

Update: January 2011

Tax Intelligence

California's Governor Proposes to Repeal Enterprise Zone Program

Situation

Governor Jerry Brown announced the proposed 2011-12 budget summary to help solve California's fiscal crisis. The proposed budget could heavily impact all California Enterprise Zone (CA EZ) tax incentives by eliminating enterprise zone tax incentives and similar tax incentives for specific areas, for tax years beginning on or after January 1, 2011. The proposal would eliminate tax benefits, both for newly earned credits and deductions and credits that have been earned in prior years, but have not been used. The proposed elimination of the tax incentives is expected to generate additional revenues of \$343 million in 2010-11 and \$581 million in 2011-12.

Solution

TALX understands the threat imposed by the budget to shut down enterprise zones across the state. As of today, all zones and tax benefits are valid. TALX will continue to screen and look for tax benefit opportunities in the zones, which provide hiring credits, credit for sales tax paid, credit for employees who earn wages within the area and a deduction for interest received from businesses in an area.

Proposed Programs for Elimination:

- *California Enterprise Zones (CA EZ):* Businesses located at qualified addresses in a CA EZ are eligible for program benefits which include several state and local incentives. There are 42 Enterprise Zones located throughout California, each administered locally.
- *Targeted Tax Areas (TTA):* The Tulare Targeted Tax Area (TTA) is a program very similar to Enterprise Zones. Targeted Tax Area (TTA) offers incentives that are only available to companies located in the Tulare TTA and engaged in a trade or business within Food Processing, Certain Other Manufacturers, Trucking and Warehousing, Air Transportation, Transportation Services, Communications and Wholesale Trade.
- *Manufacturing Enhancement Areas (MEA):* Certain manufacturing businesses located in an MEA are eligible for the MEA program benefits.
- *Local Agency Military Base Recovery Areas (LAMBRA):* LAMBRA communities offer California tax credits in addition to community incentives. Each community markets base property and existing buildings to attract expanding and new businesses. The incentives may include the use of machinery, tools, or office equipment left behind by the military.

The California Association of Enterprise Zones, along with many of the local governments, plan to ensure a successful defense against the elimination of these programs.

Value

It is important to keep in mind that final budgets rarely look the same as January proposals, and that these proposals will need to go through a rigorous legislative process to pass. TALX will continue to monitor the California Enterprise Zone situation and will work to determine the best strategy to maintain the programs. If your company is interested in receiving more information on the proposed California 2011-12 Governor's Budget Summary, please visit our corporate blog at <http://blog.talx.com/> or contact Pete Krieshok at 314-214-7325, or by e-mail at pkrieshok@talx.com