



GUIDE TO SOUTH BAY BUSINESS INCENTIVE PROGRAMS

Many South Bay businesses are currently benefiting tremendously from the vast array of incentives available to them from the State of California, Los Angeles County and local cities. In addition to providing the most advanced infrastructure in the United States, the State of California has committed itself to facilitating commercial / industrial employee training and recruitment services as well as providing for California enterprise zone tax credits in certain economically distressed areas.

DISCLAIMER: This guide is not all-inclusive and the criteria included may change after its release. This guide provides a current overview of programs and incentives potentially available to qualifying businesses in the South Bay. Not all programs apply to all businesses. The information contained is not a substitute for legal advice nor information provided by the agency administering the program. Every effort has been made to ensure accuracy.

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Tax Credits

- **Manufacturer’s Investment Tax Credit:** This 6% credit may be earned by qualifying California manufacturers. The credit applies to new, used or leased machinery and equipment upon which California State sales tax was paid. Any unused credit can be carried forward for eight years. If your Standard Industrial Classification is between 2000 & 3999, your company may qualify.

Note: The MIC tax credit expired 12/31/2003. However, you may reclaim credits for tax years 2002 -2003.

www.ftb.ca.gov/forms/misc/1113.pdf

- A **Research & Development Tax Credit** of 15% may be available for work performed in-house or 24% for work performed by an outside firm. To qualify, research must be conducted within California and must not include research for the purpose of improving a commercial product for style, taste, cosmetic or seasonal design factors. The credit is applied to the incremental increase in Research and Development spending for the year. www.ftb.ca.gov/forms/misc/1082.pdf



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Enterprise Zones

To check if your business is located in an enterprise zone go to: www.lacity.org/cdd/bus_state.html
This program provides tax incentives to businesses, allowing the private sector to revive the economy in economically distressed areas throughout California. Tax credits and benefits include:

- **Sales & Use Tax Credit.** All of the 8% sales tax, or use tax, paid on the purchase of qualified machinery and parts can be claimed as a tax credit. This includes manufacturing equipment, as well as computer, and telecommunications equipment. Manufacturers receive an extra 6% Investment Tax Credit, which can be claimed in addition to the 8% Sales Tax Credit.
- **Hiring Tax Credit.** Firms can earn up to \$31,575 over a 5-year period per qualified employee hired. 100 qualified employees hired could amount to \$2.68 million in tax credits.
- **35% 5-Year Electrical Discount.** For new and expanding businesses in enterprise zones located in the City of Los Angeles.
- **Business Expenses Deduction.** Up to 40% of tangible personal property may be expensed en lieu of depreciation. The cost is limited annually depending on the date of the zone's designation.
- **100% Net Operating Loss Carry Forward (NOL).**
- **Net Interest Deduction for Lenders.** Net interest can be deducted from income earned on loans made in an enterprise zone.

For More details on Enterprise Zone credits visit www.lacity.org/cdd/bus_taxcred.html

Workforce Training & Hiring

- The **Employment Training Panel (ETP)** trains employees and may offer cash reimbursements, which average \$1,000 - \$1,500, in respect of each employee trained a minimum of 40 hours and retained on a job for ninety (90) days. ETP has paid over \$762 million in training funds since its inception, with over 600,000 California workers trained. 65,000 California small businesses have been served. Overall, there has been a return on investment of more than \$5 for every \$1 in ETP funds spent on training. In addition, ETP's new small business pilot program allows training for as few as 8 hours. www.etp.ca.gov/
- The **Business Training Center at El Camino College** provides consulting and customized training designed to meet specific workforce and management training needs. Qualified companies may be eligible for ETP funding to offset training costs. www.elcamino.cc.ca.us//commadv/bustraining/
- The **Center for Training and Development at CSU Dominguez Hills** offers customized training and consulting to meet specific workforce and management training needs. CSUDH also offers free training via the Employment Training Panel to qualifying firms. www.csudh.edu/extendeded/
- **South Bay Workforce Investment Board (WIB)** "One-Stops" serve the Cities of El Segundo, Gardena, Hawthorne, Hermosa Beach, Inglewood, Lawndale, Manhattan Beach, and Redondo Beach. These centers serve businesses by providing labor market information, trained and



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motivated workers, customized training, on-the-job training and other placement programs at no cost. www.sbwib.org/services/business.asp

- The **Carson, Lomita, Torrance Workforce Investment Network** and their “One-Stops” serve businesses in Carson, Lomita, Torrance and the LA Harbor area: www.careerzone.tornet.com/Employers
- The **Employment Development Department’s** job service program serves the State’s 850,000 employers and about 1 million job seekers that register for services each year. *CalJOBS* a computer based system electronically cross-references qualified job applicants with employer’s job openings. www.caljobs.ca.gov/

Financing Programs

- The **U.S. Small Business Administration** provides financial assistance in the form of loan guarantees for working capital, equipment, land or building purchases, etc: www.sba.gov/financing
- The **Los Angeles County Community Development Commission** offers several lending programs, ranging from a Micro Loan to a Float Loan Program lending up to \$15 million. www.lacdc.org/economic/index.shtm
- Manufacturers and processors are eligible to use **Industrial Development Bonds (IDB's)** to finance new equipment purchases, purchases of existing buildings and construction of new facilities. These bonds generally have an interest rate at 60-65% of the current prime interest rate. Terms range from 5 to 7 years for equipment projects and up to 25 years for Real Estate facilities projects. Fixed and variable rates are available. No refinancing is permitted. The State of California Treasury Department issues these through the California Industrial Development Financing Advisory Commission (CIDFAC). www.treasurer.ca.gov/CIDFAC
- The **California Statewide Communities Development Authority** has funding from \$1 million to \$10 million available to qualifying manufacturers, solid waste processors and recyclers for financing new facilities, expanding existing facilities or upgrading equipment. California Communities specializes in issuing tax-exempt financing for public agencies and eligible private agencies for industrial, housing, non-profit and other tax-exempt facilities. www.cacommunities.com
- The **California Integrated Waste Management Board** offers funding opportunities authorized by legislation to assist public and private entities in safe and effective management of waste. www.ciwmb.ca.gov/Grants/
- The **FAME Renaissance Business Resource Center** acts as an intermediary for the SBA Micro Loan Program which offers financing up to \$25,000 for start up and existing businesses in Los Angeles County. The application is available on the Internet. www.microloan.org



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- **State Loan Guarantee Program** through Pacific Coast Regional SBDC enables businesses to obtain a term loan or line of credit for up to \$500,000 when unable to qualify otherwise. www.pccorp.org
- **Community Financial Resource Center** provides financial assistance to businesses located in low-to-moderate census tracts of Los Angeles County. Financing for Microloans range from \$500-\$30,000 and Expansion Loans range from \$30,000 to \$250,000. CFRC hosts Workshops designed to assist new and existing firms develop computer and business management skills. www.cfrc.net

Business Consulting & Educational Services

- **The Small Business Development Center (SBDC)** hosted by El Camino College provides one-on-one counseling and training covering organizational, strategic planning, financial, marketing, capital access and technical issues designed to foster growth and expansion. If your business needs management or technical assistance in growing your business or you are thinking of starting a business or how to apply for an SBA loan, contact the Small Business Development Center. www.southbaysbdc.org
- **California Manufacturing Technology Consulting (CMTc)** offers a wide range of high quality, affordable & professional consulting services in the areas of Information Technology, Strategic Business Planning, Lean Enterprise, Quality Management and Manufacturing & Engineering. Offices located throughout Southern California. www.cmtc.com
- **LARTA (Los Angeles Regional Technology Alliance)** provides assistance to developing technology-based firms in Southern California. It drives technology markets through its' business training programs, market research, and knowledge/capital conferences, which bring together industry officials, investors, and entrepreneurs. Larta assists in federal & state grant funding. www.larta.org

International Trade – Import Export - Foreign Trade Zones

- The **World Trade Center Association** helps businesses with Trade Leads, Business Contacts, Market Assessments, Information on Economic Conditions by Country, Information on Government Regulations by Country and Trade Mission Assistance. www.wtcanet.org
- The **Center for International Trade Development** hosted by El Camino College is a "one-stop" source of expert trade consulting, export-import workshops, customized market research and planning, and worldwide trade contacts and leads. www.citd.org
- The **Port of Los Angeles** is the grantee for **Foreign Trade Zone 202**. A Foreign Trade Zone is an area where foreign and domestic merchandise is considered outside U.S. Customs territory. Merchandise may be admitted into a zone without formal Customs entry, thereby deferring



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payment of duty or excise taxes until the product is legally entered into the U.S. or eliminating duty if the product is re-exported. www.portoflosangeles.org/facilities_ftz.htm

Energy Conservation & Rebate Programs

- **Southern California Edison** offers a number of programs to help qualifying customers reduce energy usage and lower electricity costs, including providing free energy audits to examine energy uses to help businesses save on their energy costs. (Click on Rebates & Offers) www.sce.com
- **The Gas Company** energy offers efficiency programs for business: www.socalgas.com/business/
- **LA Department of Water & Power:** (See Rebates & Programs & Doing Business) www.ladwp.com

Other Programs

The South Bay Economic Development Partnership, through its affiliates, also provides specialized assistance in the following areas:

- Permit assistance and licensing
- Ombudsman and mitigation services (permitting, regulatory, etc).
- Technical assistance accessing county, state, and federal programs;
- Manufacturing workshops for process management and improvement;
- Regional community profiles, economic and demographic data;
- Site selection services for business expansion and relocation;
- Workers compensation insurance review;
- Tax structures and abatements
- Incentive zones (Enterprise, Revitalization, Empowerment, Foreign Trade)
- Labor Market information, job training
- Utility and transportation services
- Employee hiring and relocation
- Public financing programs (local, state and federal) including industrial development bonds
- Personalized briefings and orientations tailored to your specific needs
- Trade coordination with the ports, LAX, foreign trade zone, railroads and utility companies