To learn more or to obtain a free assessment on potential cost savings, contact SCVEDC.

Recycling Market Development Zone

The Recycling Market Development Zone (RMDZ) is a California state program aimed to simultaneously reduce landfill waste and encourage manufacturing. Santa Clarita is one of several designated RMDZs in the state of California, and as a result, Santa Clarita businesses are eligible for low-interest loans. To receive such a loan, the business (a manufacturer or processor) must demonstrate that it is either: 1) reducing initial waste; or 2) reusing production bi-products that would normally be dumped in a landfill; or 3) using recycled content in its manufacturing. Metal recycling is not eligible for a loan, as 90% of California's metal is already recycled.

However, manufacturers that can demonstrate that they are recycling paper, plastic, glass and/or organic material are eligible. Incentives for qualifying businesses include low interest rate loan programs and technical assistance.

For more information, please visit: <http://www.GreenSantaClarita.com>

Work Opportunity Tax Credit (WOTC)

WOTC is a federal tax credit for companies who hire new employees from certain target groups who have consistently faced significant barriers to employment. The maximum tax credit ranges from \$1,200 to \$9,600 depending on the employee hired. The Veteran Opportunity to Work (VOW) to Hire Heroes Act of 2011 extended and expanded the WOTC Qualified Veterans target group. In addition, qualified tax-exempt employers can now participate by hiring qualified veterans.

For more information, please visit: <https://www.doleta.gov/business/incentives/opptax/>

LA Metro Vanpool Program

SCV manufacturers face the challenge of large employee commuter populations from Antelope Valley, San Fernando Valley and greater LA. Vanpool programs are a growing means of both employee attraction and retention. LA Metro offers a \$400 per vanpool per month incentive for vanpool vehicles provided by their partner operator, Rideshare by Enterprise. Enterprise manages all aspects of the program, including assisting employers in setting up pre-tax payroll deduction which typically saves companies about 7.5% on FICA taxes.

Southern CA Edison Economic Development Rate

Large power users (200 kW peak use) can apply for a 12% reduction in their electrical rate. Businesses must be able to state that, if not but for this cost savings they would have to close the facility or locate elsewhere. A business case and financial projections are required in the application process.

Statewide Community Infrastructure Program

The Statewide Community Infrastructure Program (SCIP) is a financing program that enables developers to pay most impact fees and finance public improvements through an acquisition agreement that qualify under the 1913/1915 Act (excluding school fees) via tax-exempt bond issuance proceeds. The program can be used to enable developers to pay for, or be reimbursed for, all eligible impact fees or for a single impact fee. Moreover, the program may alleviate the need for a fee deferral program by providing the local agency with necessary funds and eliminating the risk of nonpayment by the developer.

For more information, please visit:

[http://cscda.org/Infrastructure-Finance-Programs/Statewide-Community-Infrastructure-Program-\(SCIP\)](http://cscda.org/Infrastructure-Finance-Programs/Statewide-Community-Infrastructure-Program-(SCIP))

California Alternative Energy and Advanced Transportation Financing Authority (CAEATFA)

The CAEATFA is providing a sales and use tax exclusion (full rate, including local and district taxes) on qualifying property that is used in the design, manufacture, production, or assembly of “advanced transportation technologies or alternative energy source products, components, or systems,” or “clean technology.” The tax exemption takes place at the time of the qualified equipment purchase. Before one can make tax exempt purchases of clean-tech qualifying equipment, they must get their application approved by the CAEATFA.

To apply, applicants must pay an application fee (.05% of value of all qualifying property submitted on

the application, \$250 minimum and \$10,000 maximum) and a non-refundable administrative fee (.4% of the value of all purchased qualified property, minimum of \$15,000 and maximum of \$350,000, paid at the time of each semi-annual report where it is calculated based upon the semi-annual qualified purchase amount).

California Film Credit

California offers a state income/sales and use tax credit for “qualified motion pictures.” Under the current Program 2.0, the state has increased benefits as follows:

- Increased tax credit program funding from \$100 million to \$330 million and extended program 2.0 for five (5) years
- Expanded eligibility to big budget feature films, 1-hr TV series (for any distribution outlet) and TV pilots

- Eliminated budget caps for studio and independent films
- Replaced lottery selection with a ranking system based on jobs and other criteria
- Added a 5% “Uplift” for productions that film outside the 30-Mile Zone, as well as for visual effects and music scoring/recording performed in-state

City of Santa Clarita Film Credit

The City of Santa Clarita has a three-part film incentive program that subsidizes/refunds basic permit fees for locally based, recurring and California Film & Television Tax Credit Program approved productions and provides partial refunds of Transient Occupancy (Hotel) Taxes.

For more information, please visit: <http://filmsantaclarita.com/>

City of Santa Clarita Use Tax Rebate Program

When businesses pay California Sales and Use Tax to a lessor or an out-of-state vendor, Santa Clarita receives only a small amount of the 1% local share. However, using a Direct Payment Permit system, Santa Clarita would receive the entire 1% local share back, benefiting Santa Clarita’s general fund which supports public safety, parks, library, and infrastructure as well as a variety of other city services. The incentive program provides businesses with either a cash rebate of 25% on the additional state-collected use tax remitted to the city as a result of the business entering the state’s Use Tax Direct Payment Permit program, or a 45% rebate to be used on business expansion city permit credits.

Businesses will use BOE Form 400-DP (Application for Use Tax Direct Payment Permit), and the City of Santa Clarita will provide a memorandum of understanding to qualifying businesses. The only requirement to qualify for the program is that the company must have \$500,000 in cumulative purchases subject to use tax in a 12-month period prior to filing for a permit application. Once qualified there is no other minimum purchase requirement.

Santa Clarita Valley Industry Cluster Attraction Incentive

This incentive is designed to grow jobs in SCVEDC’s target industry clusters. It offers up to \$40,000 to select companies establishing operations in the Santa Clarita Valley. To be eligible, a company must:

- Establish new operations in the Santa Clarita Valley
- Employ at least 20 employees in the SCV location
- Purchase or secure at least a five-year lease
- Use the incentive to offset permitting expenses
- Work in one of SCVEDC’s target industry clusters

Community Development Commission of the County of Los Angeles Loan Programs

The LACDC offers multiple low-interest loan programs designed to help small to medium manufacturing businesses secure loans ranging from \$25,000 to \$1.5MM for real estate, inventory, working capital, machinery and equipment, leasehold improvements and debt refinancing.

For more information please visit <https://www.lacdc.org/for-businesses/economic-development-loan-programs>

Santa Clarita Valley Business Resources

Santa Clarita Valley businesses can take advantage of several local resources that provide free or low cost services supporting recruitment and hiring, workforce training and development, expert consulting on a range of business needs, and more. Following is a summary of services available.

America's Job Center of California at the College of the Canyons

The America's Job Center of California (AJCC) works with local businesses, offering a variety of services from pre-screening candidates to available interview facilities and job readiness training for job seekers. All services at the AJCC are offered to businesses and job seekers FREE of charge. Participation in these workforce development programs can mean a significant return to your business. For example, you may be eligible for On-the-Job Training (OJT) funds that can reimburse up to half of your new hire's wages for the first three months of work, as well as utilizing the Work Opportunity Tax Credit when you hire eligible job seekers.

The SCVEDC is happy to make a warm introduction to the AJCC to help you find qualified candidates. You can view a list of the services they offer here: <http://WorkSantaClarita.com>

SCV Internships for the 21st Century

The SCVEDC hosts an easy-access internships website to facilitate local business connection to students for internship opportunities. Employers can cross-post their internships and receive applications directly via email or link back to the company's own employment portal. The website is free of charge to both employers and students, and includes valuable information to help businesses structure successful internships.

For more information or to post an internship: www.scvinternships.com or contact Sue Arellano, SCVEDC Business Assistance Manager at suearellano@scvedc.org or 661-288-4411.

Employee Training Institute

If your company needs to drive down costs, expand the talent within your workforce, and adapt to continuous improvement methods and processes, SCV's College of the Canyons Employee Training Institute (ETI) is an excellent choice for your training and development needs. ETI provides customized training in most technical skills and business topics such as Print Reading, Lean Manufacturing, Six Sigma, Project Management, Geometric Dimensioning & Tolerancing (GD&T), Supervisory Skills, Management and Leadership, and much more. Training classes are offered at your business site, or at one of several college training locations.

There are a number of ways for you to get free or low-cost training for your employees using Employment Training Panel (ETP) funds. Here is the link to learn more about what training programs are offered: <http://www.canyonsecondev.org/eti>

For more information or to schedule training, please contact John Milburn, ETI Director at: john.milburn@canyons.edu or 661-362-3245.

The Center for Applied Competitive Technologies

The SCV's Center for Applied Competitive Technologies (CACT) works to advance the global competitiveness and innovation for advanced technology companies through responsive workforce training and technical consulting services. The CACT offers technology education and manufacturing training in the areas of Computer Aided Design (CAD), Computer Aided Manufacturing (CAM) and CNC machining. Additionally, CACT partners with the ETI in delivering Lean training and consulting.

For more information, please contact Michael Bastine, CACT Director at michael.bastine@canyons.edu or 661-362-3111.

California Advanced Manufacturing Collaborative (CAMAC)

CAMAC is a statewide collaborative of community college and regional partners working to support the creation of apprenticeship training solutions in the Advanced Manufacturing sector. College of the Canyons is a partner college serving local manufacturing in eleven different occupations with related technical instruction in partnership with ToolingU. Build your talent pipeline, improve your bottom line, and enhance your company's image with US DOL Registered Apprenticeship through CAMAC. To learn more about CAMAC: <http://www.camac.us/>

Goodwill of Southern California is the Southern California facilitator of CAMAC. Please contact Tracy DiFilippis, Sector Strategies Manager, 323-477-3923 to learn more about apprenticeship opportunities for your business, or email Tdifilippis@goodwillsocal.org

Small Business Development Center

The Small Business Development Center (SBDC) provides free one-on-one counseling meetings with professional business consultants on a wide variety of business issues including business expansion and start-up, marketing and sales tactics, business plan development, international trade – import/export assistance, logistics, manufacturing, financing resources, access to capital/loan packaging, finance and accounting, HR, legal issues, web site design and development, e-commerce and more. The SBDC also offers numerous monthly training classes focused on business skills for the small business owner.

For more information or to schedule an appointment: <http://cocsbdc.org/>

Centers for International Trade Development

The CITD has 10 community college based locations across California (including College of the Canyons) that assist businesses in expanding globally, assist individuals and students in expanding their knowledge of global business and help colleges internationalize their curriculum. The CITD also manages the California State Trade and Export Promotion (STEP) program which is one of the largest state-based export promotion efforts in the United States.

For more information: http://www.ccewd.net/initiative_citd.cfm or contact CITD at citd@canyons.edu or 661-362-5900.

California Manufacturing Technology Consulting

California Manufacturing Technology Consulting (CMTC®) is a non-profit that provides consulting services for small to mid-size manufacturers in Southern California. The CMTC® mission is to ensure that manufacturers flourish by identifying areas of improvement in capability, process and systems to create financial impact.

For more information: www.cmtc.com or contact Kathy McIntyre, Client Advisor at kmcintyre@cmtc.com or 310-984-0768.

Biomedical Manufacturing Network

The Biomedical Manufacturing Network is convened by a partnership of regional entities focused on building a biomedical manufacturing network for business assistance, technology transfer, education and training, and economic development. Industry experts are available for consultation, research or other projects at no cost to businesses in biomedical manufacturing.

For more information: <http://www.biomedmfg.org/> or contact Dr. Gregory Theyel, Program Director at gregory.theyel@biomedmfg.org or 415-425-8314.

Los Angeles Economic Development Corporation

The Los Angeles Economic Development Corporation provides a broad range of business services, reports and publications, and industry cluster events for companies throughout Los Angeles County, as well as fee-based customized economic studies.

For more information: <http://laedc.org/>

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

GO-Biz offers a range of services to business owners including: attraction, retention and expansion services, site selection, permit assistance, regulatory guidance, small business assistance, international trade development, assistance with state government, and much more.

For more information: <http://www.business.ca.gov/>