



# Tax Briefs



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## News Update on Tax Issues from SLGG

SINGER LEWAK GREENBAUM & GOLDSTEIN LLP  
Certified Public Accountants & Management Consultants

*In each issue, we cover various tax issues of interest to individuals and businesses*

## Governor Schwarzenegger Announces Eight New Enterprise Zones

In a bid to bolster local business, Governor Schwarzenegger recently announced conditional designation for eight California Enterprise Zones ("EZs"). These zones are Siskiyou County, San Joaquin County, East Los Angeles, Salinas Valley, Kings County, Oakland, West Sacramento and Santa Ana.

The California Enterprise Zone Program targets economically distressed areas using special state and local incentives to promote business investment and job creation. The program is administered by the California Department of Housing and Community Development ("HCD"). The California Franchise Tax Board, in turn, is responsible for determining the accuracy of EZ credits claimed on individual and corporate tax returns.

The new designations will take the place of eight current zones which are set to expire over the next several months. Each EZ designation is in effect for 15 years.

Businesses within EZs are eligible for substantial tax credits and benefits. Examples include:

- Firms can earn \$37,440 or more in state tax credits for each qualified employee hired;
- Corporations can earn sales tax credits on purchases of \$20 million per year of qualified machinery;
- Immediate expensing of certain depreciable property;
- Net interest deductions to lenders making loans to zone businesses;
- Unused tax credits may be carried over to future tax periods indefinitely;
- Up to 100% Net Operating Loss (NOL) carry-forward. NOLs may be carried forward 15 years;
- EZ companies can earn preferences on state contracts.

The next step in the designation process will be the HCD's issuance of a conditional designation letter to each of the new zones. The letters will outline conditions which must be met to be granted final designation. Nevertheless, taxpayers located in a conditionally designated EZ may claim the zone incentives while the HCD completes the designation process.

If you would like additional information on the Enterprise Zone program, or would like to find out if you are eligible for Zone benefits, please contact us at [877-754-4557]. Additional information is also available on the internet

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at the California Department of Housing & Community Development's website at <http://www.hcd.ca.gov/fa/cdbg/ez/>

Please contact us with your questions or comments.

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