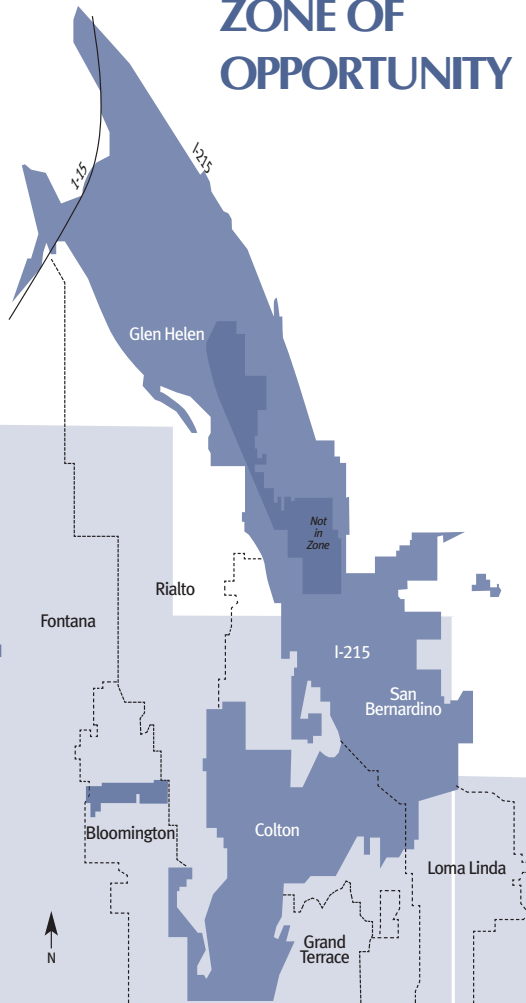


THE ZONE OF OPPORTUNITY



City of Colton

Economic Development Department
650 North La Cadena Drive
Colton, CA 92324
909.370.5167
www.coltonrda.com

City of San Bernardino

Economic Development Agency
201 North E Street, Suite 301
San Bernardino, CA 92401
909.663.1044
www.sbrda.org

County of San Bernardino

Department of Economic Development
215 N D Street, Suite 201
San Bernardino, CA 92415
909.387.4700
www.OpportunityCA.us

Inland Valley Development Agency

294 South Leland Norton Way, Suite 1
San Bernardino, CA 92408
909.382.4100
www.sbdairport.com

STATE ENTERPRISE ZONE CONTACTS

California State Department of Housing and Community Development

www.hcd.ca.gov/fa/cdbg/ez/

California State Franchise Tax Board (FTB)

www.ftb.ca.gov

FTB California Economic Development

Area Hotline: 916.845.3464

FTB Enterprise Zone FAQ's

www.ftb.ca.gov/forms/misc/1126.pdf

SAN BERNARDINO VALLEY ENTERPRISE ZONE

FREQUENTLY ASKED QUESTIONS



The Zone of Opportunity

www.sbvez.com



The Zone of Opportunity

www.sbvez.com



What is an Enterprise Zone?

Enterprise Zones were established by the California Department of Housing and Community Development to encourage growth, development, and investment in specific areas. Taxpayers who invest, operate, or locate a trade or business within an Enterprise Zone may be eligible to reduce their operating costs through special business and tax incentives.

How do I know if I am located in the San Bernardino Valley Enterprise Zone?

The San Bernardino Valley Enterprise Zone (SBVEZ) encompasses land in the cities of Colton and San Bernardino as well as some unincorporated county property. To verify whether your business is located within the SBVEZ, please visit www.SBVEZ.com or contact Zone Manager Wendy Clements at info@sbvez.com or (909) 382-4100 ext 230.

What are the SBVEZ business incentives?

There are 6 incentives available to businesses that invest in or operate a business within an Enterprise Zone. The incentives are:

- Hiring Tax Credit
- Sales or Use Tax Credit
- Business Expense Deductions
- Net Operating Loss Carryover
- Lender's Credit (net interest deduction)
- State Contract Preference

For information about each incentive, refer to FTB Publication 3805Z, or FTB Publication 1158.

How do I claim Enterprise Zone tax credits and deductions?

You can claim Enterprise Zone tax credits and deductions by filing the FTB 3805Z form with your California tax return. Only the hiring credit, sales or use tax credit, and net interest deduction can be claimed on either an original or an amended return. The business expense and/or the NOL deduction must be claimed on the original return.

Which employees qualify me for the hiring tax credit?

An SBVEZ business may qualify for the hiring tax credit if a qualified employee is hired on or after October 15, 2006, and before the zone expires on October 14, 2021. A qualified employee is a person who was any of the following immediately before starting to work for you:

- Displaced worker
- Resident of a Targeted Employment Area (TEA)
- Eligible for the Job Training Partnership Act
- Economically disadvantaged (14 years or older)
- Ex-offender
- Veteran recently separated from military service
- Disabled veteran
- Veteran of the Vietnam Era
- Recipient of SSI, AFDC, Food Stamps, or state and local General Assistance
- Disabled individual eligible, enrolled, or who has completed a State Rehabilitation Plan
- Native American Indian, Native Samoan, Native Hawaiian or other Native American descent

Additionally, at least 90% of the employee's work must be directly related to a trade or business activity located in the SBVEZ, and at least 50% of the employee's work must be performed inside the zone.

Can I take the sales or use tax credit if the property purchased was exempt from sales or use tax when purchased?

No, you can only take the credit for sales or use tax you actually paid or incurred on the purchase of qualified property.

Do leases qualify for the business expense deduction or the sales or use tax credit?

Yes. Property acquired through a leasing arrangement that constitutes a financial (conditional sales) contract may qualify for the business expense deduction or the sales or use tax credit, or both.

What type of loan qualifies a creditor for the net interest deduction?

Loans that may qualify for the net interest deduction include business and mortgage loans from commercial or noncommercial sources. To qualify, you must meet all of the following:

- The funds must be loaned after October 15, 2006, and before October 14, 2021
- The loan must be made to a trade or business located solely within the SBVEZ
- Loan proceeds must be used only for the trade or business activities within the SBVEZ
- The lender may not have any type of ownership interest in the borrower's trade or business

Is the net interest deduction allowed for the life of the loan?

No, the net interest deduction is only allowed as long as the borrower's trade or business is located in SBVEZ. Once the SBVEZ expires, or the borrower moves out of the zone, the net interest deduction is no longer allowed.

What is the maximum amount of Enterprise Zone credits I can take in any one year?

The total of all Enterprise Zone credits that you can take in any taxable year may not exceed the lesser of the Enterprise Zone tax limitation, the "net tax" limitation for individuals, or "tax" limitation for corporations. California Revenue and Taxation Code sections 17039 and 23036 define "net tax" and "tax" respectively.

Is the carryover of the NOL deduction to future years limited?

Yes, you may only carry an Enterprise Zone NOL forward for 15 years, or until exhausted. The carryover deduction can only offset business income attributed to the Enterprise Zone.

