

CALIFORNIA LEGISLATURE

STATE CAPITOL
SACRAMENTO, CALIFORNIA
95814

November 24, 2020

RE: California's New \$100 Million Small Business Hiring Tax Credit

As the authors of SB 1447 (Chapter 41, Statutes of 2020), we want to make you aware of a new \$100 million tax credit created by that legislation: the Small Business Hiring Credit. This is one way that we are working to ease economic hardships imposed on small businesses due to the necessary response to the COVID-19 pandemic.

An eligible small business can receive \$1,000 in credit for each net new hire that occurred during the second half of 2020, up to \$100,000 per business. This tax credit can be used against personal and corporate income tax liabilities OR sales and use tax liabilities from the 2020 tax year. This is an important point, as other tax credits are not as flexible.

The eligibility criteria for this tax credit are:

1. The small business must have employed 100 or fewer employees as of December 2019 (this figure is for all employees, including part-time employees);
2. The small business has experienced a 50% decrease in gross receipts in the second quarter of 2020 (April 2020 through June 2020) compared to the second quarter of 2019 (April 2019 through June 2019);
3. The small business had a net increase in employment between July 2020 through November 2020, compared to the prior quarter (April 2020 through June 2020);
4. The small business applied for a tax credit registration between December 1, 2020, and January 15, 2021, with the California Department of Tax & Fee Administration (CDTFA).

This is important: a small business seeking this credit must first apply for it starting on December 1, 2020, at 8:00AM through an online portal administered by the California Department of Tax & Fee Administration (CDTFA). These applications will be processed on a first-come, first-served basis, so it is important to reserve credits early. If applications are high, CDTFA may close the application window earlier than January 15, 2021. **It is important to apply as early as possible.**

CDTFA will accept tax credit reservations online beginning on December 1st at 8:00AM. CDTFA's website also has a list of frequently asked questions (FAQs) to assist small businesses, which you can find here: <https://www.cdtfa.ca.gov/taxes-and-fees/SB1447-tax-credit.htm>

The Small Business Hiring Credit builds on existing relief programs, including a program created in April that allowed a small business to establish a 12-month, interest-free payment plan to temporarily defer up to \$50,000 in sales and use tax liabilities. That program applied to sales and use tax liabilities with original due dates between March 1, 2020, and July 31, 2020. Businesses must have applied to this program by November 18, 2020. Because the Small Business Hiring Credit can be applied to sales and use tax liabilities, it can be used to reduce the amount of deferred taxes under this program that must be repaid.

More information about additional state assistance programs can be found here: <https://www.cdtfa.ca.gov/services/covid19.htm>

Thank you to all the hardworking California small business owners that continue to persist through the difficulties of this year. If you are eligible for the Small Business Hiring Credit, we hope you will apply.

Sincerely,



STEVEN BRADFORD
Senator, 35th District



ANNA M. CABALLERO
Senator, 12th District



SABRINA CERVANTES
Assemblymember, 60th District