

California's Enterprise Zones - Updated

Recent EZ Changes:

In the last several years, we have seen several changes to California's enterprise zone program (see "History", below), including locations and geographic boundaries of the zones and finalized regulations. During the 2009 round of designation, 5 new EZs have been conditionally approved. Most of the existing zones with impending expiration dates were conditionally re-designated and several have recently received their final designation. While all of the new or re-designated zones will ultimately have updated boundaries and targeted employment areas (TEAs), some major changes are noted as follows:

- Most of the Los Angeles zones have been renewed and their geographic footprints have grown significantly.
- In addition to its recent re-designation, **Pasadena** has already expanded its zone footprint significantly.
- **Fresno City** has been renewed and **Fresno County EZ** has received its final designation.
- The **Southgate/Lynwood** zone has received its final designation.
- **San Diego's** expanded zone now includes Chula Vista and National City.
- Stockton's zone expired in June 2008, but was re-designated in the January 2008 round as the **San Joaquin County** zone – significantly expanding the footprint, such that almost 50% of the county is now in the zone, including cities such as Lodi, Tracy, Lathrop, and Manteca.
- The **Salinas Valley EZ** was designated in early 2009 and includes cities such as Salinas, Gonzales and Soledad.
- The newest conditional zones include **Sequoia Valley** (Tulare), **Taft**, **Hesperia**, **Pittsburg** and **Sacramento**.
- Zones expiring in 2009 included LA Harbor area and Madera (3/3/09) and Sacramento's Army Depot and Florin Perkins zones (10/3/09 and 4/4/09, respectively).

Newly designated conditional zones must provide street/address ranges and boundaries, and some must commission environmental impact reports before their designations become official. New enterprise zones are assigned an effective start date by HCD once all requirements are met, and will then be qualified for a 15 year period.

What do these changes mean to our clients? For those clients taking advantage of the EZ hiring credit, it's mostly good news. The minimum wage, which is used to calculate the limitation for each employee is \$8.00/hour. Thus, the potential benefit for a full time qualified employee is now over \$37,000. With the expanded footprints of the zones, more client locations are expected to be in the zones. For banks, the potential lending footprints in California EZs are larger and can lead to additional deductions.

Enterprise Zones as of January 1, 2010:

All 42 updated Enterprise Zones, including the **conditional** zones:

Antelope Valley	Imperial Valley	Richmond	Shafter
Arvin	Kings County	Sacramento	Shasta County
Barstow	Lindsay	Salinas Valley	Siskiyou County
Calexico	Long Beach	San Bernardino County	Southgate/Lynwood
Coachella Valley	LA - Eastside	San Diego	Stanislaus County
Compton	LA – Central / Hollywood	San Francisco	Taft
Delano	Merced	San Joaquin	Watsonville
Eureka	Oakland	San Jose	West Sacramento
Fresno	Oroville	Santa Ana	Yuba/Sutter
Fresno County	Pasadena	Santa Clarita	
Hesperia	Pittsburg	Sequoia Valley (Tulare)	

History:

California has the most prolific enterprise zone program in the country. In the mid 1980's, the State began to establish enterprise zones across the state to assist communities with revitalization efforts. Businesses located in enterprise zones can benefit from significant tax credits for hiring employees (**EZ Hiring Credit**) and utilizing certain equipment in a zone (**EZ Sales/Use Tax Credit**). In addition, banks making qualified commercial loans to businesses located in EZs can claim a deduction for a portion of the interest earned on those loans (**EZ Net Interest Deduction for Lenders**).

For questions about the discussion above or any other enterprise zone items, please contact us at 408-266-2259. We recommend that all companies review their facility or branch addresses to determine if they now qualify for additional benefits. Also, visit our website at www.labhartmiles.com for a copy of this article.

Labhart Miles Consulting Group is a professional services firm specializing in multi-state tax solutions, with special emphasis on California Enterprise Zones. We are proud to have secured benefits for some of the best companies in the country.