

LET US HELP YOU GROW YOUR BUSINESS.

Contact us today to get started.

If you're looking to build or expand your business, you'll need a qualified workforce and financial resources to help you reinvest in your company. The City of Sacramento Enterprise Zone is an incentive program that allows businesses within the zone to reduce state income taxes.

The benefits of the zone include:

- Hiring Tax Credits
- Sales and Use Tax Credits
- Business Expense Deductions
- Net Operating Loss Carryovers
- Net Interest Deduction for Lenders
- Work Opportunity Tax Credits

HIRING TAX CREDITS

The credit amount is based on a percentage of the employee's wages over the first five years of their employment. (50 percent in year 1 and a 10 percent decrease in subsequent years, up to five years.)

The credit calculation limits the wage rate to the lesser of the actual hourly wage paid or 150 percent of the minimum hourly wage not to exceed \$12 per hour.

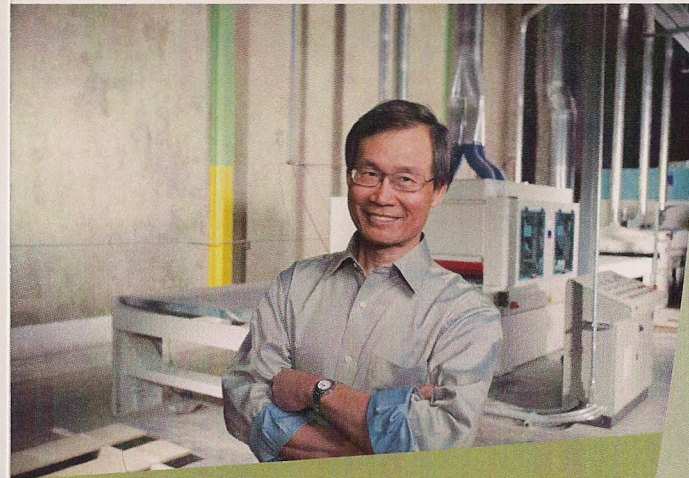
Qualified Employees: Employers conducting trade or business inside an Enterprise Zone may claim the hiring credit for wages paid to a qualified employee who is currently unemployed. The Sacramento Employment Training Agency (SETA) can assist in the recruitment of qualified employees. See back panel for contact information.

Application of Credits: The tax credit is used to offset state income tax, which is subject to certain limitations. Any excess unused credits may be carried forward to offset future year taxes. Consult your tax professional or CPA for more information.

Retroactive Vouchering and Tax Refunds: With proper documentation, qualified employees hired in prior years can still be vouchered. Refunds for state income taxes paid in prior years may be refunded by filing amended returns.

HOW HIRING TAX CREDITS WORK

Year of Employment	Hours Worked	150% of Minimum Wage	Credit Rate	Tax Credit
1	2080	\$12.00	50%	\$12,480
2	2080	\$12.00	40%	\$9,984
3	2080	\$12.00	30%	\$7,488
4	2080	\$12.00	20%	\$4,992
5	2080	\$12.00	10%	\$2,496
Total 5 year credit =				\$37,440



SALES AND USE TAX CREDITS

Employers conducting a business inside the Enterprise Zone may claim credit for sales or use tax paid or incurred on the purchase of certain qualified machinery/equipment. Qualified machinery must be used to do one of the following:

- Manufacture, process, combine or otherwise fabricate a product
- Produce renewable energy resources
- Control water or air pollution
- Handle data or communications

The credit may be used towards the purchase of equipment valued up to \$20 million. The maximum annual credit is \$1 million.

BUSINESS EXPENSE DEDUCTIONS

Businesses within the Enterprise Zone may elect to treat 40 percent of the cost of qualified property as a business expense. In the first three years of the zone's designation, an aggregate cost of \$100,000 can be deducted. From the fourth year on, a total cost of \$50,000 can be deducted.

NET OPERATING LOSS (NOL) CARRYOVERS

Qualified taxpayers conducting business within the Enterprise Zone may elect to carry forward 100 percent of their NOL for a 15 year period (rather than 10 years.)

NET INTEREST DEDUCTION FOR LENDERS

A deduction from income is allowed for the amount of "net interest" received from loans made to a business located within the Zone. The lender is not required to be located within the Zone.

WORK OPPORTUNITY TAX CREDITS (WOTC)

Employers can receive federal tax credit (up to \$9,000) for hiring qualified employees. Contact the California Employment Development Department or SETA to learn how your business can hire qualified employees and take advantage of available WOTC.

For detailed questions about the Sacramento Enterprise Zone program, contact your accountant or the State Franchise Tax Board, 800.582.3711.

BUSINESS SUCCESS DEPENDS UPON RELATIONSHIPS AND RESOURCES.

Our team is available to help you build a stable workforce.