

## Investment Assistance

California Business Investment Services (CalBIS) ([www.labor.ca.gov/calBIS/](http://www.labor.ca.gov/calBIS/)) assists companies and investors interested in employing Californians. Major state-level incentives are described in this section. Note that many incentives are site driven and/or negotiated with local government on a case-by-case basis or under an existing local economic development policy. As needed, “A-Teams” comprised of state and local officials are assembled to bring public and private resources together to assist investors or companies interested in the Golden State.

## Targeted Tax Credits

### Economic Development Areas

The state offers four types of Economic Development Areas (EDAs): Enterprise Zones (EZ); Local Agency Military Base Recovery Areas (LAMBRA); Manufacturing Enhancement Areas (MEA); and, Targeted Tax Areas (TTA) in urban and rural areas.

**Enterprise Zones.** Businesses located within the boundaries of an Enterprise Zone are eligible for tax credits.

The first major Enterprise Zone tax credit is equivalent to the sales and use tax paid on the first \$1,000,000 Personal Income Tax or \$20,000,000 (Corporate Tax Payers of qualified new or used manufacturing equipment purchased each year. Qualified machinery is machinery or parts used to:

- Manufacture, process, fabricate, or otherwise assemble a product.
- Produce renewable energy resources.
- Control air or water pollution.

The definition of “qualified property” has been expanded to include data processing and communications equipment including, but not limited to, computers, CAD systems, copy machines, telephones systems and faxes. Equipment must be purchased in California unless equipment of comparable price and quality cannot be found in California.

The second major Enterprise Zone benefit takes the form of a credit equal to a percentage of the wages paid to a qualified employee. The credit is based on the lesser of the actual hourly wage or 150 percent of the state-established minimum wage.

The credit is provided over a five-year period with 50 percent of the wages creditable in the first year of employment, 40 percent the second year, 30 percent the third year, 20 percent the fourth year, and 10 percent the fifth year. If the employee stays with the company for the entire 5-year period, the company receives credits totaling nearly \$37,440 per qualified employee. If the employee is terminated prior to 270 days of employment, the credit is recaptured.

Other Enterprise Zone benefits that may apply in certain cases include:

- A 15-year carryover of up to 100 percent of net operating losses.
- Expensing of certain depreciable property.
- Lender interest income from loan to zone businesses is deductible.

<http://www.hcd.ca.gov/fa/cdbg/ez>

LAMBRA, MEA, and TTA are detailed in the above link. LAMBRA zones are a companion to Enterprise Zones. The most notable differences in incentives include enhanced equipment purchase eligibility under the sales and use tax credit; an annual wage limitation of \$2 million per year under the hiring tax credit; and redefinition of qualified employees to include displaced military or civilian employees of the former base.

<http://www.hcd.ca.gov/fa/cdbg/ez/lambra/>