

AMENDED IN ASSEMBLY MAY 28, 2015

AMENDED IN ASSEMBLY MAY 5, 2015

AMENDED IN ASSEMBLY APRIL 13, 2015

CALIFORNIA LEGISLATURE—2015–16 REGULAR SESSION

ASSEMBLY BILL

No. 437

**Introduced by Assembly Member Atkins
(Principal coauthor: Assembly Member Mullin)**

February 19, 2015

An act to amend Sections 17052.12 and 23609 of, to add Sections 17131.8 and 24304 to, and to add and repeal Division 3 (commencing with Section 70000) of, the Revenue and Taxation Code, relating to small businesses, and making an appropriation therefor.

LEGISLATIVE COUNSEL'S DIGEST

AB 437, as amended, Atkins. Research and Development: Small Business Grant Program.

Existing law provides for several programs supporting small businesses, including the Office of Small Business Advocate, the director of which duties include, among other things, representing the views and interests of small businesses before other state agencies whose policies and activities may affect small businesses.

The Personal Income Tax Law imposes taxes on taxable income at specified rates based upon the amount of taxable income. The Corporation Tax Law imposes taxes upon, according to, or measured by, net income, as specified. The Personal Income Tax Law and the Corporation Tax Law, in modified conformity to a credit allowed under federal law, allow a credit against taxes imposed by those laws for increasing research expenses, as defined. Existing law allows a taxpayer

to carryover any excess amounts of that credit to succeeding taxable years, until the credit is exhausted.

This bill would, beginning January 1, 2016, and ending January 1, 2022, 2023, establish the Research and Development-Small Business Grant Program, which would provide qualified small businesses, as defined, grants in amounts equal to either 10% or 15% of any excess credit amount attributable to the small business for specified years under the credit described above. This bill would continuously appropriate moneys from the General Fund to award these grants, in specified amounts per calendar year, to be allocated by the Franchise Tax Board. This bill would specify that any grant money received by a qualified small business would be excluded from its income and would provide that any excess credit amount attributable ~~by~~ to the qualified small business would be reduced by the amount allowed as a grant.

Vote: $\frac{2}{3}$. Appropriation: yes. Fiscal committee: yes.
 State-mandated local program: no.

The people of the State of California do enact as follows:

- 1 SECTION 1. Section 17052.12 of the Revenue and Taxation
- 2 Code is amended to read:
- 3 17052.12. For each taxable year beginning on or after January
- 4 1, 1987, there shall be allowed as a credit against the “net tax,” as
- 5 defined by Section 17039, an amount determined in accordance
- 6 with Section 41 of the Internal Revenue Code, relating to credit
- 7 for increasing research activities, except as follows:
- 8 (a) For each taxable year beginning before January 1, 1997, the
- 9 reference to “20 percent” in Section 41(a)(1) of the Internal
- 10 Revenue Code is modified to read “8 percent.”
- 11 (b) (1) For each taxable year beginning on or after January 1,
- 12 1997, and before January 1, 1999, the reference to “20 percent”
- 13 in Section 41(a)(1) of the Internal Revenue Code is modified to
- 14 read “11 percent.”
- 15 (2) For each taxable year beginning on or after January 1, 1999,
- 16 and before January 1, 2000, the reference to “20 percent” in Section
- 17 41(a)(1) of the Internal Revenue Code is modified to read “12
- 18 percent.”
- 19 (3) For each taxable year beginning on or after January 1, 2000,
- 20 the reference to “20 percent” in Section 41(a)(1) of the Internal
- 21 Revenue Code is modified to read “15 percent.”

1 (c) Section 41(a)(2) of the Internal Revenue Code shall not
2 apply.

3 (d) “Qualified research” shall include only research conducted
4 in California.

5 (e) (1) In the case where the credit allowed by this section
6 exceeds the “net tax,” the excess may be carried over to reduce
7 the “net tax” in the following year, and succeeding years if
8 necessary, until the credit has been exhausted.

9 (2) For taxable years beginning on or after January 1, 2016, in
10 the case where the Franchise Tax Board has issued a certificate
11 for a grant pursuant to Division 3 (commencing with Section
12 70000) the following rules shall apply:

13 (A) The excess credit amount that may be carried over by a
14 taxpayer shall be reduced by the amount reflected on the certificate.

15 (B) (i) In the case of a pass-thru entity, the amount of credit
16 that may be passed through to a partner or shareholder shall be
17 reduced by the amount reflected on the certificate.

18 (ii) For purposes of this subparagraph, “pass-thru entity” means
19 a partnership or an “S” corporation.

20 (C) If any amount of a credit finally allowed is less than the
21 amount of the credit that provided the basis for a grant pursuant
22 to Division 3 (commencing with Section 70000), the amount of
23 the grant attributable to the credit not allowed shall be treated as
24 a deficiency pursuant to Section 19043, and assessed and collected
25 pursuant to Part 10.2 (commencing with Section 18401).

26 (f) (1) With respect to any expense paid or incurred after the
27 operative date of Section 6378, Section 41(b)(1) of the Internal
28 Revenue Code, relating to qualified research expenses, is modified
29 to exclude from the definition of “qualified research expense” any
30 amount paid or incurred for tangible personal property that is
31 eligible for the exemption from sales or use tax provided by Section
32 6378.

33 (2) For each taxable year beginning on or after January 1, 1998,
34 the reference to “Section 501(a)” in Section 41(b)(3)(C) of the
35 Internal Revenue Code, relating to amounts paid to certain research
36 consortia, is modified to read “this part or Part 11 (commencing
37 with Section 23001).”

38 (g) (1) For each taxable year beginning on or after January 1,
39 2000:

1 (A) The reference to “3 percent” in Section 41(c)(4)(A)(i) of
2 the Internal Revenue Code is modified to read “one and forty-nine
3 hundredths of one percent.”

4 (B) The reference to “4 percent” in Section 41(c)(4)(A)(ii) of
5 the Internal Revenue Code is modified to read “one and
6 ninety-eight hundredths of one percent.”

7 (C) The reference to “5 percent” in Section 41(c)(4)(A)(iii) of
8 the Internal Revenue Code is modified to read “two and forty-eight
9 hundredths of one percent.”

10 (2) Section 41(c)(4)(B) of the Internal Revenue Code, relating
11 to election, shall not apply and in lieu thereof an election under
12 Section 41(c)(4)(A) of the Internal Revenue Code, relating to in
13 general, may be made for any taxable year of the taxpayer
14 beginning on or after January 1, 1998. That election shall apply
15 to the taxable year for which made and all succeeding taxable years
16 unless revoked with the consent of the Franchise Tax Board.

17 (3) Section 41(c)(7) of the Internal Revenue Code, relating to
18 gross receipts, is modified to take into account only those gross
19 receipts from the sale of property held primarily for sale to
20 customers in the ordinary course of the taxpayer’s trade or business
21 that is delivered or shipped to a purchaser within this state,
22 regardless of f.o.b. point or any other condition of the sale.

23 (4) Section 41(c)(5) of the Internal Revenue Code, relating to
24 election of alternative simplified credit, shall not apply.

25 (h) Section 41(h) of the Internal Revenue Code, relating to
26 termination, shall not apply.

27 (i) Section 41(g) of the Internal Revenue Code, relating to
28 special rule for pass-thru of credit, is modified by each of the
29 following:

30 (1) The last sentence shall not apply.

31 (2) If the amount determined under Section 41(a) of the Internal
32 Revenue Code, relating to general rule, for any taxable year
33 exceeds the limitation of Section 41(g) of the Internal Revenue
34 Code, relating to special rule for pass-thru of credit, that amount
35 may be carried over to other taxable years under the rules of
36 subdivision (e); except that the limitation of Section 41(g) of the
37 Internal Revenue Code, relating to special rule for pass-thru of
38 credit, shall be taken into account in each subsequent taxable year.

39 (j) Section 41(a)(3) of the Internal Revenue Code shall not apply.

1 (k) Section 41(b)(3)(D) of the Internal Revenue Code, relating
2 to amounts paid to eligible small businesses, universities, and
3 Federal laboratories, shall not apply.

4 (l) Section 41(f)(6), of the Internal Revenue Code relating to
5 energy research consortium, shall not apply.

6 SEC. 2. Section 17131.8 is added to the Revenue and Taxation
7 Code, to read:

8 17131.8. For taxable years beginning on or after January 1,
9 2016, and before January 1, ~~2025~~, 2023, gross income does not
10 include any grant received by a taxpayer pursuant to Division 3
11 (commencing with Section 70000).

12 SEC. 3. Section 23609 of the Revenue and Taxation Code is
13 amended to read:

14 23609. For each taxable year beginning on or after January 1,
15 1987, there shall be allowed as a credit against the “tax,” defined
16 by Section 23036, an amount determined in accordance with
17 Section 41 of the Internal Revenue Code, relating to credit for
18 increasing research activities, except as follows:

19 (a) For each taxable year beginning before January 1, 1997,
20 both of the following modifications shall apply:

21 (1) The reference to “20 percent” in Section 41(a)(1) of the
22 Internal Revenue Code is modified to read “8 percent.”

23 (2) The reference to “20 percent” in Section 41(a)(2) of the
24 Internal Revenue Code is modified to read “12 percent.”

25 (b) (1) For each taxable year beginning on or after January 1,
26 1997, and before January 1, 1999, both of the following
27 modifications shall apply:

28 (A) The reference to “20 percent” in Section 41(a)(1) of the
29 Internal Revenue Code is modified to read “11 percent.”

30 (B) The reference to “20 percent” in Section 41(a)(2) of the
31 Internal Revenue Code is modified to read “24 percent.”

32 (2) For each taxable year beginning on or after January 1, 1999,
33 and before January 1, 2000, both of the following shall apply:

34 (A) The reference to “20 percent” in Section 41(a)(1) of the
35 Internal Revenue Code is modified to read “12 percent.”

36 (B) The reference to “20 percent” in Section 41(a)(2) of the
37 Internal Revenue Code is modified to read “24 percent.”

38 (3) For each taxable year beginning on or after January 1, 2000,
39 both of the following shall apply:

1 (A) The reference to “20 percent” in Section 41(a)(1) of the
2 Internal Revenue Code is modified to read “15 percent.”

3 (B) The reference to “20 percent” in Section 41(a)(2) of the
4 Internal Revenue Code is modified to read “24 percent.”

5 (c) (1) With respect to any expense paid or incurred after the
6 operative date of Section 6378, Section 41(b)(1) of the Internal
7 Revenue Code, relating to qualified research expenses, is modified
8 to exclude from the definition of “qualified research expense” any
9 amount paid or incurred for tangible personal property that is
10 eligible for the exemption from sales or use tax provided by Section
11 6378.

12 (2) “Qualified research” and “basic research” shall include only
13 research conducted in California.

14 (d) The provisions of Section 41(e)(7)(A) of the Internal
15 Revenue Code, relating to basic research, shall be modified so that
16 “basic research,” for purposes of this section, includes any basic
17 or applied research including scientific inquiry or original
18 investigation for the advancement of scientific or engineering
19 knowledge or the improved effectiveness of commercial products,
20 except that the term does not include any of the following:

21 (1) Basic research conducted outside California.

22 (2) Basic research in the social sciences, arts, or humanities.

23 (3) Basic research for the purpose of improving a commercial
24 product if the improvements relate to style, taste, cosmetic, or
25 seasonal design factors.

26 (4) Any expenditure paid or incurred for the purpose of
27 ascertaining the existence, location, extent, or quality of any deposit
28 of ore or other mineral (including oil and gas).

29 (e) (1) In the case of a taxpayer engaged in any
30 biopharmaceutical research activities that are described in codes
31 2833 to 2836, inclusive, or any research activities that are described
32 in codes 3826, 3829, or 3841 to 3845, inclusive, of the Standard
33 Industrial Classification (SIC) Manual published by the United
34 States Office of Management and Budget, 1987 edition, or any
35 other biotechnology research and development activities, the
36 provisions of Section 41(e)(6) of the Internal Revenue Code,
37 relating to qualified organization, shall be modified to include both
38 of the following:

39 (A) A qualified organization as described in Section
40 170(b)(1)(A)(iii) of the Internal Revenue Code and owned by an

1 institution of higher education as described in Section 3304(f) of
2 the Internal Revenue Code, relating to definition of institution of
3 higher education.

4 (B) A charitable research hospital owned by an organization
5 that is described in Section 501(c)(3) of the Internal Revenue Code,
6 is exempt from taxation under Section 501(a) of the Internal
7 Revenue Code, relating to exempt from taxation, is not a private
8 foundation, is designated a “specialized laboratory cancer center,”
9 and has received Clinical Cancer Research Center status from the
10 National Cancer Institute.

11 (2) For purposes of this subdivision:

12 (A) “Biopharmaceutical research activities” means those
13 activities that use organisms or materials derived from organisms,
14 and their cellular, subcellular, or molecular components, in order
15 to provide pharmaceutical products for human or animal
16 therapeutics and diagnostics. Biopharmaceutical activities make
17 use of living organisms to make commercial products, as opposed
18 to pharmaceutical activities that make use of chemical compounds
19 to produce commercial products.

20 (B) “Other biotechnology research and development activities”
21 means research and development activities consisting of the
22 application of recombinant DNA technology to produce
23 commercial products, as well as research and development
24 activities regarding pharmaceutical delivery systems designed to
25 provide a measure of control over the rate, duration, and site of
26 pharmaceutical delivery.

27 (f) (1) In the case where the credit allowed by this section
28 exceeds the “tax,” the excess may be carried over to reduce the
29 “tax” in the following year, and succeeding years if necessary,
30 until the credit has been exhausted.

31 (2) For taxable years beginning on or after January 1, 2016, in
32 the case where the Franchise Tax Board has issued a certificate
33 for a grant pursuant to Division 3 (commencing with Section
34 70000) the following rules shall apply:

35 (A) The excess credit amount that may be carried over by a
36 taxpayer shall be reduced by the amount reflected on the certificate.

37 (B) (i) In the case of a pass-thru entity, the amount of credit
38 that may be passed through to a partner, taxable under this part,
39 shall be reduced by the amount reflected on the certificate.

1 (ii) For purposes of this subparagraph, “pass-thru entity” means
2 a partnership.

3 (C) If any amount of a credit finally allowed is less than the
4 amount of the credit that provided the basis for a grant pursuant
5 to Division 3 (commencing with Section 70000), the amount of
6 the grant attributable to the credit not allowed shall be treated as
7 a deficiency pursuant to Section 19043, and assessed and collected
8 pursuant to Part 10.2 (commencing with Section 18401).

9 (g) For each taxable year beginning on or after January 1, 1998,
10 the reference to “Section 501(a)” in Section 41(b)(3)(C) of the
11 Internal Revenue Code, relating to amounts paid to certain research
12 consortia, is modified to read “this part or Part 10 (commencing
13 with Section 17001).”

14 (h) (1) For each taxable year beginning on or after January 1,
15 2000:

16 (A) The reference to “3 percent” in Section 41(c)(4)(A)(i) of
17 the Internal Revenue Code is modified to read “one and forty-nine
18 hundredths of one percent.”

19 (B) The reference to “4 percent” in Section 41(c)(4)(A)(ii) of
20 the Internal Revenue Code is modified to read “one and
21 ninety-eight hundredths of one percent.”

22 (C) The reference to “5 percent” in Section 41(c)(4)(A)(iii) of
23 the Internal Revenue Code is modified to read “two and forty-eight
24 hundredths of one percent.”

25 (2) Section 41(c)(4)(B) of the Internal Revenue Code, relating
26 to election, shall not apply and in lieu thereof an election under
27 Section 41(c)(4)(A) of the Internal Revenue Code, relating to in
28 general, may be made for any taxable year of the taxpayer
29 beginning on or after January 1, 1998. That election shall apply
30 to the taxable year for which made and all succeeding taxable years
31 unless revoked with the consent of the Franchise Tax Board.

32 (3) Section 41(c)(7) of the Internal Revenue Code, relating to
33 gross receipts, is modified to take into account only those gross
34 receipts from the sale of property held primarily for sale to
35 customers in the ordinary course of the taxpayer’s trade or business
36 that is delivered or shipped to a purchaser within this state,
37 regardless of f.o.b. point or any other condition of the sale.

38 (4) Section 41(c)(5) of the Internal Revenue Code, relating to
39 election of alternative simplified credit, shall not apply.

1 (i) Section 41(h) of the Internal Revenue Code, relating to
2 termination, shall not apply.

3 (j) Section 41(g) of the Internal Revenue Code, relating to
4 special rule for pass-thru of credit, is modified by each of the
5 following:

6 (1) The last sentence shall not apply.

7 (2) If the amount determined under Section 41(a) of the Internal
8 Revenue Code, relating to general rule, for any taxable year
9 exceeds the limitation of Section 41(g) of the Internal Revenue
10 Code, relating to special rule for pass-thru of credit, that amount
11 may be carried over to other taxable years under the rules of
12 subdivision (f), except that the limitation of Section 41(g) of the
13 Internal Revenue Code, relating to special rule for pass-thru of
14 credit, shall be taken into account in each subsequent taxable year.

15 (k) Section 41(a)(3) of the Internal Revenue Code shall not
16 apply.

17 (l) Section 41(b)(3)(D) of the Internal Revenue Code, relating
18 to amounts paid to eligible small businesses, universities, and
19 Federal laboratories, shall not apply.

20 (m) Section 41(f)(6) of the Internal Revenue Code, relating to
21 energy research consortium, shall not apply.

22 SEC. 4. Section 24304 is added to the Revenue and Taxation
23 Code, to read:

24 24304. For taxable years beginning on or after January 1, 2016,
25 and before January 1, ~~2025~~, 2023, any grant received by a taxpayer
26 pursuant to Division 3 (commencing with Section 70000).

27 SEC. 5. Division 3 (commencing with Section 70000) is added
28 to the Revenue and Taxation Code, to read:

29

30 DIVISION 3. RESEARCH AND DEVELOPMENT-SMALL
31 BUSINESS GRANT PROGRAM

32

33 70000. For purposes of this division:

34 (a) (1) Except as provided in paragraph (2), “excess credit
35 amount” means the amount of credit under Section 17052.12 or
36 23609 that exceeds the “net tax,” as defined by Section 17039, or
37 the “tax,” as defined by Section 23036, as applicable, for the first
38 taxable year the credit is allowable and may be carried over to
39 reduce “net tax” or “tax,” as applicable, in the following *taxable*
40 year.

1 (2) In the case of a pass-thru entity, for credits attributable to
2 taxable years beginning on or after January 1, 2016, “excess credit
3 amount” means the amount of credit allowed under Section
4 17052.12 or 23609 to be passed through to partners or shareholders.

5 (b) “Qualified small business” means a taxpayer that meets all
6 of the following requirements for the taxable year with respect to
7 the credit for which a grant is authorized under this division:

8 (1) The taxpayer was allowed a credit under either Section
9 17052.12 or 23609.

10 (2) The taxpayer has gross receipts of five million dollars
11 (\$5,000,000) or less for the taxable year. For purposes of this
12 paragraph, “gross receipts” has the same definition as *in* Section
13 41(c)(7) of the Internal Revenue Code, relating to gross receipts,
14 modified to provide that the last sentence shall not apply.

15 (3) (A) The taxpayer is not an affiliated corporation that is
16 properly treated as a member of a combined reporting group
17 pursuant to Section 25101 or 25110.

18 (B) Notwithstanding any other provision, no grant may be
19 awarded pursuant to this division with respect to a credit that may
20 be assigned pursuant to Section 23663.

21 (4) The taxpayer has been certified by the Governor’s Office
22 of Business and Economic Development as an eligible qualified
23 small business for purposes of this division.

24 70001. (a) On or after January 1, 2016, and before January 1,
25 ~~2021~~, 2023, a qualified small business may apply for a grant as
26 follows:

27 (1) Beginning January 1, 2016, a qualified small business may
28 apply for and receive a one-time grant in an amount equal to 10
29 percent of any excess credit amount that is attributable to taxable
30 years beginning on or after January 1, 2014, and before January
31 1, 2016, available for carryover into taxable years beginning on
32 or after January 1, 2016, for credits allowed under Section
33 17052.12 or 23609.

34 (2) For taxable years beginning on or after January 1, 2016, and
35 before January 1, 2021, a qualified small business may annually
36 apply for a grant in an amount equal to 15 percent of any excess
37 credit amount attributable to the taxable year in which the credit
38 is allowed under Section 17052.12 or 23609.

39 (b) (1) In order to receive a grant under paragraph (1) of
40 subdivision (a), the qualified small business, partner, or “S”

1 corporation shareholder of a qualified small business shall be
2 required to apply for a grant on a timely filed original return filed
3 with the Franchise Tax Board using electronic technology in a
4 form and manner prescribed by the Franchise Tax Board for the
5 taxable year beginning on or after January 1, 2015, by applying
6 to the Franchise Tax Board for a certificate indicating the amount
7 equal to 10 percent of the excess credit amount that is attributable
8 to taxable years beginning on or after January 1, 2014, and before
9 January 1, 2016, available for carryover into taxable years
10 beginning on or after January 1, 2016, for a credit allowed under
11 Section 17052.12 or 23609. The Franchise Tax Board shall supply
12 the qualified small business with a certificate within 90 days of
13 receiving the *return with the application*.

14 (2) In order to receive a grant under paragraph (2) of subdivision
15 (a), the qualified small business shall be required to apply for a
16 grant on a timely filed original return with the Franchise Tax Board
17 using electronic technology in a form and manner prescribed by
18 the Franchise Tax Board for each taxable year beginning on or
19 after January 1, 2016, by applying to the Franchise Tax Board for
20 a certificate indicating the amount equal to 15 percent of the excess
21 credit amount that is attributable to the taxable year in which a
22 credit is allowed under Section 17052.12 or 23609, and available
23 for carryover to the following year. The Franchise Tax Board shall
24 supply the qualified small business with a certificate within 90
25 days of receiving the ~~return~~ *return with the application*.

26 (c) (1) The Franchise Tax Board shall allocate the certified
27 amounts based on the aggregate applicable amount for the calendar
28 year in which the certificate is issued.

29 (2) The aggregate applicable amount that may be certified for
30 the calendar year beginning January 1, 2016, shall be one hundred
31 million dollars (\$100,000,000), not to exceed fifty million dollars
32 (\$50,000,000) for each taxable year beginning January 1, 2014,
33 and January 1, 2015.

34 (3) The aggregate applicable amount shall not exceed fifty
35 million dollars (\$50,000,000) for each calendar year beginning on
36 or after January 1, 2017, and before January 1, ~~2022~~, 2023,
37 regardless of the taxable year to which the grant relates.

38 (4) (A) The Franchise Tax Board shall allocate the certificates
39 to the qualified small business, partners, or “S” corporation
40 shareholder, as applicable, on a first-come-first-served basis,

1 determined by the date the taxpayer's original tax return is received
2 by the Franchise Tax Board. If the returns of two or more qualified
3 small businesses are received on the same day and the amount of
4 credit remaining to be allocated is insufficient to be allocated fully
5 to each, the credit remaining shall be allocated to those qualified
6 small businesses on a pro rata basis.

7 (B) For purposes of this paragraph, the date an application or
8 return is received shall be determined by the Franchise Tax Board.
9 The determination of the Franchise Tax Board as to the date an
10 application or return is received and whether an application or
11 return has been timely filed for purposes of this paragraph may
12 not be reviewed in any administrative or judicial proceeding.

13 (d) In the case of a qualified small business that is a pass-thru
14 entity, the following shall apply:

15 (1) (A) For purposes of the credit allowed under Section
16 17052.12, a "pass-thru entity" means a partnership or an "S"
17 corporation.

18 (B) For purposes of the credit allowed under Section 23609, a
19 "pass-thru entity" means a partnership.

20 (2) (A) For grants with respect to taxable years beginning on
21 or after January 1, 2014, and before January 1, 2016, the Franchise
22 Tax Board shall issue the certificate to the qualified small business,
23 partners, or "S" corporation shareholders, as applicable.

24 (B) For grants with respect to taxable years on or after January
25 1, 2016, the Franchise Tax Board shall issue the certificate to the
26 partnership or "S" corporation.

27 (3) A certificate shall not be issued to an "S" corporation with
28 respect to the credit allowed under Section 23609.

29 (e) To the extent the amount of the certificate issued by the
30 Franchise Tax Board is based on a request from a qualified small
31 business, partner, or "S" corporation shareholder, as applicable,
32 any amount of a credit finally allowed that is less than the amount
33 of the credit that provided the basis for a grant under this division,
34 the amount of the grant attributable to the credit not allowed shall
35 be treated as a deficiency pursuant to Section 19043, and assessed
36 and collected pursuant to Part 10.2 (commencing with Section
37 18401).

38 (f) The Franchise Tax Board may prescribe rules, guidelines,
39 or procedures necessary or appropriate to carry out the purposes
40 of this division, including any guidelines regarding the allocation

1 of the certificates issued pursuant to this section. Chapter 3.5
2 (commencing with Section 11340) of Part 1 of Division 3 of Title
3 2 of the Government Code does not apply to any rule, guideline,
4 or procedure prescribed by the Franchise Tax Board pursuant to
5 this section.

6 70002. (a) The Controller, upon a receipt of a certificate issued
7 to a qualified small business, partner, or “S” corporation
8 shareholder, as applicable, under Section 70001, shall pay the
9 qualified small business the grant amount indicated upon the
10 certificate issued to the qualified small business, partner, or “S”
11 corporation shareholder. Notwithstanding Section 13340 of the
12 Government Code, the amounts necessary to provide the grants
13 are hereby continuously appropriated from the General Fund.

14 (b) (1) Notwithstanding Section 10231.5 of the Government
15 Code, on or before January 1, 2017, and each January 1 thereafter,
16 the Controller shall provide a report to the Assembly Committee
17 on Revenue and Taxation including the recipients of the grants for
18 the previous calendar year and the grant amount each recipient
19 received.

20 (2) A report submitted pursuant to paragraph (1) shall be
21 submitted in compliance with Section 9795 of the Government
22 Code.

23 70003. On and after January 1, 2016, the Governor’s Office
24 of Business and Economic Development, upon application by a
25 taxpayer, shall certify the taxpayer as a qualified small business
26 that meets the requirements of paragraphs (1) to (3), inclusive, of
27 subdivision (b) of Section 70000 and eligible to receive a grant
28 pursuant to this division.

29 70004. This division shall remain in effect only until January
30 1, ~~2022~~, 2023, and as of that date is repealed, unless a later enacted
31 statute, that is enacted before January 1, ~~2022~~, 2023, deletes or
32 extends that date.

O