

## Act Now to Claim the California Main Street Hiring Tax Credit

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**PRACTICES** Tax, Emerging Companies and Venture Capital

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California businesses affected by Covid may be eligible for a tax credit in 2020. The Main Street Hiring Credit helps businesses that terminated employees or dramatically reduced their work hours this year and are now rehiring those employees, hiring new employees, or increasing their hours.

A limited amount of money is available for the credit. To be eligible, taxpayers must reserve the credit with the California Department of Tax and Fee Administration. Reservations are being taken on a first-come, first served basis starting December 1, 2020, and will only be taken until the earlier of January 15, 2021, or when the \$100 million credit allocation is reached.

The \$100 million set aside for this credit will likely be gone before January 15, 2021, so you should make a credit reservation as early as possible.

The credit is equal to \$1,000 for each net increase in qualified employees (as described below), up to \$100,000 maximum per taxpayer, but can only be claimed by businesses that:

- Employed 100 or fewer employees (all employees, including part-time employees) as of December 31, 2019; and
- Experienced a 50% or greater decrease in gross receipts from April 1, 2020–June 30, 2020, as compared to April 1, 2019–June 30, 2019.

The net increase is measured by comparing the taxpayer's average number of monthly full-time equivalent (FTE) employees for the second quarter of 2020 with the average number of monthly FTE employees for the five-month period beginning July 1, 2020, and ending November 30, 2020.

This credit can be used to offset state and local sales and use taxes if you do not have a 2020 income tax liability.

Please let us know if you would like more information about the Main Street Hiring Credit.