



The Enterprise Zone Program

Today's Topics

❖ State Incentive

✓ California Enterprise Zone

- 1. California Enterprise Info
- 2. Enterprise Zone Areas
- 3. Hiring Tax Credit
- 4. Some Hiring Tax Credit Criteria
- 5. Sales & Use Tax Credit
- 6. Net Interest Deduction (for lenders)
- 7. Other info
- 8. Enterprise Zone Expert Contact Info

1. California Enterprise Zone

- ❖ Designated in the 80's by the State to promote job growth and economic development in economically challenged areas
- ❖ Allows business owners to greatly reduce or eliminate their State income tax liability (corporate & individual income) by generating tax credits.
- ❖ There are 42 active zones
- ❖ Businesses located in a zone can generate tax credits with two methods
 - ✓ Hiring Tax Credit (based on employment)
 - ✓ Sales or Use Tax Credit (based on equipment purchases)

2. Some Zones in Southern California

- ❖ **New Zones as of May 2010: Chatsworth, Van Nuys, Canoga Park, Woodland Hills, Northridge, Sylmar, LAX area, L.A. expansions (San Fernando Rd, Glendale Blvd, Echo Park etc...)**
- ❖ **Los Angeles (North, East, South) Parts of LA County**
- ❖ **Long Beach, Compton, Lynwood, South Gate, Pasadena, Santa Ana**
- ❖ **Hollywood, Sun Valley, Pacoima, North Hollywood, Arleta, Van Nuys**
- ❖ **Santa Clarita, Palmdale, Lancaster, Newhall, Saugus, Valencia,**
- ❖ **San Bernardino, Colton, Hesperia, Indio, Thermal, Brawley, Fresno, Barstow**
- ❖ **San Diego, Chula Vista, San Ysidro, National City, Calexico**

3. Hiring Credit

- ❖ **Businesses receive State tax credits for hiring eligible employees. Employees must fit 1 of 11 criteria.**
- ❖ **For each eligible employee, businesses will receive between \$8,000 - \$12,000 in State tax credits in the first year of employment. One qualified employee working over a five year period can generate \$24K to \$37K** (These example figures are for a 2080/hr full time employee)
- ❖ **Retroactive to four years, thus apply to both current and past employees.**
- ❖ **White collar (office tenant): 25% of workforce will qualify on average**
Blue collar (industrial tenant): 45% of workforce will qualify on average

4. Some of the employee Hiring Credit Criteria

- ❖ Laid off from previous employer
- ❖ Target Employment Area – Lives in designated area
- ❖ Ex-offender (misdemeanor or felony)
- ❖ Veteran
- ❖ Economically Disadvantaged
- ❖ Disabled
- ❖ Dislocated worker

5. Sales & Use Tax Credit (equipment)

- ❖ **Businesses receive State tax credit for purchasing qualified equipment after zone designation and before zone expiration**
- ❖ **The sales or use taxes paid at purchase could be claimed as tax credit**
- ❖ **Examples of qualified equipments:**
 - ✓ **Manufacturing, Printing, Sewing, Fabricating etc...**
 - ✓ **Data processing and communication equipments**
 - ✓ **Motion picture production equipments**

6. Net Interest Deduction (NID) for Lenders

- ❖ Interest earned from loaning money to businesses in the Enterprise Zone is essentially free from CA state tax (using NID).
- ❖ Banks & Private lenders may benefit
- ❖ SBA loans, real estate loans, etc...
- ❖ As a business owner acquiring financing, this fact may give you the ability to negotiate lower interest rates with the bank.

7. Other Info....

- ❖ **Unused tax credits roll over and accumulate for future use and last for the life of the business as long as operations remain in the same zone.**
- ❖ **Tax credits may pass with the sale of the business.**
- ❖ **Tax credits may off-set STATE capital gains taxes**
- ❖ **Business owners may go back 4 years to claim tax credits. Refunds from Franchise Tax Board up to 100% of State Tax Paid for tax years: 2005, 2006, 2007, 2008 & 2009**
- ❖ **Approximately 25% of the Enterprise Zone business community are actively taking advantage of the program.**

Enterprise Zone Consultant

**PLEASE CONTACT MICHAEL MATTER AT THE
ENTERPRISE ZONE COMPANY FOR MORE
INFORMATION ABOUT THE ENTERPRISE
ZONE PROGRAM**

Phone: (626)356-3013 ext.106

email: mm@enterprisezoneco.com

web: www.enterprisezoneco.com