

Enterprise Zone Incentives Overview

The Enterprise Zone program targets economically distressed areas throughout California. Special state and local incentives encourage business investment and promote the creation of new jobs. The purpose of the Zone program is to provide tax incentives to businesses and allow private sector market forces to revive the local economy.

Enterprise Zone companies are eligible for substantial tax credits and benefits including:

- **Hiring Tax Credits** – Firms can earn \$31,605 or more in State tax credits for each qualified employee hired.
- **Sales and Use Tax Credits** – Zone companies may receive a sales tax and use tax credit for manufacturing or processing machinery, data processing and communications equipment and motion picture manufacturing equipment central to production and post production, to be used in the Zone. Individuals can claim a credit on the first \$1,000,000 of qualifying purchases, while corporations can claim credit on the first \$20,000,000 per year.
- **Business Expense Deduction** – Zone companies can take up to 40% up front expensing of certain depreciable property. The remaining amount is depreciated over time.
- **Net Operating Loss Carryover** – Up to 100% of the NOL may be carried forward for a 15 year period.
- **Lender Credit** – Lenders to Zone businesses are allowed to deduct the net interest.
- **Any unused credits may be carried over to succeeding years until exhausted.**
- **Enterprise Zone companies may earn preference points on state contracts.**