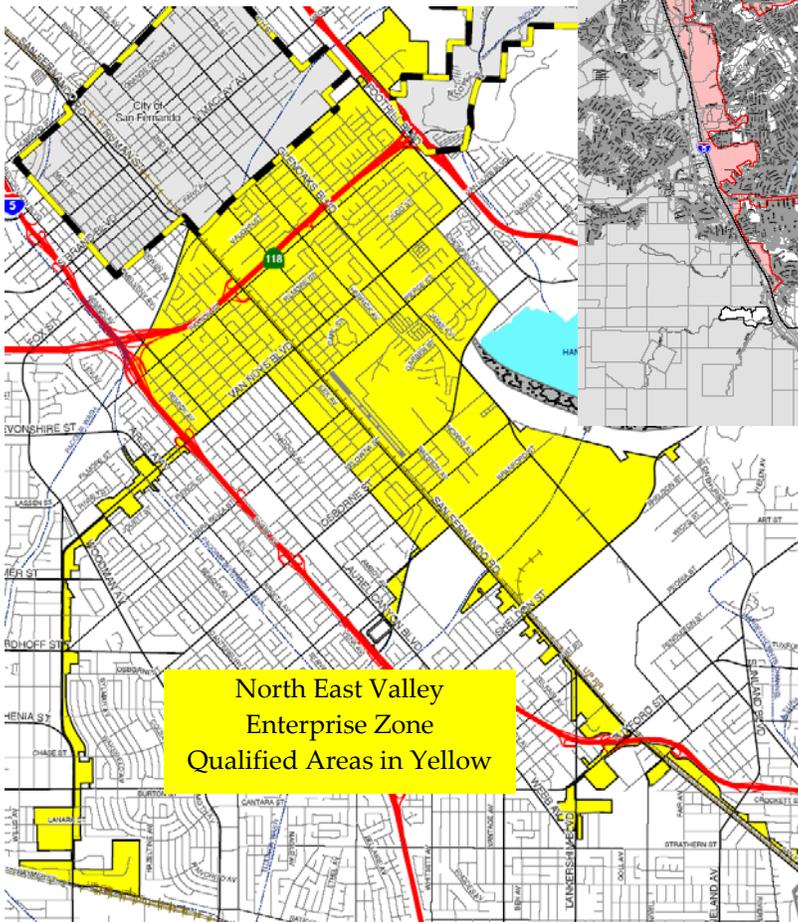
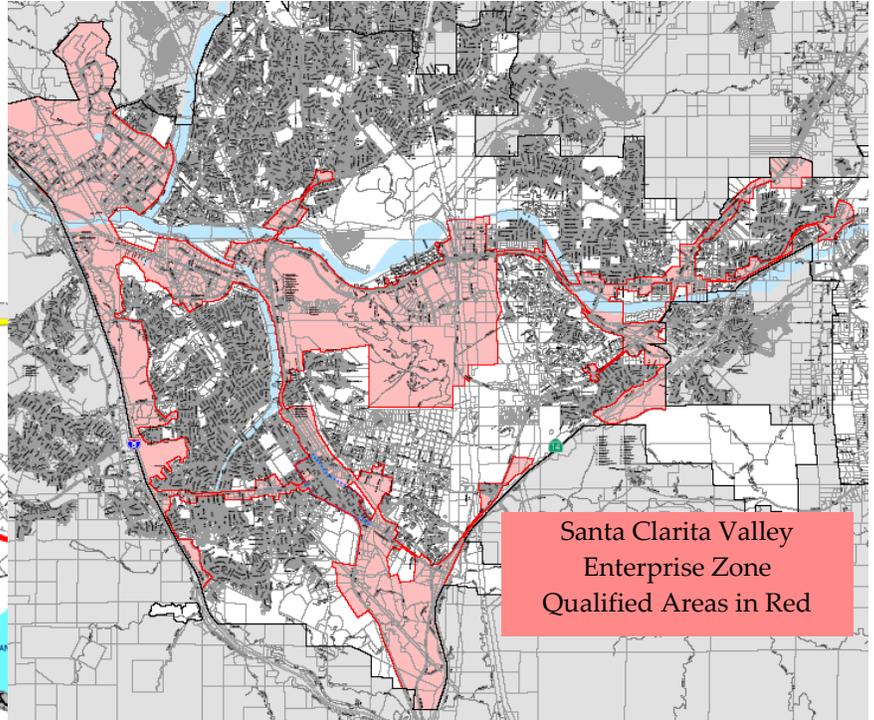


Enterprise Zone Information Sheet

Developed to aid in the revitalization of economically distressed areas, the Enterprise Zones use special state and local incentives to promote business investment and job creation. The end result is very good for those growing businesses that are positioned to utilize the program.



Some of the available benefits to qualifying companies 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 up to \$20 million per year of qualified machinery and machinery parts.
- Up-front expensing of certain depreciable property.
- Unused tax credits can be applied to future tax years, stretching out the benefit of the initial investment.
- Enterprise Zone companies can earn preference points on state contracts.
- Up to 100% Net Operating Loss (NOL) carry-forward. NOL may be carried forward 15 years.

Helpful Research Websites:

www.caez.org
www.lacity.org/cdd/bus_statecred.htm
<http://housing.hcd.ca.gov/fa/cdbg/ez/>
www.scenterprisezone.com (specifically for Santa Clarita)

California's New Enterprise Zones

By: *Monika P. Miles, President*
Labhart Miles Consulting Group, Inc.

California has the most prolific enterprise zone program in the country. In the mid 1980's, the State began to establish enterprise zones across California 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**).

Since the fourth quarter of 2006, we have seen much activity surrounding the EZ program, including locations and geographic boundaries of the zones. In November 2006, California's Department of Housing and Community Development ("HCD") announced the conditional designation of 23 enterprise zones. And in January 2008, HCD announced additional conditional designations for 8 zones. California statute allows for a total of 42 enterprise zones, many of which expired in late 2006, 2007, and 2008. Most of the existing zones with impending expiration dates were conditionally re-designated. While all of the 31 new or re-designated zones will have updated boundaries and targeted employment areas (TEA's), some major changes are noted as follows:

- ◆ *All of the major Los Angeles zones have been renewed and their geographic footprints have grown significantly.*
- ◆ *The **Northeast Valley zone** was almost not renewed in 2006, but due to community outreach and assistance from the mayor's office, it received its renewal. With renewal came significant expansion, more than doubling the geographic footprint. For instance, the zone now includes the area southwest of San Fernando Rd. and southeast of Sheldon St., with some of the zone extending to the Burbank border.*
- ◆ *The footprint of the former Los Angeles Mid-Alameda Corridor changed significantly, and was replaced with a new zone encompassing the cities of **Lynwood and South Gate**. That zone is still awaiting its final designation.*
- ◆ *The new **San Bernardino** zone has expanded overall to include a large San Bernardino County geographic area.*
- ◆ ***San Diego's** expanded zone now includes Chula Vista and National City.*
- ◆ *Entirely new zone areas include **Compton, Santa Clarita, and Salinas Valley**.*
- ◆ *The **Santa Clarita Enterprise Zone** covers 97% of all commercial, business, and industrial zoned land within the City of Santa Clarita. Most of the traditional Newhall and Saugus areas are in the zone.*

What do these changes mean to you?

For those of you already 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, has increased in 2007 and 2008. On 1/1/07 the minimum wage increased to \$7.25/hour and on 1/1/08 it increased to \$8.00/hour. This will increase the potential benefit for a full time qualified employee from \$31,000 to over \$37,000.

If you are not presently taking advantage of the EZ hiring credit, and you think you might be in an enterprise zone, you should talk with your CPA or a state tax specialist. It could save you money.

With the expanded footprints of the zones, more companies are expected to be in the zones. (One of our clients previously had one location in the zone and now has 5 – and increased their credit accordingly!) We recommend that all companies review their facility or branch addresses to determine if they now qualify for additional benefits.

For more information regarding California Enterprise Zones you can go to www.caez.org or for questions about the discussion above or any other enterprise zone items, please do not hesitate to contact us at 408-266-2259, or info@labhartmiles.com.



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