



## CA Made Wholesale Value Added Formula

CA Made requires 51% or more of a product's final wholesale value to be derived in California through manufacture, assembly, fabrication, or production. This optional formula has been prepared to provide applicants and third-party certifiers with guidance on how to determine if a product's wholesale value added share meets this requirement of CA Made. This formula and the definitions herein are provided in the [CA Made regulations](#).

Please note that there are additional requirements that an applicant must meet in order to qualify for the CA Made program. Please refer to the [CA Made Overview](#) page for the full list of requirements.

### Definitions

"**Wholesale value**" includes the direct material cost, direct labor cost, and overhead (indirect material and indirect labor costs).

1. "**Direct material cost**" means the cost of all items such as raw materials, standard and specialized parts, and sub-assemblies required to assemble or manufacture a complete product and can be easily identified with the product.
2. "**Direct labor cost**" means salaries paid to workers who are directly involved in the production of goods or services. Direct labor costs are assignable to a specific product, cost center, or work center.
3. **Overhead** (indirect material and indirect labor costs) is defined below:
  - a. "**Indirect material cost**" means the cost of materials used in the production process, but which cannot be linked to a specific product or job.
  - b. "**Indirect labor cost**" means salaries paid to workers to support the production process, but which is not directly involved in the active conversion of materials into finished products.

### California Wholesale Value Added Share Formula

The California wholesale value added share is equal to the California wholesale value divided by the total product cost, as illustrated below<sup>1</sup>.

Item	Formula	Cost per Unit Example
CA Direct and Indirect Material Cost	A	\$15
CA Direct and Indirect Labor Cost	B	\$5
<b>CA Wholesale Value</b>	<b>C = A + B</b>	<b>\$20 = \$15 + 5</b>
Direct and Indirect Material Cost outside CA	D	\$3
Direct and Indirect Labor Cost outside CA	E	\$2
<b>Total Product Cost</b>	<b>F = C + D + E</b>	<b>\$25 = \$20 + \$3 + \$2</b>
<b>CA Wholesale Value Added Share<sup>2</sup></b>	<b>G = C / F</b>	<b>80% = \$20/\$25</b>

Based on the example above, the product satisfies the requirement of deriving 51% or more of its final wholesale value from California. Further analysis would be needed to determine if the product meets the program's additional [Made in U.S.A. requirement](#). If a product's final wholesale value is comprised of domestic *and* foreign costs from outside California, the certifier will need to calculate the domestic and foreign wholesale value to determine if a product satisfies the Made in U.S.A. requirement. If 20% of the "outside CA" value were exclusively foreign in example above, the product would not qualify for the CA Made program.

<sup>1</sup> For products with recycled materials, the origin of the recycled materials may be based on the location where those materials were produced (i.e., California, another state, or in another country). Ultimately, it is the third-party certifier's responsibility to make this determination based on their certification methodology.

<sup>2</sup> The California value added share may not include research and development.