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## HIGHLIGHTS OF 2014 CALIFORNIA TAX CHANGES

Highlights of the 2014 California tax changes are noted below.

### Multiple Taxes

- *Business entity e-filing requirement enacted*

Beginning January 1, 2015, for taxable years beginning on or after January 1, 2014, certain business entity returns that are prepared using tax preparation software must be electronically filed with the FTB unless a waiver is obtained. The requirement applies to original or amended franchise and income tax returns required to be filed by corporations, S corporations, partnerships, limited liability companies, and exempt organizations, other than returns for unrelated business taxable income. See ¶108, ¶810. (Ch. 478 (A.B. 2754), Laws 2014)

- *College access tax credit enacted*

For taxable years beginning on or after January 1, 2014, and before January 1, 2017, a corporation franchise and income and personal income tax credit is allowed for cash contributions made to the College Access Tax Credit Fund. See ¶156, ¶818. (Ch. 367 (S.B. 738), Laws 2014)

- *New motion picture production credit enacted*

For taxable years beginning on or after January 1, 2016, a new California corporation franchise and income and personal income tax credit is available to qualified taxpayers for qualified motion picture production expenditures paid or incurred. The credit is provided in addition to the already existing (original) motion picture production credit. A qualified taxpayer may, in lieu of claiming the new credit or the original motion picture production credit, make an irrevocable election to apply the credit amount against the qualified sales and use taxes imposed on the taxpayer. See ¶137a, ¶818, ¶1509. (Ch. 413 (A.B. 1839), Laws 2014)

- *California Competes credit available*

A California Competes credit against personal income and corporation franchise and income taxes is available for the 2014 through 2024 taxable years to taxpayers that apply to the Governor's Office of Business and Economic Development (GO-Biz). The credit will be awarded on a competitive basis based on specified criteria. Legislation enacted in 2014 provides authorization for an increase in the aggregate amount of credit that is allocated. The FTB has released a notice to inform taxpayers of the procedures it will use to review the books and records of taxpayers that are awarded a credit. See ¶134, ¶818. (Ch. 69 (A.B. 93), Ch. 70 (S.B. 90), Laws 2013)

- *New jobs credit repealed and replaced with credit for businesses hiring in geographically designated areas*

The new jobs credit against personal income and corporation franchise and income taxes that was available to small employers is repealed and replaced with a new employment credit for qualified businesses hiring qualified employees in geographically designated areas, applicable beginning with the 2014 tax year. See ¶158, ¶818. (Ch. 69 (A.B. 93) and Ch. 70 (S.B. 90), Laws 2013)

- *Geographically targeted economic development area incentives repealed/expired*

Personal income and corporation franchise and income tax credits and other incentives available to businesses operating in enterprise zones and local agency military base recovery areas (LAMBRA) are repealed, generally applicable beginning with the 2014 taxable year, and the targeted tax area and manufacturing enhancement area designations expired at the end of 2012. These incentives include