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CERTIFIED PUBLIC ACCOUNTANTS



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November 9, 2020

Dear Client,

Governor Newsom signed into law Senate Bill (SB) 1447 on September 9, 2020. This law is designed to support small businesses in California as they hire or re-hire employees.

SB 1447 provides a tax credit of \$1,000 per net new hire (up to \$100,000 per business) after July 1, 2020, when compared to their total workforce in the second quarter of 2020. New hires must be hired by December 1, 2020. The credit may be applied against personal and corporate income tax liabilities **or** sales and use tax liabilities for the 2020 tax year.

Eligible Businesses:

- Must have fewer than 100 employees;
- Must have experienced a 50% decline in gross receipts between 2020 and 2019 (comparison period is 2nd quarter);
- Credits must be reserved with the California Department of Tax and Fee Administration (CDTFA) beginning December 1, 2020, and before January 15, 2021.
 - Applicants must include:
 - The net increase in qualified employees (independent contractors are not qualified employees);
 - Whether the credit will be applied against corporate or personal income taxes or both;
 - Whether the small business makes an irrevocable election to apply the credit against sales and use tax in lieu of applying the credit against corporate or personal income taxes;
- The CDTFA will notify applicants of credit reservation amounts 30 days after the application is received;
- Credits are on a first-come, first-served basis and are capped at a cumulative amount of \$100 million.

Please feel free to contact us should you have any questions.

Sincerely,

The Team of Hunter, Hunter & Hunt

Sites for more info:

<https://www.ftb.ca.gov/file/business/credits/small-business-hiring-credit.html>

<https://www.cdtfa.ca.gov/formspubs/pub388.pdf>

<https://answerconnect.cch.com/document/std013a202ad07daf1000bbd3000d3a8abb4e03/news/california-sales-and-use-tax-hiring-credit-enacted-for-qualified-small-business-employers>