

California's New Enterprise Zones

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**).

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 (TEAs), 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 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 includes only a small part of the former Agua Mansa zone (most of Riverside did not renew), but has expanded overall to include a larger San Bernardino County geographic area.
- **San Diego's** expanded zone now includes Chula Vista and National City.
- Stockton's zone expires 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.
- Not receiving re-designations are Bakersfield, Porterville, and Pittsburg.
- Entirely new zone areas include **Compton, Santa Clarita, and Salinas Valley**.

Newly designated conditional zones must provide street/address ranges and boundaries, and must commission environmental impact reports before their designations will 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.

All 42 updated Enterprise Zones, including the **new** and **re-designated** conditional zones:

Altadena/Pasadena	Imperial Valley (Brawley)	Oakland	San Jose
Antelope Valley	Kings County	Oroville	Santa Ana
Arvin	Lindsay	Richmond	Santa Clarita
Barstow	Long Beach	Sacto – North Sac	Shafter
Calexico	LA – Central / Hollywood	Sacto – Florin Perkins	Siskiyou County (Shasta Valley)
Coachella Valley	LA - Eastside	Sacto – Army Depot	Stanislaus County
Compton	LA – Northeast Valley	Salinas Valley	Watsonville
Delano	LA – Southgate/Lynwood	San Bernardino Cnty.	West Sacramento
Eureka	LA – Harbor	San Diego	Yuba/Sutter
Fresno	Madera	San Francisco	
Fresno County	Merced	San Joaquin Valley	

As previously reported in our newsletter, **States of Affair**, some additional items of note during the past 18 months include finalized regulations related to the EZ Hiring Credit vouchering (the HCD verification process for qualified employees), and new legislation regarding “gap periods” in the zone designation dates. In order to streamline the re-designation process, the state legislature passed AB 1550, which allows for those expired zones applying for and receiving re-designation to continue to offer the zone benefits, uninterrupted, for the period between expiration and final re-designation. This was important because without this “gap legislation”, the zones would have to cease benefits until their new designation was formally approved.

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, 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.

With the expanded footprints of the zones, more client locations are expected to be in the zones. (One client previously had one location in the zone and now has 5 – and increased its credit accordingly!)

For questions about the discussion above or any other CA EZ items, please do not hesitate to 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 an updated EZ map and 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.