

## 1. What is the California Manufacturing Tax Credit (MIC) in plain English?

The MIC is a targeted tax credit that allows manufacturers to recover the local sales and use taxes paid on qualifying equipment purchases, effectively making California's *partial* manufacturing and R&D tax exemption work like a *full exemption* by covering taxes not included at the state level.

## 2. What problem does the MIC solve?

Buying or upgrading equipment is expensive. California's current partial state sales tax exemption doesn't cover local district taxes, leaving manufacturers with a sizeable bill. The MIC fills that gap, lowering upfront costs for manufacturers that want to stay and grow in California.

## 3. Who would use the MIC, and does it help small and medium manufacturers?

Any manufacturer making qualifying investments, and certain R&D, can use the MIC. Small and medium manufacturers — who make up 89% of California's manufacturing base — benefit the most, as upfront equipment costs can be a major barrier.

## 4. Why prioritize manufacturing and what do local communities gain?

Manufacturing supports middle-skill jobs, apprenticeships, and local supply chains while strengthening the local tax base. With more than 82,000 manufacturing jobs lost since 2024, the MIC targets a key decision point — capital investment — where incentives can directly influence location choices and help keep facilities and jobs in California.

## 5. How does the MIC affect jobs, modernization, and efficiency?

Modern equipment often improves productivity, safety, and competitiveness. The MIC encourages modernization that reduces waste, promotes energy-efficient upgrades, and keeps facilities and jobs in California.

## 6. How does this relate to CAEATFA's Sales Tax Exclusion (STE) program?

They're different tools. CAEATFA STE is application-based and requires board approval. The MIC is broadly available to all qualifying manufacturers and does not require an extensive review process.