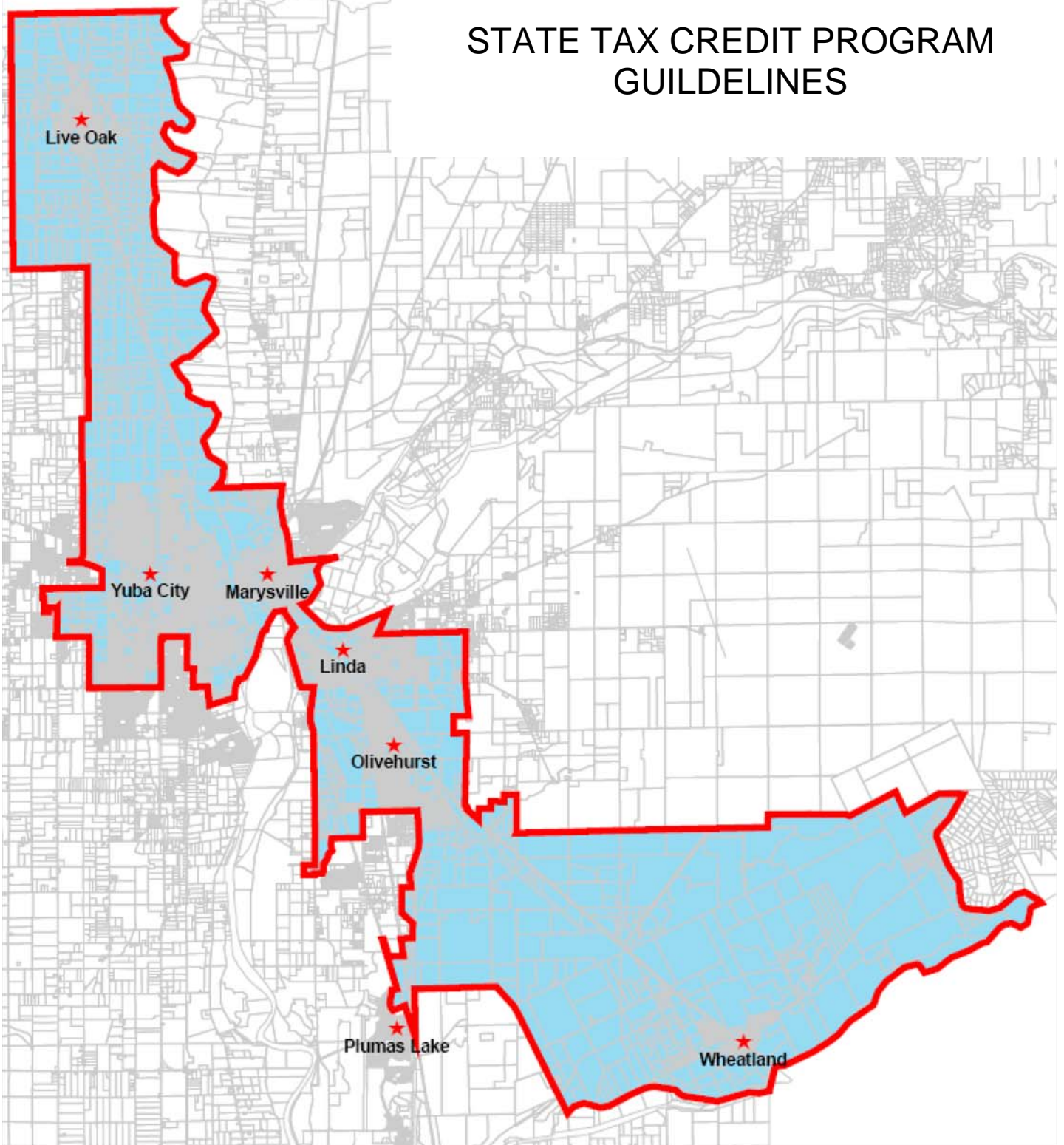


# Yuba-Sutter Enterprise Zone STATE TAX CREDIT PROGRAM GUIDELINES



## HIRING CREDIT EXAMPLE

On January 1, 2007, you hire an employee who is eligible or enrolled in a job training program or residing in a Targeted Employment Area (TEA). The employee works the entire year at your enterprise zone business as a full-time employee (2,080 hours) and is paid \$11.25 per hour. (A business can pay more or less than the cap which is currently \$11.25 per hour, but only receive the credit for the actual wages paid to a maximum of \$11.25 per hour; the maximum wages paid has no upper limit.) Your hiring credit would be calculated as follows:

<b><u>YEAR ONE</u></b>	<b><u>CREDIT</u></b>
\$11.25 X 2,080 HOURS = \$23,400 X 50% =	\$11,700
<b><u>YEAR TWO</u></b>	<b><u>CREDIT</u></b>
\$11.25 x 2,080 HOURS = \$23,400 X 40% =	\$9,360
<b><u>YEAR THREE</u></b>	<b><u>CREDIT</u></b>
\$11.25 x 2,080 HOURS = \$23,400 X 30%	\$7,020
<b><u>YEAR FOUR</u></b>	<b><u>CREDIT</u></b>
\$11.25 X 2,080 HOURS = \$23,400 X 20%	\$4,680
<b><u>YEAR FIVE</u></b>	<b><u>CREDIT</u></b>
\$11.25 x 2,080 HOURS = \$23,400 X 10%	\$2,340

**TOTAL VALUE OF HIRING CREDIT \$35,100**

NOTE: Minimum wage increased to \$7.50 as of January 1, 2007; \$11.25 is the credit cap value (1.5 x min. wage)  
January 1, 2008, the minimum wage will increase to \$8.00 per hour, increasing the cap to \$12.00

# ENTERPRISE ZONE HIRING TAX CREDIT

A business located in the Yuba-Sutter Enterprise Zone may reduce its state income tax by the amount of wages paid to one or more qualified employees. The business has the potential to earn \$35,100 or more in tax credits per qualifying employee over a five-year period. There is no residency requirement; however, at least 50 percent of the employee's work must be performed inside the enterprise zone boundaries.

For employers engaged in a trade or business in a former (expired) EZ, the hiring credit can be taken for qualified employees hired on or before the date of expiration of the EZ for the full five-year period of the hiring credit. Yuba-Sutter Enterprise Zone's previous designation ended on October 15, 2006. The hiring credit may not be taken for any employees hired after the date of expiration of the EZ unless the business is located in the new zone. Retroactive vouchering is allowed and would apply to businesses in the old Yuba-Sutter Enterprise Zone.

More information is available on the zone's website at [www.yubasutierrez.com](http://www.yubasutierrez.com)

Employers must use the State of California Enterprise Zone Hiring Tax Credit Voucher Application for each employee requested to be vouchered.

## Qualified Employer

An employer must meet all of the following:

- engaged in a trade or business within an enterprise zone
- obtains and retains certification (vouchers) for qualified employees

## Qualified Employee

An employee must meet all of the following:

### Annual Test

- At least 90 percent of the individual's work must be directly related to the conduct of the taxpayer's trade or business located within an EZ
- At least 50 percent of the individual's services for the taxpayer must be performed within the boundaries of an EZ

## Time of Hire Test

- The individual is hired after the area was designated as an EZ
- Immediately prior to hire, an individual is a qualified employee under CR&TC 17053.74 (b)(4)(A)(iv) and 23622.7 (b)(4)(A)(iv)

The taxpayer is required to obtain a voucher to show that the employee met these qualifications.

Qualifications - a qualified employee is further defined as being any of the following at the time of hire:

- JTPA / GAIN / WOTC / WIA
- 14 years or older, economically disadvantaged
- Dislocated Worker
- Vietnam, disabled or recently separated Veteran
- Ex-offender
- Public Assistance
- Resident of a TEA
- Native American

## Qualified Wages

- Paid or incurred to qualified employees for the consecutive 5-year period beginning on the first date of hire
- Number of hours worked x lesser of employee's hourly or 150% of minimum wage
- Salaried wages - use yearly salary divided by 2,080 to determine hourly wage

## Credit Amount

Credit =

Qualified wages x 50% (1<sup>st</sup> year of employment) +  
 Qualified wages x 40% (2<sup>nd</sup> year of employment) +  
 Qualified wages x 30% (3<sup>rd</sup> year of employment) +  
 Qualified wages x 20% (4<sup>th</sup> year of employment) +  
 Qualified wages x 10% (5<sup>th</sup> year of employment)

Effective Date	Minimum Wage	Maximum Hourly Wage - Hiring Credit
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1/1/08 to 12/31/08	\$8.00	\$12.00 (150% of \$8.00)
1/1/07 to 12/31/07	\$7.50	\$11.25 (150% of \$7.50)
1/1/02 to 12/31/06	\$6.75	\$10.12 (150% of \$6.75)
1/1/01 to 12/31/01	\$6.25	\$9.37 (150% of \$6.25)

### California vs. Federal Minimum Wage

Where the California minimum wage is higher than the federal minimum wage, the California minimum wage is used for purposes of computing the EZ hiring credit.

### Carryovers

Any unused credits may be carried over to succeeding years until exhausted.

### Wage Addback

Deduction for wages must be reduced by the amount of hiring credit incurred. This addback should equal the amount of credit incurred by the taxpayer for that year (avoid double deduction).

### Seasonal Employees

Seasonal employment means employment that has regular and predictable substantial reductions in business operations.

Reemployment of an individual, in connection with any increase (including a regularly occurring seasonal increase) in business operations, does not constitute commencement of employment for purposes of the EZ hiring credit.

There is a 5-year credit starting at original hire date.

### Leased Employees

The employer is the qualified taxpayer and may qualify for the hiring credit for leased employees. The employer can be either the leasing company or the subscriber to the leasing company. The employer generally has the legal obligation to pay the payroll taxes of the employee, and the right to control and direct the workers (employee's) services.

### Retroactive Vouchers

There is no rule or regulation that limits or prevents retroactive vouchering for employees that were not previously vouchered for a potential tax credit. The only stipulation is that documentation must be available to support the eligibility criteria. This applies to individuals that are no longer employees provided the employee file has the appropriate documentation.

### Record Keeping

An employer must retain a copy of the Hiring Credit Voucher to substantiate an individual's eligibility as a "qualified employee." In addition, a schedule should be kept for the first sixty (60) months of employment showing:

- Employee's name
- Date the employee was hired
- Number of hours the employee worked for each month of employment
- Smaller of the hourly rate of pay each month or 150% of the minimum wage
- Location of employee's job site and duties performed (50% test)
- Records of other federal or state subsidies received for hiring the qualified employee
- Total qualified wages per month for each month of employment
- Reason for termination (if applicable)

### Hiring Credit Recapture

The hiring credit recapture is required if the employer terminates the employee at any time during the longer of: the first 270 days of employment (whether or not consecutive); or 90 days of employment plus 270 calendar days. A day of employment means any days the employee receives wage compensation (including a paid sick day, holiday, or vacation day).

The employer must add to the current year's tax the amount of credit claimed in the year of termination and all prior years in which the credit was claimed for the terminated employee.

The credit recapture DOES NOT apply if the termination of employment was:

- Voluntary on the part of the employee;
- In response to misconduct of the employee;
- Caused by the employee becoming disabled (unless the employee was able to return to work and the employer did not offer to reemploy the individual);
- Carried out so that other qualified individuals could be hired, creating a net increase in both the number of qualified employees and the number of hours worked; or
- Due to substantial reduction in the employer's trade or business operations.

### Voucher Appeals

Appeal of a denial of a voucher application shall be made in accordance with the provisions below:

- All appeals shall be in writing and shall include the following information:
  1. Name and address of the business, and, if applicable, the business's representative for the purposes of the appeal;
  2. Signature of the business or the business's authorized representative;
  3. Narrative discussion of why the denial should be reversed and any additional information or documentation not previously provided in support of the application; and
  4. A copy of all denial notices
- A denial issued by a zone manager may be appealed of the zone manager within sixty (60) calendar days of the date of the denial. The zone manager shall respond to the appeal, with a final decision in writing, within sixty (60) calendar days of receipt of the appeal. The zone manager's final decision shall set forth the basis for the zone manager's decision to accept or reject the appeal and shall be sent to the Applicant and the State.
- A final decision by a zone manager denying an application may be appealed to the State within thirty (30) calendar days of the date of the final decision by the zone manager. The state shall have ninety (90) calendar days from receipt of an appeal from an Applicant to issue a written response granting or denying the appeal.

- The decision of the state shall be final, shall be rendered in writing, and shall be sent to the Applicant, the Applicant's authorized representative, if applicable, and the zone manager. If the state grants the appeal, the zone manager shall issue a voucher to the appealing party.

### Technical Tax Question Assistance

Contact the EZ Hotline at 1-916-845-3464

### Tax Forms & Booklets

More information, along with the tax forms and instructions:

Franchise Tax Board Form FTB 3805Z, "Enterprise Zone Deduction and Credit Summary"

### Internet

You can download, view, and print California tax forms and publications from the Franchise Tax Board website at [www.ftb.ca.gov](http://www.ftb.ca.gov) or on the zone's website at [www.yubasutterez.com](http://www.yubasutterez.com)

### Telephone

To order California tax forms and publications: 800/338-0505

### In Person

The post office provides free booklets and forms during the filing season. In addition, the library may also have forms.

### By Mail

TAX FORMS REQUEST UNIT  
FRANCHISE TAX BOARD  
P. O. Box 307  
Rancho Cordova, CA 95741-0307

**ELIGIBILITY CRITERIA**

A qualified employee must meet one of the eligibility categories defined in either Sections 17053.74 or 23622.7 of the Revenue and Taxation Code. The following categories apply:

- Work Incentive Act (WIA/WOTC)
- Economically Disadvantaged Individual
- Dislocated Worker
  - Terminated, laid off, or received notice of termination or layoff
  - Plant, facility, or enterprise closure
  - Long-term unemployed
  - Self-employed worker
  - Civilian employee of Department of Defense
  - Active member of Armed forces/National Guard involuntarily separated
  - Seasonal unemployment
  - Clean Air Act compliance
- Disabled Individual
- Veteran
- Ex-Offender
- Targeted Employment Area Resident
- Public Assistance Recipient
- Native American

**WORK INCENTIVE ACT (WIA/WOTC)**  
 Subdivision (b)(4)(A)(iv)(I), (b)(4)(A)(iv)(II), or (b)(4)(A)(iv)(XI)

To demonstrate that an employee is a qualified employee under the above subdivisions for WIA or WOTC, the Applicant shall provide one of the following documents pertaining to the employee's status immediately preceding commencement of employment with the Applicant:

**CalWORKS:**

- (1) A document issued by the local CalWORKS administrator stating that the employee was eligible for CalWORKS

**WIA:**

- (2) A document issued by the local WIA case manager or administrator stating that the employee is enrolled in, or eligible for, WIA Intensive Services or Core B

**WOTC:**

- (3) A document issued by the Work Opportunity Tax Credit or successor program's "designated local agency" (as defined in Internal Revenue Code Section 51(d)(15)) stating that the employee was a member of a targeted group,

as defined in Internal Revenue Code Section 51(d), or its successor.

**ECONOMICALLY DISADVANTAGED INDIVIDUAL**  
 Subdivision (b)(4)(A)(iv)(III)

To demonstrate that an employee is a qualified employee as an economically disadvantaged individual, the Applicant shall provide:

- (1) An official identification card or other document issued by the federal government or any state or local government that shows the employee's age or date of birth, and indicates that the employee is at least 14 years of age;

**AND**

- (2) Completion of "Income Verification Worksheet"

**Definition:**

An individual who is at least 14 years of age, and resides in a household with a total family income not exceeding the very low income category adjusted for family size for the 90 days preceding the employee's date of hire. For purposes of this section, "family" means two or more persons related by blood, marriage, or decree of court, who are living in a single residence, and are included in one or more of the following categories: (i) a husband, wife, and dependent children; (ii) a parent or guardian and dependent children; (iii) a husband and wife.

**Household Income Limits:**

Family Size	1	2	3
90-day income limit	4,525	5,175	5,813

Family Size	4	5	6
90-day income limit	6,463	6,975	7,500

Family Size	7	8
90-day income limit	8,013	8,525

\*official State Income Limit 2007, Dept. of Housing and Community Development, 3/19/2007

## DISLOCATED WORKER

A dislocated worker can be an individual in which one of any of the following categories prior to hiring applies:

- Terminated, laid off, or received notice of termination or layoff
- Plant, facility, or enterprise closure
- Long-term unemployed
- Self-employed worker
- Civilian employee of Department of Defense
- Active member of Armed Forces/National Guard involuntarily separated
- Seasonal unemployment
- Clean Air Act compliance
- Disabled individual

Terminated, Laid Off, or Received Notice of Termination or Layoff  
Subdivision (b)(4)(A)(iv)(IV)(aa)

To qualify an employee under this category, the Applicant shall provide at least one item from each of subdivisions (1), (2), and (3) below:

To document that an employee has been terminated, laid off, or received a notice of termination or layoff, the Applicant shall provide:

(1) One item from the following is required to document that an employee has been terminated, laid off, or received a notice of termination or layoff:

- Copy of termination notice or company documentation of employee's termination or layoff
- Employer or union representative letter identifying the employee's termination date
- Copy of printed media article/announcement, including the name and date of the publication, describing the layoff, along with a copy of the employee's last payroll check prior to hire by the Applicant

- Separation or Termination Report, or equivalent, signed by the employee's former employer
- Document showing the employee is eligible for or has exhausted entitlement to unemployment insurance benefits as specified in (c)(2) below.

(2) One item from the following to document that the employee is eligible for or has exhausted entitlement to unemployment insurance benefits:

- Unemployment insurance records
- Statement by an Unemployment Insurance Representative

### AND

(3) One item from the following to demonstrate that the employee is unlikely to return to his or her previous industry or occupation:

- Screen print of California Employment Development Department Labor Market Information Division screens that indicates limited opportunities for employment in same or similar occupation and that employee is unlikely to return to that occupation
- Doctor's statement indicating employee's inability to return to previous industry/occupation due to physical limitations
- Vocational rehabilitation counselor's statement indicating the employee's inability to return to previous industry/occupation due to physical limitations
- Other third-party documentation that demonstrates same

Plant, Facility, or Enterprise Closure  
Subdivision (b)(4)(A)(iv)(IV)(bb)

To qualify an employee under this category, the Applicant shall provide at least one item from each of subdivisions (1) and (2) below:

To document that an employee is a dislocated worker due to plant, facility, or enterprise closure, the Applicant shall provide:

(1) One item from the following is required to document there has been a permanent plant, facility, or enterprise closure or substantial layoff:

- Bankruptcy documents, if declared under Chapter 7, Notice of Foreclosure, or similar document clearly showing that a closure or mass layoff will occur as a result of its issuance
- Copy of printed media article/announcement
- Statement from the employer or union representative
- Statement from the employer's bank official, attorney, supplier, or accountant
- WARN notice

**AND**

(2) One item from the following to document that the employee has been terminated, laid off, or received a notice of termination:

- Copy of notice of termination
- Employer or union representative letter identifying termination date
- Separation or termination report signed by employee's former employer
- Evidence that employee is or was employed at plant
- WARN notice

Long-term Unemployed  
Subdivision (b)(4)(A)(iv)(IV)(cc)

To qualify an employee under this category, the Applicant shall provide at least one item from each of subdivisions (1) and (2) below:

To document that an employee is long-term unemployed and has limited opportunities for

employment or reemployment in the same or a similar occupation in the area in which the individual resides, submit one of the following dated at least 15 weeks prior to commencement of employment with the Applicant

(1) One item from the following is required to document that the employee is long-term unemployed:

- Proof of receipt of unemployment benefits for at least 15 weeks prior to commencement of employment or proof that unemployment benefits were exhausted
- Unemployment insurance verification (benefits records)
- Workers Investment Act Displaced Worker Unit Verification
- Statement by an Unemployment Insurance representative
- Documentation that qualifies the employee as a dislocated worker due to terminated, laid off, or receipt of notice of termination or layoff or as a dislocated worker due to plant, facility, or enterprise closure showing long-term unemployment for at least 5 weeks prior to commencement of employment

**AND**

(2) One item from the following to document that the employee has limited opportunities for employment or reemployment in the same or a similar occupation:

- Screen print of California Employment Development Department Labor Market Information Division screens that indicates limited opportunities for employment or reemployment in the same or similar occupation
- Doctor's statement indicating employee's inability to return to previous industry/occupation due to physical limitations
- Vocational rehabilitation counselor's statement indicating the employee's inability to return to previous industry/occupation due to physical limitations
- Other third-part documentation that demonstrates the unavailability of similar employment in the employee's previous industry or profession

Self-Employed Worker  
Subdivision (b)(4)(A)(iv)(IV)(dd)

To demonstrate that, immediately preceding the commencement of employment with the Applicant, an employee is a qualified employee as a dislocated former self-employed worker, the Applicant shall provide a combination of the following or other documents sufficient to demonstrate that the employee previously was self-employed and was unemployed prior to the commencement of employment due to economic conditions in the community or due to natural disaster:

- Bankruptcy documents listing both the name of the business and the employee's name
- A business license or permit listing the employee's name
- Copy of articles of incorporation or documentation of dissolution for the business listing the employee as an owner.
- Prior year's income tax return

Civilian Employee of Department of Defense  
Subdivision (b)(4)(A)(iv)(IV)(ee)

To demonstrate that, immediately preceding the commencement of employment with the Applicant, an employee is a qualified employee as a dislocated civilian employee of the Department of Defense employed at a military installation being closed or realigned under the Defense Base Closure and Realignment Act of 1990, the Applicant shall provide:

- A copy of the employee's termination notice

**AND**

- Either a copy of a media article or announcement describing the layoff or closure, or an employer or union representative letter describing the layoff or closure.

Active Member of Armed Forces/National Guard  
Involuntarily Separated  
Subdivision (b)(4)(A)(iv)(IV)(ff)

To demonstrate that, immediately preceding the commencement of employment with the Applicant,

an employee is a qualified employee as a dislocated worker who was an active member of the armed forces or National Guard as of September 30, 1990, and was involuntarily separated or separated pursuant to a special benefits program, the Applicant shall provide one of the following documents: :

- Report of separation or discharge from the armed services or the National Guard
- Veterans Administration documentation
- Verification by State Veterans Agency

Seasonal Unemployment  
Subdivision (b)(4)(A)(iv)(VI)(gg)

To demonstrate that an employee is a qualified employee as a dislocated worker due to seasonal unemployment, the Applicant shall provide one of the following document demonstrating that the employee was a seasonal or migrant worker:

- (1) Documentation of employee's migrant employment in a seasonal occupation
- (2) Employer or union representative letter describing seasonal layoff in employee's seasonal occupation
- (3) Copies of termination notices identifying employer and employee
- (4) Copies of employee's pay stubs identifying seasonal employer

Clean Air Act Compliance  
Subdivision (b)(4)(A)(iv)(IV)(hh)

To demonstrate that, immediately preceding the commencement of employment with the Applicant, an employee is a qualified employee as a dislocated worker due to Clean Air Act compliance, the Applicant shall provide the following:

- A copy of the employee's termination notice

**AND**

- Either a photocopy of a media article or announcement describing the reason for the layoff, or an employer or union representative letter stating that compliance with the Clean Air Act was the reason for the layoff

DISABLED INDIVIDUAL  
Subdivision (b)(4)(A)(iv)(V)

To demonstrate that, immediately preceding the commencement of employment with the Applicant, an employee is a qualified employee as a disabled individual, the Applicant shall provide the documentation required either by (1) or (2):

(1) The Applicant shall provide one of the following documents demonstrating that the employee was disabled and is eligible for, enrolled in, or has completed a state rehabilitation plan:

- Physician's statement
- Rehabilitation plan
- Vocational rehabilitation letter
- Verification by state or federal rehabilitation counselor
- Letter from a state drug or alcohol rehabilitation agency
- Medical records
- Social Security Administration disability records
- Social Service records/referral

**OR**

(2) The Applicant shall provide one of the following documents demonstrating that the employee is a service-connected disabled veteran:

- DD-214 Defense Department Report of Separation
- Veterans Administration documentation
- Verification by State Veterans Agency

VETERAN  
Subdivision (b)(4)(A)(iv)(V)

To demonstrate that an employee is a Vietnam era Veteran or a Veteran recently separated from the military service, the Applicant shall provide one of the following documents:

- Report of separation or discharge from the armed services or the National Guard
- Veterans Administration documentation
- Verification by State Veterans Agency

For purposes of this subdivision, "recently separated" means within 48 months preceding commencement of employment with the qualified taxpayer; and the term "Vietnam era veteran" means a veterans any part of whose active military service occurred between August 5, 1964, and May 7, 1975.

EX-OFFENDER  
Subdivision (b)(4)(A)(iv)(VI)

To demonstrate that an employee is a qualified employee as an ex-offender, the Applicant shall provide one of the following documents verifying that immediately preceding commencement of employment the employee was an ex-offender as defined in subdivision 8461:

- (1) Court documents
- (2) Letter of parole
- (3) Letter from probation officer
- (4) Police records
- (5) A copy of a background check report or independent court records report showing the employee as an ex-offender as defined in Subdivision 8461(e), signed by a background checking business or independent court records business, licensed and/or certified if required by California or federal law.
- (6) Other government document verifying ex-offender status, such as a letter from the Board of Prison Terms, or a letter from the Governor's Office.

TARGETED EMPLOYMENT AREA  
Subdivision (b)(4)(A)(iv)(IX)

To demonstrate that an employee is a qualified employee as a resident of a targeted employment area (TEA), as defined in Section 7072 of the Government Code, the Applicant shall provide the following documents, verifying that the employee resided in a TEA immediately preceding the commencement of employment:

A copy of the officially listed TEA address range

**AND**, one of the following:

- Form I-9, U.S. Department of Justice, Immigration and Naturalization Service
- Driver's license or State Identification Card
- Landlord statement
- Lease or rental agreement
- Utility bill

PUBLIC ASSISTANCE  
Subdivision (b)(4)(A)(iv)(VII)

To qualify an employee under this category, the Applicant shall provide one of the following documents verifying that the employee was receiving or was eligible to receive, the assistance immediately preceding the commencement of employment:

- Public assistance award letter
- Benefit printout
- Current food stamp identification card or award letter
- Social Security Insurance award letter or check stub
- Refugee Cash Assistance
- Verification by Department of Social Services
- Written statement from county welfare office or telephone verification by zone manager
- Public assistance records/printout

NATIVE AMERICAN  
Subdivision (b)(4)(A)(iv)(VIII)

To qualify an employee under this category as a Native American, Native Samoan, Native Hawaiian, or member of another group of Native American descent, the Applicant shall provide one of the following documents:

- Native American tribal record document
- Certified Degree of Indian Blood (CDIB) card, issued by the Bureau of Indian Affairs
- Documentation that the employee is a Native Samoan, Native Hawaiian, or a member of another group of Native American descent



Contact Information:

Mary A. Hansen  
Enterprise Zone Manager  
530/741-6463  
[mhansen@syix.com](mailto:mhansen@syix.com)  
[www.yubasutterez.com](http://www.yubasutterez.com)

YUBA-SUTTER ENTERPRISE ZONE  
1364 Sky Harbor Drive  
Olivehurst, CA 95961