Governor Newsom Announces Immediate Assistance for Businesses Impacted by COVID-19 Including Temporary Tax Relief and $500 Million in Grants

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Billions in immediate, temporary tax relief will support businesses impacted by COVID-19, including an automatic three-month extension for taxpayers filing less than $1 million in sales tax and interest-free payment agreements to larger companies with up to $5 million in sales tax and expanded interest-free payment options for larger businesses particularly affected by significant restrictions on operations based on COVID-19 transmissions.

In partnership with the Legislature, California will provide $500 million in new COVID-19 Relief Grant funding for small businesses.

Additional $12.5 million added to the California Rebuilding Fund launched last week

SACRAMENTO – As the federal government fails to provide additional financial stimulus support to main street businesses, Governor Gavin Newsom today announced that California will provide temporary tax relief for eligible businesses impacted by COVID-19 restrictions. The temporary tax relief entails an automatic three-month income tax extension for taxpayers filing less than $1 million in sales tax, extends the availability of existing interest and penalty-free payment agreements to companies with up to $5 million in taxable sales and provides expanded interest free payment options for larger businesses particularly affected by significant restrictions on operations based on COVID-19 transmissions. The total tax relief, if fully utilized, is estimated to have billions in impact. These efforts are informed by recommendations made by the Governor's Task Force on Business and Jobs Recovery.

"California's small businesses embody the best of the California Dream and we can't let this pandemic take that away," said Governor Newsom. "We have to lead with health to reopen our economy safely and sustainably while doing all we can to keep our small businesses afloat. With this financial assistance and tax relief, California is stepping up where the federal government isn't. By providing potentially billions in immediate relief and support, our small businesses can weather the next month as we continue partnering with the Legislature to secure additional funding and investments in small businesses in the new year."

Small businesses are drivers of economic growth – creating two-thirds of new jobs and employing nearly half of all private sector employees. California is home to 4.1 million small businesses, representing 99.8 percent of all businesses in the state and employing 7.2 million workers in California, or 48.5 percent of the state's total workforce.

The COVID-19 pandemic has presented a significant challenge to small businesses, employers and employees. An August Small Business Majority survey data found that 44% of small businesses are at risk of shutting down. Data released through the Census Current Population Survey found that minority-owned businesses are disproportionately impacted: the number of active businesses owned by African-Americans dropped by 41%, Latinx by 32%, Asians by 25%, and immigrants by 36%.

"California's small businesses continue to struggle as a result of COVID-19, and this latest round of action at the state level will help bridge the financial gaps that are vexing our state's mom-and-pop business owners and nonprofits while we wait for congressional action, and as we prepare for additional legislative action at the start of the year," said Senate President pro Tempore Toni G. Atkins (D-San Diego). "From widening access to grants, low-interest loans, and tax deferrals, to modifying fees incurred by restaurants and bars, these are critical supports for the small businesses and services that keep our communities going. Now, we need our federal partners to do their part and pass a federal stimulus so these businesses and nonprofits can survive 2020 and the year to come."

"While we wait for Congress and the White House to approve an economic relief package that responds to the current surge, California has a chance to help nonprofits, small businesses, and communities now," said Assembly Speaker Anthony Rendon (D-Lakewood). "I thank the Governor and the Senate for their partnership."

Today's announcements build on the state's ongoing business support throughout the pandemic, including the Main Street Hiring Tax Credit, which authorizes $100 million in hiring tax credit for qualified small businesses. The credit is equal to $1,000 per qualified employee, up to

$100,000 for each small business employer.The application opens tomorrow, December 1. A full list of existing state support for businesses can be found here.

Building on the state's ongoing support throughout the pandemic, which can be found here, the Governor announced the following immediate support and relief:

Tax Relief for Businesses Impacted by COVID-19

In April 2020, the Governor, through Executive Order, allowed taxpayers to apply for penalty and interest relief for 90 days for any taxpayer reporting less than $1 million in sales on their tax return. Through November 22nd, some 9,287 plans with almost $149 million in tax relief have taken advantage of this program.

The Governor will direct the California Department of Tax and Fee Administration to do the following:

- Provide an automatic three-month extension for taxpayers filing less than $1 million in sales tax on the return and extend the availability existing interest and penalty free payment agreements to companies (with up to $5 million in taxable sales)
- Broaden opportunities for more businesses to enter into interest-free payment arrangements.
- Expand interest-free payment options for larger businesses particularly affected by significant restrictions on operations based on COVID-19 transmissions.

$500 Million for New COVID Relief Grant for Small Business

The Governor announced the creation of a $500 million COVID Relief Grant administered by the California Office of the Small Business Advocate (CalOSBA) at the Governor's Office of Business and Economic Development for small businesses that have been impacted by COVID and the health and safety restrictions. Funds would be awarded to selected intermediaries with established networks of Community Development Financial Institutions to distribute relief through grants of up to $25,000 to underserved micro and small businesses throughout the state by early 2021. Non-profits would also be eligible for these grants. CalOSBA is establishing the program and will make it available to small businesses as soon as possible – for updates on availability visit here.

Increase Funding for the California Rebuilding Fund by $12.5 million.

Last week, the Governor announced the opening of the California Rebuilding Fund which makes available $25 million to help impacted small businesses rebuild from the economic crisis and keep local economies strong. This program is built to be a resource in the market for the next year as businesses pivot and recover.

An increase of $12.5 million would allow the Fund to be fully capitalized. The additional funding will help the 3rd party administrator of the fund raise $125 million to make more low-interest loans to small businesses with less access to loans from traditional banking institutions.

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