



# Santa Clarita Enterprise Zone Benefits

Maier N. Rosenberg, CPA, Partner

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# Overview- What is an Enterprise Zone?

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- **General Information/Background**
  - Specific geographical areas in California designated as Zones for economic revitalization and investment

# Overview- What is an Enterprise Zone?

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- **The Santa Clarita designation date was July 1, 2007**
- **Program is retroactive back to July 1, 2007**
  - Santa Clarita Enterprise Zone received its expansion designation on January 7, 2010
  - Expansion area includes Bridgeport Marketplace, Granary Square, and Baywood at Bridgeport shopping centers
  - Significant tax savings on state income tax
  - Zone set to expire June 30, 2022 (15 years from original designation date).

# The Benefits of Operating in the Zone

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- **Enterprise Zone participation can significantly reduce state income tax**
  - Allows you to hire more employees, raise wages, or expand your business as a result of tax savings

# The Benefits of Operating in the Zone

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- **Any “for profit” business that is geographically located within the Zone boundaries can benefit from the Enterprise Zone programs**
- This includes C-Corporations, S-Corporations, Partnerships, LLC’s, and Sole Proprietors

# Map



UPDATED 1/07/2010

- ENTERPRISE ZONE BOUNDARIES
- VALENCIA INDUSTRIAL CENTER
- CENTRE POINTE BUSINESS PARK
- NEEDHAM RANCH BUSINESS PARK
- ENTERPRISE ZONE ADDITIONS

# How Do I know if I Operate in the Zone?

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- [www.SCEnterpriseZone.com](http://www.SCEnterpriseZone.com)
- **City Resources**
  - Laura Biery, Enterprise Zone Manager:  
**661-286-4017** or **EZManager@santa-clarita.com**
  - Alicia Parra, Enterprise Zone Vouchering Agent:  
**661-286-4071** or **VoucheringAgent@santa-clarita.com**
- **J.H. Cohn**
  - Maier Rosenberg: **818-205-2681** or [mrosenberg@jhcohn.com](mailto:mrosenberg@jhcohn.com)
  - Kevin Holmes: **661-713-7522** or [kholmes@jhcohn.com](mailto:kholmes@jhcohn.com)

# What are the Benefits?

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- **Hiring Tax Credit**
- **Sales and Use Tax Credit**
- **Business Expense Deduction**
- **Net Interest Deduction**

# Hiring Tax Credit

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- **Up to \$37,440 per eligible employee over a 5-year period**
- **Employees can be full-time, part-time, seasonal**
- **Employees hired after the Zone Designation of July 1, 2007 may be eligible to qualify for EZ benefits**

# Hiring Tax Credit

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- **Criteria for qualified employees:**
  - Live in a Targeted Employment Area (TEA)
  - Veteran
  - Dislocated worker
  - Public assistance
  - Disabled
  - Native American
  - Ex-offender (misdemeanors or felonies)

# State Incentives- continued

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- **Credit is calculated as follows:**

- 50% (declines 10% a year) of wages paid to each eligible employee up to 150% of the minimum wage up to 2,080 hours per year

- **$\$12.00 \times 2,080 \times 50\% = \$12,480$**

- **Summary by year:**

Year 1: \$ 12,480

Year 2: \$ 9,984

Year 3: \$ 7,488

Year 4: \$ 4,992

Year 5: \$ 2,496

# How to Obtain a Hiring Tax Credit Voucher

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- Documentation
- City of Santa Clarita Enterprise Zone Manager Approval
- Fee (\$55)
- Eligible employee must be hired on or after July 1, 2007 (Note: Expansion date of January 7, 2010)
- For a business to receive the credit, all eligible employees must be issued a voucher from the City

# Sales and Use Tax Credit

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- **Sales and Use Tax Credit:**
  - 100% of the sales or use tax paid on the purchase of qualified manufacturing equipment purchased or lease (capital lease) and used in the Zone
  - Qualified manufacturing machinery must be used to manufacture, process combine or otherwise fabricate a product; produce renewable energy resources, or control air or water pollution

# Business Expense Deduction

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- **Business Expense Deduction:**
  - Up to \$40,000 (\$25,000 if not in the Zone)
  - Businesses can deduct the cost of business equipment, furnishings, fixtures, as well as other depreciable personal property used in the Enterprise Zone as a business expense

# Special Provision for S-Corporations

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- **If the business is an S Corporation, the tax credits are actually 133% of those computed:**
  - Shareholder receives 100% as a flow through item on the K-1
  - Corporation receives 33%

# Net Interest Deduction

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- Lenders: A deduction from your income is allowed for the amount of net interest received from loans made to businesses located in the Enterprise Zone.

Net interest is defined as the full amount of interest minus direct expenses incurred in making the loan

# Net Interest Deduction – continued

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- Businesses located in the Enterprise Zone, or who plan to use the loan funds to open a business in the Zone, can discuss the possibility of a reduced interest rate with their lender

# Advantages of Our Expertise

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- Significant expertise with Enterprise Zone programs in the State of California
- We will identify eligible employees and complete the entire vouchering process
- We prepare calculations of credits
- Our clients have claimed substantial EZ tax credits

# Questions and Answers

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**Questions?**