



California Enterprise Zone Tax Credits



REDUCE YOUR TAX LIABILITY AND IMPROVE THE COMMUNITY AT THE SAME TIME

Do you operate a business in California? With the largest economy in the 50 states, many companies find lucrative opportunities to do business in California. Although legal guidelines and taxes unique to California can make it a challenge to do business in the Golden State, the state has developed tax incentives to encourage businesses to open locations and hire more people in targeted areas.

The Opportunity

California has designated 42 areas across the state as Enterprise Zones (EZ). The government's goal is to stimulate the economy through business incentives for investment in the local economy and hiring and retaining employees. A business located in an EZ is allowed a credit against California state income tax for a percentage of wages paid to qualified zone employees working in the designated areas. Other lucrative tax credit opportunities are available to businesses located in a California Enterprise Zone for various investment activities and purchases.

The Challenge

Do you know if you have locations in California Enterprise Zones? Do you know who your qualified employees are? Are their qualified wages easily tracked and monitored?

What are Qualified Wages?

Qualified wages are wages earned during the 60-month period beginning with the first day of hire. Eligible wages are not to exceed the hours worked multiplied by 150% of the current minimum wage (\$11.25 as of January 1, 2007).

What is a Qualified Employee?

The qualifications for an eligible California Enterprise Zone employee are based on a list of 14 categories of various targeted groups. Some as simple as where the employee lives; others include: WOTC qualified, dislocated workers, Native Americans, and ex-offenders, among others.

Benefits :

- Change your effective tax rate with savings from tax credits, refunds and incentives
- Reduce operating costs, minimize tax liability and increase earnings per share
- Reduce the administrative burden associated with managing a lucrative tax credit and incentive program
- Improve the receipt, tracking and reporting of your credit and incentive program
- Get all you deserve; Get credit for a job well done – ADP partners with you to maximize all tax credit & incentive opportunities that benefit your company

The Value

**OVER \$31,000 Maximum Value Over 5 Years!!
WE DON'T GET PAID UNTIL YOU REALIZE A BENEFIT.
EMPLOYEES HIRED IN THE PAST MAY ALSO QUALIFY!**

The Calculation

In order to claim the credits, the taxpayer must obtain a voucher from the local zone administrator for each qualified employee documenting eligibility. The credit is then calculated based on qualified wages. The first year credit is up to 50% of qualified wages decreasing proportionately to 10% in the 5th year with a total opportunity of over \$32,000 per eligible employee.

The ADP Solution

The California Enterprise Zone credit is an incredible opportunity for businesses operating within the designated zones. At ADP, we have an established reputation for maximizing our client's CAEZ opportunities and can also assist in determining the amount of credit available for utilization based on tax liability and apportionment. ADP Tax Credit Services is proud to have been serving our clients in California since the 1980's.

For more information on available tax incentive programs and a custom Incentive Analysis, visit www.taxcredits.adp.com.

Actual Savings

From Good to Great

Specialty Retailer in CA Receives Over \$1M in CAEZ Savings

ADP works hard to ensure that our clients maximize their tax credit opportunities. We continually evaluate and improve processes and communication with our clients to increase credits. One of our clients has over 19 eligible locations in CA Enterprise Zones. When this client first came on board, we were able to capture about \$40,000. By working with the client's different departments, we were able to increase credit capture by 600% in one year. Now the client is receiving over \$1 million in CAEZ credits with ADP.



Tax Credit Services