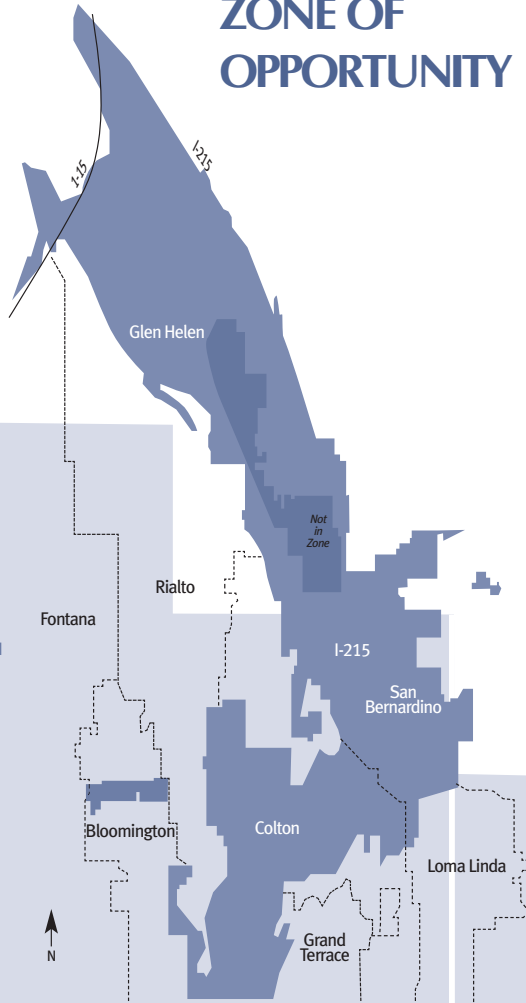


THE ZONE OF OPPORTUNITY



SBVEZ Contacts

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

SAN BERNARDINO VALLEY
ENTERPRISE ZONE

ENTERPRISE ZONE STATE INCENTIVES





Businesses located in the San Bernardino Valley Enterprise Zone (SBVEZ) may qualify to reduce their operating costs by filing to receive state tax credits and financial incentives.

Effective since October 15, 2006, the SBVEZ is a state designated area encompassing 42 square miles in the cities of San Bernardino, Colton, and unincorporated portions of the county. Its purpose is to help create jobs and enhance the local economy.

Tax credits and incentives available in the SBVEZ: Employee Hiring Tax Credit

Employers engaged in business within the SBVEZ may claim a hiring tax credit for each qualified employee during their first 5 years of employment.

- The hiring credit per eligible employee can reach \$37,440 over a 5-year period.

(Limitations for tax years 2008 and 2009: Businesses with a net income that exceeds \$500,000 will be limited to 50% of the credit).

Sales and Use Tax Credit for New Machinery or Parts

For taxpayers in the SBVEZ, a sales or use tax credit may be taken on qualified property purchased and used exclusively within the zone.

Individuals, estates, trusts and partnerships may claim an annual tax credit equal to the sales or use tax paid or incurred to purchase up to \$1 million of qualified property.

Corporations may claim an annual tax credit equal to the sales or use tax paid on purchases up to \$20 million of qualified property.

Qualified property includes:

- Machinery or machinery parts used to manufacture, process, or assemble a product, or produce renewable energy resources that control air or water pollution
- Data processing and communications equipment
- Motion picture manufacturing equipment

(Limitations for tax years 2008 and 2009: Businesses with a net income that exceeds \$500,000 will be limited to 50% of the credit).

Operating Loss (NOL) Carryover

A business that operates or invests within the SBVEZ may carry over 100% of their NOL, which results from activity within the zone and was generated after the designation date. The carryover period is 15 years, and can only be applied to income from within the zone. *(Tax years 2008 and 2009 are excluded).*

Net Interest Deduction for Lenders

A deduction from income is allowed for the amount of net interest received from loans made to a trade or business located within the SBVEZ. To qualify, lenders may not have equity or ownership interest in the SBVEZ business. The types of loans that qualify include:

- Business loans
- Mortgages
- Loans from non-commercial sources

Business Expense Deduction

Businesses conducting a qualified trade or business within the SBVEZ may elect to treat 40% of the eligible cost of qualified property as a business expense rather than a capital expense. For the year the property is placed in service, the business may deduct the eligible cost rather than depreciate it over several years.

State Contracts Preference

A company located in the SBVEZ may be awarded up to 5% preference on bids with the State of California. A business may also receive up to an additional 4% preference for the number of qualified enterprise zone employees hired to complete the contract. Bidders seeking to obtain a state contract preference must submit a completed STD Form 831 to the contracting agency with, or prior to their bid submittal.

Enterprise Zone Program Resources

**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

**California State Contract Preference Request
STD.831 Form:**
www.documents.dgs.ca.gov/osp/pdf/std831.pdf

California Association of Enterprise Zones:
www.caez.org

