California

Forms & Instructions

3805Z

2005

Enterprise Zone Business Booklet

This booklet contains:

Form FTB 3805Z, Enterprise Zone Deduction and Credit Summary

Members of the Franchise Tax Board

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STATE OF CALIFORNIA
FRANCHISE TAX BOARD

Instructions for Enterprise Zone Businesses — Form FTB 3805Z

References in these instructions are to the Internal Revenue Code (IRC) as of **January 1, 2005,** and to the California Revenue and Taxation Code (R&TC).

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What's New

The following Enterprise Zone was designated in 2005

Enterprise Zone	Designated Date	Expiration Date
Stanislaus (including Ceres, Modesto, Turlock and Stanislaus County)	11/16/2005	11/15/2020

Expiring Zones

The Enterprise Zones (EZ) listed below are set to expire in 2006. Generally, no further EZ incentives can be generated after the expiration date. See each incentive for a discussion on how each incentive expires. Any EZ credit carryover or EZ net operating loss carryover can continue to be utilized to the extent of business income attributable to the former EZ.

At the time this form was sent to print, the following EZs (geographic area) were set to expire in 2006. Before filing form FTB 3805Z, please check on our website for any updated information.

Enterprise Zone	Designated Date	Expiration Date
Bakersfield/Kern (SE Bakersfield)	10/15/86	10/14/2006
Calexico	10/15/86	10/14/2006
Coachella Valley	11/11/91	11/10/2006
Delano	12/17/91	12/16/2006
Eureka	10/15/86	10/14/2006
Fresno	10/15/86	10/14/2006
Los Angeles – Central City	10/15/86	10/14/2006
Los Angeles – Mid-Alameda Corridor	10/15/86	10/14/2006
Los Angeles – Northeast Valley	10/15/86	10/14/2006
Merced/Atwater	12/17/91	12/16/2006
Oroville	11/06/91	11/05/2006
Porterville	10/15/86	10/14/2006
Redding/Anderson (Shasta Metro)	11/06/91	11/05/2006
Sacramento – Northgate	10/15/86	10/14/2006
San Bernardino/Riverside (Agua Mansa)	10/15/86	10/14/2006
San Diego – Metro	10/15/86	10/14/2006
San Jose	10/15/86	12/31/2006
Yuba/Sutter	10/15/86	10/14/2006

General Information

In general, California law conforms to the Internal Revenue Code (IRC) as of January 2005. However, there are continuing differences between California and federal law. When California conforms to federal tax law changes, we do not always adopt all of the changes made at the federal level. For more information regarding California and federal law, please visit our Website at **www.ftb.ca.gov** and search for **conformity**. Additional information can be found in FTB Pub. 1001, Supplemental Guidelines to California Adjustments, the instructions for California Schedule CA (540 or 540NR), and the Business Entity tax booklets.

Note, the instructions provided with California tax forms are a summary of California tax law and are only intended to aid taxpayers in preparing their state income tax returns. We include information that is most useful to the greatest number of taxpayers in the limited space available. It is not possible to include all requirements of the California Revenue and Taxation Code (R&TC) in the tax booklets. Taxpayers should not consider the tax booklets as authoritative law.

Pass-Through Entities

For purposes of this booklet, the term "pass-through entity" refers to an S corporation, estate, trust, partnership, and a limited liability company (LLC). References to "partnerships" include LLCs classified as partnerships.

Introduction

Economic Development Area Tax Incentives

California has established four types of economic development areas (EDAs) that have related tax incentives. These incentives have been established to stimulate growth and development in selected areas that are economically depressed. EDA tax incentives apply only to certain business transactions that are undertaken **after** an EDA has received final designation. Tax incentives are available to individuals and businesses operating or investing within the geographic boundaries of the following EDAs:

- Enterprise Zones (EZ);
- Local Agency Military Base Recovery Areas (LAMBRAs);
- Manufacturing Enhancement Areas (MEAs); and
- The Targeted Tax Area (TTA).

Reporting Requirement

California statutes require the Franchise Tax Board (FTB) to provide information to the California Legislature regarding the number of businesses using the EDA tax incentives, types of EDA tax incentives being used, and in which EDAs the businesses are claiming the tax incentives.

Complete items A through J on form FTB 3805Z, Side 1, Enterprise Zone Deduction and Credit Summary, as applicable. This information will be used to meet the FTB's statutory reporting requirement. See form FTB 3805Z, Side 1.

Additional information on other EDAs can be found in the following FTB tax booklets:

- The LAMBRA tax incentives, get FTB 3807, Local Agency Military Base Recovery Area Business Booklet;
- The MEA hiring credit, get FTB 3808, Manufacturing Enhancement Area Business Booklet; or
- The TTA tax incentives, get FTB 3809, Targeted Tax Area Business Booklet.

If you are an employee in an EZ, get form FTB 3553, Enterprise Zone Employee Credit.

Purpose

This booklet provides specific information on the available EZ tax incentives. Taxpayers investing, operating, or located within an EZ may be eligible for the following credits and deductions:

- Hiring Credit
- Sales or Use Tax Credit
- Business Expense Deduction
- Net Interest Deduction
- NOL Carryover Deduction

Use this booklet to determine the correct amount of deductions and credits that a taxpayer may claim for operating or investing in a trade or business within an EZ. Complete the worksheets in this booklet for each deduction or credit for which the business is eligible. Then enter the total deductions on form FTB 3805Z.

Enterprise Zone Designation

EZs were established in California to provide tax incentives to businesses and allow private sector market forces to revive the local economy. The program offers special tax incentives to entities and individuals located in selected EZ areas and engaged in trades or businesses within the selected Standard

Industrial Codes listed on page 23 of this booklet.

Portions of the following areas were officially designated as EZs on the dates shown below. EZ designations are valid for 15 years (or up to 20 years with an extension).

Enterprise Zone	Designated Date	Expiration Date
Altadena/Pasadena	04/10/92	04/09/2007
Antelope Valley	02/01/97	01/31/2012
Bakersfield/Kern (SE Bakersfield)	10/15/86	10/14/2006
Calexico	10/15/86	10/14/2006
Coachella Valley	11/11/91	11/10/2006
Delano	12/17/91	12/16/2006
Eureka	10/15/86	10/14/2006
Fresno	10/15/86	10/14/2006
Kings County	06/22/93	06/21/2008
Lindsay	10/06/95	10/05/2010
Long Beach	01/08/92	01/07/2007
Los Angeles – Central City	10/15/86	10/14/2006
Los Angeles – East Side	01/11/88	01/10/2008
Los Angeles – Harbor Area	03/04/89	03/03/2009
Los Angeles – Mid-Alameda Corridor	10/15/86	10/14/2006
(**Note:** The city of Lynwood expired on 10/14/01)		
Los Angeles – Northeast Valley	10/15/86	10/14/2006
Madera	03/04/89	03/03/2009
Merced/Atwater	12/17/91	12/16/2006
Oakland	09/28/93	09/27/2008
Oroville	11/06/91	11/05/2006
Pittsburg	01/11/88	01/10/2008
Porterville	10/15/86	10/14/2006
Redding/Anderson (Shasta Metro)	11/06/91	11/05/2006
Richmond	03/02/92	03/01/2007
Sacramento – Army Depot	10/04/94	10/03/2009
Sacramento – Florin/Perkins	04/05/89	04/04/2009
Sacramento – Northgate	10/15/86	10/14/2006
San Bernardino/Riverside (Agua Mansa)	10/15/86	10/14/2006
San Diego – South Bay	01/28/92	01/27/2007
San Diego – Metro	10/15/86	10/14/2006
San Francisco	05/28/92	05/27/2007
San Jose	10/15/86	12/31/2006
Santa Ana	06/08/93	06/07/2008
Shafter	10/04/95	10/03/2010
Siskiyou County (Shasta Valley)	06/22/93	06/21/2008
Stanislaus (including Ceres, Modesto, Turlock and Stanislaus County)	11/16/2005	11/15/2020
Stockton	06/22/93	06/21/2008
Watsonville	05/01/97	04/30/2012
West Sacramento	01/11/88	01/10/2008
Yuba/Sutter	10/15/86	10/14/2006

For business eligibility or zone related information, including questions regarding EZ geographic boundaries, contact the zone manager of the local zone in which the business is located. Local Zone managers are listed in the State's official Zone Website at **www.hcd.ca.gov/fa/cdbg/ez**.

For information that is not tax-specific or zone-specific, you may contact the Department of Housing and Community Development at:

FINANCIAL ASSISTANCE DIVISION
CALIFORNIA TAX INCENTIVE PROGRAMS
DEPARTMENT OF HOUSING AND
COMMUNITY DEVELOPMENT
1800 THIRD STREET, SUITE 390
SACRAMENTO CA 95814

Tel: (916)322-1112

Important Considerations

EZ tax incentives apply **only** to investments and business activities undertaken within the EZ **after** the zone receives final designation and before the designation expires.

Expansion

This requirement also applies to any expansion of the existing EZ boundaries. Thus, a business in the expanded area is eligible for the tax incentives only after the expansion receives final designation.

Who Can Claim the EZ Tax Incentives?

The EZ credit and deduction are available to individuals, sole proprietors, corporations, estates, trusts, and partnerships operating or investing within the designated EZ.

To take advantage of the hiring credit, a completed Form TCA EZ1 (hiring voucher) must be obtained from the local agency responsible for verifying employee eligibility. Do not file Form TCA EZ1 with your return. Keep Form(s) TCA EZ1 for your records.

If your business is located within and outside an EZ, see Part IV for information on how to apportion income.

Forms Table

The titles of forms referred to in this booklet are:

Form 100	California Corporation Franchise or Income Tax Return
Form 100S	California S Corporation Franchise or Income Tax Return
Form 100W	California Corporation Franchise or Income Tax Return — Water's-Edge filers
Form 109	California Exempt Organization Business Income Tax Return
Form 540	California Resident Income Tax Return
Long Form 540NR	California Nonresident or Part-Year Resident Income Tax Return
Form 541	California Fiduciary Income Tax Return
Form 565	Partnership Return of Income
Form 568	Limited Liability Company Return of Income
Schedule CA (540)	California Adjustments — Residents
Schedule CA (540NR)	California Adjustments — Nonresidents or Part-Year Residents
Schedule P	Alternative Minimum Tax and Credit Limitations
Schedule R	Apportionment and Allocation of Income
FTB Pub. 1061	Guidelines for Corporations Filing a Combined Report
Schedule C (100S)	S Corporation Tax Credits
Schedule K-1 (100S)	Shareholder's Share of Income, Deduction, Credits, etc.
Schedule K-1 (541)	Beneficiary's Share of Income, Deductions, Credits, etc.
Schedule K-1 (565)	Partner's Share of Income, Deductions, Credits, etc.
Schedule K-1 (568)	Member's Share of Income, Deductions, Credits, etc.

How to Claim Deductions and Credits

To claim any EZ deduction or credit, the business **must attach** a completed form FTB 3805Z to its California tax return.

Attach a separate form FTB 3805Z for each EZ business you operate or invest in that is located in an EZ.

- For corporations, complete Schedule Z and all the worksheets, except for Worksheet V, Section C.
- For sole proprietors, complete Schedule Z and all the worksheets.
- For trusts, estates, and partnerships, complete Worksheet I through Worksheet IV; Worksheet V, Section A; and form FTB 3805Z, Side 1.
- Individual investors receiving pass-through EZ **credits** or the **business expense deduction**, complete Worksheet V, Section C; Schedule Z; and form FTB 3805Z, Side 1.
- All other investors complete Worksheet V, Section A, Schedule Z; and form FTB 3805Z, Side 1.
- Individual investors receiving a pass-through **loss**, and having an overall **NOL**, complete Worksheet V, Section C; Worksheet VI, Section A and/or C; and form FTB 3805Z, Side 1. All other investors complete Worksheet V, Section B; Worksheet VI, Section B and/or C; and form FTB 3805Z, Side 1.

Note: Schedule Z is on Side 2 of form FTB 3805Z.

To assist with the processing of the tax return, indicate that the business operates or invests within an EZ by doing the following:

Form 540 filers:	Claim EZ tax incentives on Form 540, line 14, and line 28, as applicable.
Long Form 540NR filers:	Claim EZ tax incentives on Long Form 540NR, line 14, and line 37, as applicable.
Form 100 filers:	Claim EZ tax incentives on Form 100, line 15, line 21, and line 25 through line 27, as applicable.
Form 100S filers:	Claim EZ tax incentives on Form 100S, line 12, line 19, and line 23 through line 25, as applicable.
Form 100W filers:	Claim EZ tax incentives on Form 100W, line 15, line 21, and line 25 through Line 27, as applicable.
Form 109 filers:	Check the "Yes" box for question G EZ on the top of Form 109, Side 1.

Note: Keep all completed worksheets and supporting documents for your records.

Instructions for items A through J on form FTB 3805Z, Side 1

For corporations, estates, trusts, exempt organizations, and sole proprietors, complete items A through J.

Investors of pass-through entities, complete items A through D. See form FTB 3805Z, Side 1.

Standard Industrial Classification (SIC) and Principal Business Activity (PBA) Codes

The FTB implemented the new Principal Business Activity (PBA) code chart that is based on the North American Industry Classification System (NAICS). The list of principal business activities and their associated codes are designed to classify a business by the type of activity in which it is engaged to facilitate the administration of the California Revenue and Taxation Code. The PBA codes are listed on page 24 through page 26. Enter the PBA code of your principal activities on form FTB 3805Z, Side 1.

For purposes of qualifying for the Long Beach EZ hiring credit, use the SIC codes listed on page 23. For the Long Beach EZ, enter the SIC code of the establishment that qualifies you to take this credit on form FTB 3805Z, Side 1. If your enterprise has more than one establishment, and if more than one of them qualifies you to take this credit, enter the SIC code that best represents your primary qualifying establishment.

Part I Credits and Recapture

1a Hiring Credit

For employers engaged in a trade or business in a former (expired) EZ, the hiring credit can be taken for qualified employees hired on or before the date of expiration of the EZ for the full five-year period of the hiring credit. However, the hiring credit may not be taken for any employees hired after the date of expiration of the EZ. Hiring credit carryovers may still be claimed to the extent of business income apportioned to the former EZ until fully utilized.

Employers engaged in a trade or business within an EZ may claim the hiring credit for a qualified employee. A qualified employee is an individual who:

- Was hired after the EZ received its final designation and before the designation expires;
- Spends at least 90% of work time for the qualified employer on activities directly related to the conduct of a trade or business located within an EZ;
- Performs at least 50% of the work for the qualified employer within the boundaries of the EZ; **and**
- Was an employee who qualified for the former program area hiring credit **or** was at the time of hire:
  1. A person receiving or eligible to receive subsidized employment, training, or services funded by the federal Job Training Partnership Act (JTPA) or its successor;
  2. A person eligible to be a voluntary or mandatory registrant under the Greater Avenues for Independence Act of 1985 (GAIN) or its successor;
  3. A member of a targeted group as defined in the federal Work Opportunity Tax Credit (as in effect January 1, 2001, in IRC Section 51). **Note**: These employees must be hired for taxable years beginning on or after January 1, 1998.
  4. An economically disadvantaged individual 14 years of age or older;
  5. A qualified dislocated worker;
  6. A disabled individual eligible for, enrolled in, or who completed a state rehabilitation plan;
  7. A service-connected disabled veteran;
  8. A veteran of the Vietnam era;
  9. A veteran who recently separated from military service;
  10. An ex-offender;
  11. A person eligible for, or a recipient of:
      - Federal Supplemental Security Income (SSI) benefits;
      - Aid to Families with Dependent Children (AFDC);
      - Food stamps; or
      - State and local general assistance.
  12. A Native American; or
  13. A resident of a targeted employment area (TEA).

For additional information, refer to the federal JTPA or its successor, the Workforce Investment Act (WIA).

Employers hiring qualified employees **must** get Form TCA EZ1 from the local agency responsible for verifying employee eligibility. Do not file Form TCA EZ1 with your return. Keep Form(s) TCA EZ1 for your records.

The percentage of wages used to compute the credit depends on the number of years the employee works for the employer in the EZ. The applicable percentage begins at 50% and declines 10% for each year of employment. After the fifth year of employment, no credit can be generated.

Wages that qualify for the hiring credit are those wages paid to a qualified employee for the consecutive 60-month period beginning on the first date the employee commenced employment with the employer. For an employer that operates a business that has regularly occurring seasonal or intermittent employment decreases and increases, reemployment of an individual is not a new hire; rather, it is a continuation of the prior employment and does not constitute commencement of employment for the qualified wages test.

The credit is based on the smaller of the following:

- The actual hourly rate paid or incurred by the employer for work performed by the employee during the taxable year; or
- 150% of the minimum hourly wage established by the Industrial Welfare Commission.

Where the California minimum wage is higher than the federal minimum wage, the California minimum wage is used for purposes of computing the EZ hiring credit.

The current minimum wage is $6.75 per hour. For purposes of computing the EZ hiring credit, 150% of the minimum wage is $10.12 per hour.

Example:
John Anderson was hired January 1, 2005. John's hourly rate for the first month was $7.00. At the beginning of the second month, his hourly rate increased to $8.00. In the third month, John's hourly rate increased to $12.00. The hourly rate that qualifies for the credit is limited to 150% of the minimum wage, or $10.12 per hour.

Month(s)	Hours x per month	Hourly = rate	Qualified wages per month
1	175	$ 7.00	$1,225.00
2	170	8.00	$1,360.00
3	170	10.12	$1,720.40

Long Beach Enterprise Zone
For taxable years beginning on or after January 1, 1996, the percentage of wages on which the hiring credit is based increased for taxpayers engaged in aircraft manufacturing activities (described in Codes 3721, 3724, 3728, and 3812 of the Standard Industrial Classification Manual, 1987 Edition, published by the United States Office of Management and Budget). See page 23 for a list of qualified SIC codes. Qualified wages for purposes of the hiring credit for such aircraft manufacturers located in the Long Beach EZ, for up to a maximum of 1,350 qualified employees, are based on the smaller of:

- The actual hourly rate paid or incurred by the employer for work performed by the employee during the taxable year; or
- The rates (based on the time qualified wages are paid or incurred) which represent 202% of the minimum hourly wage.

For purposes of computing the EZ hiring credit, 202% of the minimum wage is $13.63 per hour.

Example:
John Anderson was hired January 1, 2005. John's hourly rate for the first month was $9.00. At the beginning of the second month, his hourly rate increased to $11.00. In the third month, John's hourly rate increased to $14.00. The hourly rate that qualifies for the credit is limited to 202% of the minimum wage, or $13.63 per hour.

Month(s)	Hours x per month	Hourly rate	= Qualified wages per month
1	175	$ 9.00	$1,575.00
2	170	11.00	$1,870.00
3	170	13.63	$2,317.10

Record Keeping

Retain a copy of Form TCA EZ1 to substantiate an individual's eligibility as a "qualified employee." In addition, for each qualified employee, keep a schedule for the first 60 months of employment showing (at least):

- Employee's name;
- Date the employee was hired;
- Number of hours the employee worked for each month of employment;
- Smaller of the hourly rate of pay for each month of employment or 150% (or 202%, if applicable) of the minimum wage;
- Location of the employee's job site and duties performed;
- Records of any other federal or state subsidies received for hiring the qualified employee; and
- Total qualified wages per month for each month of employment.

1b Hiring Credit Recapture

The employer must recapture the amount of credit attributable to an employee's wages if the employer terminates the employee at any time during the longer of:

- The first 270 days of employment (whether or not consecutive); or
- 90 days of employment plus 270 calendar days.

Employers of seasonal employees must recapture the amount of hiring credit attributable to the employee's wages if:

- The employer terminates the employee before the completion of 270 days of employment; and
- The 270 days is during the 60-month period beginning the day the employee commences employment with the employer.

A "day of employment" means any day the employee receives wage compensation (including a paid sick day, holiday, or vacation day).

The employer must add to the current year's tax the amount of credit claimed in the year of termination and all prior years in which the credit was claimed for the terminated employee.

Note: The credit recapture does not apply if the termination of employment was:

- Voluntary on the part of the employee;
- In response to misconduct of the employee;
- Caused by the employee becoming disabled (unless the employee was able to return to work and the employer did not offer to reemploy the individual);
- Carried out so that other qualified individuals could be hired, creating a net increase in both the number of qualified employees and the number of hours worked; or
- Due to a substantial reduction in the employer's trade or business operations.

Instructions for Worksheet I — Hiring Credit and Recapture

Section A – Credit Computation

Line 1, column (a) – Enter the name of each qualified employee. Attach additional schedule(s) if necessary.

Line 1, column (b) through column (f) – Enter in the appropriate columns the qualified wages paid or incurred during the taxable year to each employee listed in column (a).

Example: If you are a 2005 calendar year taxpayer and you hired an employee on June 1, the total qualified wages paid to the employee for the period beginning January 1, 2005, and ending May 31, 2005 in column (b). You would enter the total qualified wages paid to the employee for the period beginning June 1, 2005, and ending December 31, 2005, in column (c).

(a) Employee name	(b) 1st 12 months	(c) 2nd 12 months
John Doe	Amount of qualified wages earned from 1/1/05 to 5/31/05.	Amount of qualified wages earned from 6/1/05 through 12/31/05.

The qualified wages from June 1, 2004 to December 31, 2004, were put in column (b) on the 2004 worksheet.

Note: The credit computation is based on a 12 month period beginning with the employee's hiring date.

Line 2, column (b) through column (f) – Add the amounts in each column.

Line 3, column (b) through column (f) – Multiply the total in each column of line 2 by the percentage in each column.

Line 5 – The following credits reduce the EZ hiring credit in the taxable year these credits are accrued. Use the following worksheet to determine the amount to enter on this line.

Credit		Amount
1 LAMBRA Hiring Credit	**1**	_____
2 Federal Work Opportunity Tax Credit for individuals hired on or after January 1, 2005 and before January 1, 2006 . .	**2**	_____
3 Total: Add line 1 and line 2. Enter on Worksheet I, Section A, line 5	**3**	_____

Line 6 –

A. For partnerships, enter the amount from line 6 on form FTB 3805Z, Side 1, Part I, line 1a. Include the current year hiring amount on Forms 565 and 568, Schedule K, line 14 and the distributive share of the credit to partners and members on Schedule K-1, line 14. In addition, add the entire amount of the credit on Schedule K, line 1, column (c).

B. For corporations, individuals, estates, and trusts, enter the amount from line 6 on Schedule Z, as follows:
   - Part II, line 8B, column (b) for corporations, individuals, estates, and trusts;
   - Part III, line 10, column (b) for S corporations; or
   - Part IV, line 12, column (b) for corporations and S corporations subject to paying only the minimum franchise tax.

Credit Limitations

- Businesses **must reduce any deduction for wages** by the amount of the hiring credit.
- S corporations are allowed only 1/3 of the EZ hiring credit by operation of law. S corporations must reduce their wage deduction by 1/3 of the amount on Worksheet I, Section A, line 6. Make the wage deduction adjustment on Form 100S, line 7. In addition, S corporations must add back the entire amount of the credit on Form 100S, Schedule K, line 1, column (c).

  Example: In 2005, an S corporation qualified for a $3,000 EZ hiring credit. S corporations can claim only 1/3 of the credit ($3,000 x 1/3 = $1,000). Therefore, the S corporation must reduce its wage deduction by $1,000. On Form 100S, Schedule K, line 1, column (c), the S corporation would add $3,000 to the S corporation's ordinary income or loss to reflect the credit passed through to the shareholder(s).
- The amount of hiring credit claimed may not exceed the amount of tax on the EZ business income in any year. Use Schedule Z to compute the credit limitation.
- In the case where the wage expense qualifies the business to take the EZ hiring credit as well as the LAMBRA, MEA, or TTA hiring credit, the business may claim only one credit.
- The business may carry over any unused hiring credit to future years until the credit is exhausted. In the case of an S corporation, 2/3 of the credit is lost and the remaining 1/3 can be carried over if it cannot be used in the current year.

For additional information about the treatment of credits for S corporations, see Part VI.

Section B – Credit Recapture

Line 1, column (a) – Enter the name of the terminated employee. Attach additional schedule(s) if necessary.

Line 1, column (b) – Enter the amount of credit recapture for each employee listed in column (a).

Line 2 – Enter the amount from line 2, column (b) on form FTB 3805Z, Side 1, Part I, line 1b.

Also, include the amount of hiring credit recapture on your California tax return or schedule as follows:

- Form 100, Schedule J;
- Form 100S, Schedule J and Schedule K-1 (100S), line 23;
- Form 100W, Schedule J;
- Form 109, Schedule K;
- Form 540, line 36;
- Long Form 540NR, line 45;
- Form 541, line 21b and Schedule K-1 (541), line 11e;
- Form 565, Schedule K, line 22 and Schedule K-1 (565), line 22; or
- Form 568, Schedule K, line 22 and Schedule K-1 (568), line 22.

Indicate that you included the hiring credit recapture on your tax return by writing "FTB 3805Z" in the space provided on the schedule or form.

Worksheet I **Hiring Credit and Recapture — Enterprise Zones**

Section A **Credit Computation**

		Qualified wages paid or incurred for year of employment				
	(a) Employee's name	(b) 1st year	(c) 2nd year	(d) 3rd year	(e) 4th year	(f) 5th year
1						
2	Total. See instructions					
3	Multiply line 2 by the percentage for each column. See instructions	.50	.40	.30	.20	.10
4	Add the amounts on line 3, column (b) through column (f)					4
5	Enter the total amount of 2005 California and federal jobs tax credits allowed. See instructions					5
6	Subtract the amount on line 5 from the amount on line 4 and enter the result here. See instructions					6

Section B **Credit Recapture**

	(a) Terminated employee's name		(b) Recapture amount
1			
2	Total amount of credit recapture. Add the amount in column (b). See instructions for where to report on your California tax return	2	

Partnerships must identify the recapture amounts for their partners and members on Schedule K-1 (565 or 568).

S corporation shareholders must recapture the portion of credit that was previously claimed, based on the terminated employee's wages. S corporations must also identify the recapture amount for shareholders on Schedule K-1 (100S). This amount will differ from the amount recaptured by the S corporation on Form 100S, Schedule J.

1c Sales or Use Tax Credit

For taxpayers engaged in a trade or business in a former (expired) EZ, the sales or use tax credit may be taken on qualified property purchased and placed in service on or before the expiration date of the EZ. However, property purchased or placed in service after the expiration date of the EZ does not qualify for the sales or use tax credit. Sales or use tax credit carryovers may still be claimed to the extent of business income apportioned to the former EZ until fully utilized.

Individuals, estates, trusts, and partnerships may claim an annual credit equal to the sales or use tax paid or incurred to purchase $1 million of qualified property.

Corporations may claim an annual credit equal to the sales or use tax paid or incurred to purchase $20 million of qualified property. Individuals who are S corporation shareholders may claim their allocable share of pass-through credit to the extent the S corporation paid or incurred sales or use tax to purchase $1 million of qualified property. See the example on page 7.

Qualified property is machinery or machinery parts used to:

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

In addition, qualified property is:

- Data processing and communications equipment including, but not limited to, computers, computer-automated drafting systems, copy machines, telephone systems, and fax machines; and
- Motion picture manufacturing equipment central to production and postproduction, including but not limited to, cameras, audio recorders, and digital image and sound processing equipment.

The business must use the property **exclusively** within the boundaries of the EZ. Also, the qualified property must be purchased and placed in service after the EZ received its designation and before the EZ designation expires.

The use tax paid or incurred on purchases of property outside California qualifies for the credit only if property of a comparable quality and price was not available in California at the time it was purchased.

Leased Property

The sales tax paid or incurred on qualified property being purchased using a financial (conditional sales) contract qualifies for the sales or use tax credit.

To determine whether the lease qualifies as a purchase rather than a true lease, see Revenue Ruling 55-540, 1955-2 C.B. 39, and FTB Legal Ruling 94-2, March 23, 1994.

Credit Limitations

- The amount of sales or use tax credit claimed may not exceed the amount of tax on the EZ business income in any year.
- For each item of qualified property physically located in a portion of the EZ that overlaps with a portion of the TTA, the taxpayer may claim only one credit (e.g., the EZ sales or use tax credit or the TTA sales or use tax credit) for that item of property.
- Any unused credit may be carried over and applied against the tax on EZ business income in future years until exhausted.

For additional information about the treatment of credits for S corporations, see Part VI.

Depreciation

Any taxpayer that claims this credit cannot increase the basis of the qualified property with respect to the sales or use tax paid or incurred in connection with the purchase of qualified property.

Example:

XYZ Inc., an S corporation, purchases qualified property for $20 million ($20 m.). The sales tax rate is 6% (.06) and the entity-level tax rate is 1.5%.

The credit allowed to XYZ Inc. and the depreciable basis of the qualified property for XYZ Inc. are computed as follows:

Facts	Depreciable basis
Qualified property	$20 m.
Sales tax paid ($20 m. x .06)	+1.2 m.
Sales or use tax credit allowed XYZ Inc.	(1.2 m.)
Depreciable basis of qualified property for XYZ Inc.	$20 m.
Credit allowed to offset the entity-level tax ($1.2 m. x 1/3)	$0.4 m.

XYZ Inc. has two 50% shareholders. The credit passes through to the shareholders and the depreciable basis of the qualified property for the shareholders are figured as follows:

Facts	Depreciable basis
Qualified property (purchased by XYZ Inc.)	$20 m.
Sales tax paid ($20 m. x .06)	+1.2 m.
Maximum qualified costs for sales or use tax credit is 1m	
Sales or use tax credit allowed the shareholders ($1 m. x .06)	(.06 m.)
Depreciable basis of qualified property for the shareholders	$21.14 m.
Total amount of credit allowed the shareholders	.06 m.

Note: Each shareholder is allowed a $30,000 (.06 m. ÷ 2 = .03 m.) sales or use tax credit.

Depreciation Forms

To compute the difference between California and federal depreciation, use the following forms and schedules:

- Form 100 filers – FTB 3885, Corporation Depreciation and Amortization;
- Form 100S filers – Schedule B (100S), S Corporation Depreciation and Amortization;
- Form 100W filers – FTB 3885, Corporation Depreciation and Amortization
- Form 109 filers – Form 109, Schedule J, Depreciation.
  Exempt trusts use FTB 3885F, Depreciation and Amortization;
- Form 540 and Long Form 540NR filers – FTB 3885A, Depreciation and Amortization Adjustments;
- Form 541 filers – FTB 3885F, Depreciation and Amortization;
- Form 565 filers – FTB 3885P, Depreciation and Amortization; or
- Form 568 filers – FTB 3885L, Depreciation and Amortization.

Record Keeping

To support the sales or use tax credit claimed, keep all records that document the purchase of the qualified property, such as the sales receipt and proof of payment. Additionally, keep all records that identify or describe:

- The property purchased (such as serial numbers, etc.);
- The amount of sales or use tax paid or incurred on its purchase;
- The location where it is used; and
- If purchased from a manufacturer located outside California, records to substantiate that property of comparable quality and price was not timely available for purchase in California at the time the purchase was made.

Instructions for Worksheet II — Sales or Use Tax Credit

Line 1, column (a) – List the items of qualified property purchased during the year. For each item, provide the location (street address and city) of its use. Attach additional schedule(s) if necessary.

Line 1, column (b) – Enter the cost of the property listed in column (a).

Line 1, column (c) – Enter the amount of sales or use tax paid or incurred on the property listed in column (a).

Line 2, column (b) – Add the amounts in line 1, column (b).

Caution: This amount cannot exceed $1 million for individuals, estates, trusts, or partnerships, or $20 million for corporations per taxable year. When computing the amount of credit to pass through to S corporation shareholders, use the $1 million limitation.

Line 2, column (c) –

A. For partnerships, enter the amount from line 2, column (c), on form FTB 3805Z, current year sales or use tax credit amount on Forms 565 and 568, Schedule K, line 14 and the distributive share of the credit to partners and members on Schedule K-1 line 14.

B. For corporations, individuals, estates, and trusts, enter the amount from line 2, column (c) on Schedule Z, as follows:
   - Part II, line 9B, column (b) for corporations, individuals, estates, and trusts;
   - Part III, line 11, column (b) for S corporations; or
   - Part IV, line 13, column (b) for corporations and S corporations subject to paying only the minimum franchise tax.

Worksheet II **Sales or Use Tax Credit — Enterprise Zones**

	(a) Property description and location		(b) Cost	(c) Sales or use tax
1				
2	Total the amounts in column (b) and column (c). See instructions	2		

Caution: Only the sales or use tax paid on the cost of qualified property up to the limitations on column (b), may be claimed as a credit. (S corporations may report only 1/3 of this amount.)

Part II Business Expense Deduction

For taxpayers engaged in a trade or business in a former (expired) EZ, the business expense deduction can be claimed on qualified property, placed in service on or before the expiration of the EZ. The business expense deduction is not available for assets placed in service after the expiration date of the EZ, regardless of the purchase date.

Businesses conducting a qualified trade or business within an EZ may elect to treat 40% of the eligible cost of qualified property as a business expense rather than a capital expense. For the year the property is placed in service, the business may deduct the eligible cost in the current year rather than depreciate it over several years.

Note: The EZ business expense deduction is not allowed for estates or trusts.

Qualified property is any recovery property that is Internal Revenue Code (IRC) Section 1245 property, which includes, but is not limited to, tangible personal property (excluding buildings) and most equipment and furnishings acquired by purchase after the EZ received its designation and before the designation expires for exclusive use within an EZ. Office supplies and other small nondepreciable items are not included.

The maximum aggregate cost of the qualified property against which the 40% deduction may be claimed in any taxable year is determined by the number of taxable years that have elapsed since the EZ received its final designation.

The maximum aggregate cost is:

Taxable year of designation	$100,000
1st taxable year after designation	$100,000
2nd taxable year after designation	$75,000
3rd taxable year after designation	$75,000
Each remaining taxable year after designation	$50,000

Note: For businesses located in the expansion area of an EZ, the amount of the deduction is determined by using the original EZ designation date.

Election
The business must elect to treat the cost of qualified property as a business expense in the year the property is first placed in service. However, the EZ business expense deduction is not allowed if the property was:

- Transferred between members of an affiliated group;
- Acquired as a gift or inherited;
- Traded for other property;
- Received from a personal or business relation as defined in IRC Section 267 or 707(b); or
- Described in IRC Section 168(f).

The EZ business expense deduction must be claimed by making an election on the original return filed, and thus cannot be claimed on an amended return. Such an election cannot be revoked without the written consent of the FTB.

A husband and wife filing separate returns may each claim 50% of the allowable deduction. In the case of a partnership, the dollar limitation applies to the partnership and to each partner.

Depreciation
If the business elects to deduct the amount computed in Worksheet III, Section A, as a business expense, the depreciable basis of the property must be reduced by the deduction.

Subtract the amount claimed as a business expense from the basis or cost of the property and depreciate the remaining basis or cost.

Normal depreciation is allowed on the cost of the property in excess of the expensed amount, starting with the taxable year following the taxable year the property was placed in service.

Corporations may not claim the additional first-year depreciation allowed under R&TC Section 24356 on any item of property if any portion of it was deducted as a business expense. All other taxpayers cannot claim the deduction allowed under IRC Section 179 on any item of property if any portion of it was deducted as a business expense.

To compute the difference between California and federal depreciation, use the forms and schedules listed on page 7.

Instructions for Worksheet III — Business Expense Deduction and Recapture

Section A – Deduction Computation

Line 2, column (a) – Enter a description of the property and the location (street address and city) of its use. Attach additional schedule(s) if necessary.

Line 2, column (b) – Enter the cost of the property listed in column (a).

Line 5 – Enter the amount from line 5, column (b) on form FTB 3805Z, Side 1, Part II, line 2a, and on your California tax return or schedule as follows:

- Form 100, line 15;
- Form 100S, line 12, Form 100S, Schedule K, line 8, and Schedule K-1 (100S), line 8;
- Form 100W, line 15;
- Form 109, Part II, line 24;
- Schedule CA (540), column B, on the applicable line for your business activity;
- Schedule CA (540NR), column B, on the applicable line for your business activity;
- Form 565, Schedule K, line 9 and Schedule K-1 (565), line 9; or
- Form 568, Schedule K, line 9 and Schedule K-1 (568), line 9.

Section B – Deduction Recapture

The deduction is subject to recapture (added back to income) if, before the close of the second taxable year after the property was placed in service, the property is sold, disposed of, or no longer used exclusively in the EZ trade or business.

Income Adjustment: Add to current year income the amount previously deducted for the property.

Basis Adjustment: As of the first day of the taxable year in which the recapture event occurs, the recapture amount is added back to the basis of the property in the year of recapture and then depreciated over the remaining life of the qualified property.

Line 1, column (a) – Enter a description of the property. Attach additional schedule(s) if necessary.

Line 1, column (b) – Enter the amount of the business expense deduction claimed for each property listed in column (a).

Line 2 – Enter the total on form FTB 3805Z, Side 1, Part II, line 2b, and on your California tax return or schedule as follows:

- Form 100, line 15, as a **negative** amount;
- Form 100S, line 12, as a **negative** amount, Form 100S, Schedule K, line 6 and Schedule K-1 (100S), line 6;
- Form 100W, line 15, as a **negative** amount;
- Form 109, Part I, line 12;
- Schedule CA (540), column C, on the applicable line for your business activity;
- Schedule CA (540NR), column C, on the applicable line for your business activity;
- Form 565, Schedule K, line 7 and Schedule K-1 (565), line 7; or
- Form 568, Schedule K, line 7 and Schedule K-1 (568), line 7.

Example:
XYZ Inc. purchased a property on June 1, 2003, that qualified the corporation to take the EZ business expense deduction. The property was purchased for $10,000 and had a useful life of five years. XYZ Inc.'s tax year ends December 31 of each year. The corporation had a business expense deduction of $4,000 for the tax year ending December 31, 2003, on the property.

Assume the corporation disposes of the property or no longer uses the property in the EZ on August 5, 2005. The property was placed in service in 2003. The first year after the property was placed in service was the 2004 tax year. The second year after the property was placed in service was the 2005 tax year. Since the property was disposed of or no longer used in the EZ before the end of the second year (December 31, 2005) after

the year the property was placed in service, the business expense deduction ($4,000) must be added to income in the 2005 tax year. If the property was disposed of or no longer used in the EZ after December 31, 2005, there would have been no recapture.

Situation 1
Assume on August 5, 2005, the corporation sells the asset. To compute the gain or loss on the sale, the basis of the asset is increased by the recapture amount of $4,000.

Situation 2
Assume on August 5, 2005, the corporation discontinues using the property in the EZ, but does not sell the asset. To compute depreciation on the asset, the recapture amount is added to the remaining basis of the asset, and depreciation is then computed over the remainder of the useful life of the asset.

Assuming straight line depreciation is used, the corporation will recognize $2,833 ($8,500/3) in depreciation expense in 2005. The $8,500 is arrived at by adding the $4,000 recapture amount to the $4,500 remaining basis as of December 31, 2004.

Part III Net Interest Deduction for Lenders

For taxpayers investing in an EZ, the net interest deduction is allowed for interest payments received on or before the expiration date of the EZ.

A deduction from income is allowed for the amount of net interest received from loans made to a trade or business located within an EZ.

Net interest is defined as the full amount of interest received, less any direct expenses incurred in making the loan. Examples of direct expenses include, but are not limited to:

- Commissions paid to a loan representative;
- Costs incurred in funding the loan; and
- Other costs of the loan.

Types of loans that qualify for this deduction include business loans, mortgages, and loans from noncommercial sources. The following requirements must be met to qualify for the deduction:

- The loan must be made to a trade or business located solely within an EZ;

Worksheet III Business Expense Deduction and Recapture — Enterprise Zones

Section A Deduction Computation

1 The maximum aggregate deduction:
- Taxable year of designation, enter $40,000;
- 1st taxable year after designation, enter $40,000;
- 2nd taxable year after designation, enter $30,000;
- 3rd taxable year after designation, enter $30,000;
- Each remaining taxable year after designation, enter $20,000 . . . . . **1**

	(a) Property description and location	(b) Cost
2		

3 Total. Add the amounts in line 2, column (b)	**3**	
4 Multiply line 3 by 40% (.40)	**4**	
5 Enter the smaller of line 1 or line 4. This is the maximum amount deductible as a business expense for this EZ. See instructions	**5**	

Section B Deduction Recapture

	(a) Property description	(b) Recapture amount
1		

2 Total recapture amount. Add the amounts in column (b). See instructions	**2**	

- The money lent must be used strictly for the borrower's business activities within the EZ;
- The lender may not have an equity or other ownership interest in the borrower's trade or business; and
- The loan must be made after the EZ was designated and before the designation expires.

In addition, the following annual requirements apply:

- Borrower must continue business activities in the EZ; and
- Payment must be received before the EZ expires.

Example: You lend $5,000 to an EZ business that meets the requirements listed above. You receive $550 in interest and incur $300 in expenses directly related to the loan. You may deduct $250 ($550 - $300) of net interest from your taxable income.

Record Keeping
You should maintain records for each loan showing (at least):

- The identity and location of the trade or business to which you lent the money;
- The amount of the loan, interest received, and any direct expenses associated with the loan; and
- The use of the loan.

Instructions for Worksheet IV — Net Interest Deduction for Lenders

Line 1, column (e) – Enter the direct expenses incurred in making the loan. Attach additional schedule(s) if necessary.

Examples of direct expenses include:

- Commissions paid to a loan representative;
- Costs incurred in funding the loan; and
- Other costs of the loan.

Line 2 – Enter the amount from line 2, column (f) on form FTB 3805Z, Side 1, Part III, line 3, and on your California tax return or schedule as follows:

- Form 100, line 15;
- Form 100S, line 12, Form 100S, Schedule K, line 10, and Schedule K-1 (100S), line 10;
- Form 100W, line 15;
- Form 109, Part II, line 24;
- Schedule CA (540), column B, on the applicable line for your business activity;
- Schedule CA (540NR), column B, on the applicable line for your business activity;
- Form 541, line 15a;
- Form 565, Schedule K, line 11 and Schedule K-1 (565), line 11; or
- Form 568, Schedule K, line 11 and Schedule K-1 (568), line 11.

Part IV Doing Business Totally Within, Within and Outside an Enterprise Zone, or in More than One Enterprise Zone

EZ tax credits are limited to the tax on business income attributable to operations within the zone. EZ deductions are limited to business income attributable to operations within the EZ. If the business is located totally within, within and outside an EZ, or in more than one EZ, you must determine the portion of total business operations that are attributable to each EZ.

For taxpayers operating in an expired EZ, any EZ credit or net operating loss carryover can be utilized to the extent of business income apportioned to the former EZ.

Business Income vs. Nonbusiness Income

Only business income is apportioned to the EZ to determine the incentive limitation. EZ tax credits are limited to tax on business income attributable to the operations within the EZ.

Business income is defined as income arising from transactions and activities in the regular course of the trade or business. Business income includes income from tangible and intangible property if the acquisition, management, and disposition of the property constitute integral parts of the regular trade or business operations. Nonbusiness income is all income other than business income. See Cal. Code Regs., tit. 18 section 25120 for

Worksheet IV **Net Interest Deduction for Lenders — Enterprise Zones**

	(a) Name and location of business to which loan was made	(b) Date of loan	(c) Amount of loan	(d) Interest received	(e) Direct expenses incurred	(f) Net interest col. (d) – col. (e)
1						

2 Total. Add the amounts in column (f). See instructions **2**

further references and examples of nonbusiness income.

For an individual, business income includes but is not limited to California business income or loss from Schedules C, D, D-1 (or federal Form 4797, Sales of Business Property, in lieu of a Schedule D-1), E, and F, as well as wages. Be sure to include casualty losses, disaster losses, and any business deductions reported on federal Form 1040, Schedule A as itemized deductions.

Generally, all income which arises from the conduct of trade or business operations of a taxpayer is business income.

Note: If you elected to carry back part or all of your current year disaster loss under IRC Section 165(i)(1), do not include the amount of the loss that was carried back in your current year business income for the EZ.

Pass-through entities must report to their shareholders, beneficiaries, partners, and members:

1. The distributive (or pro-rata for S corporations) share of the business income apportioned to the EZ; and
2. The distributive (or pro-rata for S corporations) share of the business capital gains and losses apportioned to the EZ included in item 1.

These items should be reported using the appropriate California schedules listed below:

- Schedule K-1 (100S), line 23;
- Schedule K-1 (541), line 11e;
- Schedule K-1 (565), line 22; or
- Schedule K-1 (568), line 22.

Form 540 and Long Form 540NR filers who earn wages within the EZ, refer to Worksheet V, Section C to compute business income apportioned to the EZ.

For business entities, including sole proprietors, use Worksheet V, Section A or B to compute business income or loss apportioned to the EZ.

Apportionment

Business income is apportioned to an EZ by multiplying the total California business income of the taxpayer by a fraction. The numerator is the property factor plus the payroll factor, and the denominator is two. Loss is apportioned to an EZ by multiplying the taxpayer's net business operating loss from all sources by a fraction. The numerator is the property factor plus the payroll factor, and the denominator is two. If an employer conducts businesses in more than one EZ, the EZ apportionment factor and credit limitations are computed separately for each EZ.

Property Factor

Property is defined as the average value of all real and tangible personal property owned or rented by the business and used during the taxable year to produce business income.

Note: Property is included in the factor if it was available for use during the taxable year.

Property owned by the business is valued at its original cost. Original cost is the basis of the property for federal income tax purposes (prior to any federal adjustment) at the time of acquisition by the business, adjusted for subsequent capital additions or improvements and partial dispositions because of sale or exchange. Allowance for depreciation is not considered.

Rented property is valued at eight times the net annual rental rate. The net annual rental rate for any item of rented property is the total rent paid for the property, less total annual subrental rates paid by subtenants.

When determining income or loss apportionment on Worksheet V, Section A or B, the numerator of the property factor is the average value of the real and tangible personal property owned or rented by the business and used within the EZ during the taxable year to produce EZ business income. See Worksheet V, Section A/B, column (b).

When determining income apportionment on Worksheet V, Section A, the denominator of the property factor is the total average value of all the taxpayer's real and tangible personal property owned or rented and used during the taxable year within California. See Worksheet V, Section A, column (a).

When determining loss apportionment on Worksheet V, Section B, the denominator of the property factor is the total average value of real and tangible personal property owned or rented and used during the year in all business operation locations. See Worksheet V, Section B, column (a).

Payroll Factor

Payroll is defined as the total amount paid to the business's employees for compensation for the production of business income during the taxable year.

Compensation means wages, salaries, commissions, and any other form of remuneration paid directly to employees for personal services.

Payments made to independent contractors or any other person not properly classified as an employee are excluded.

Compensation Within the Enterprise Zone
Compensation is considered to be within the EZ if any one of the following tests are met:

1. The employee's services are performed within the geographical boundaries of the EZ; or
2. The employee's services are performed within and outside the EZ, but the services performed outside the EZ are incidental to the employee's service within the EZ.

Incidental means any temporary or transitory service performed in connection with an isolated transaction.

3. If the employee's services are performed within and outside the EZ, the employee's compensation is attributed to the EZ if:
   A. The employee's base of operations is within the EZ; or
   B. There is no base of operations in any other part of the state in which some part of the service is performed, and the place from which the service is directed or controlled is within the EZ; or
   C. The base of operations or the place from which the service is directed or controlled is not in any other part of the state in which some part of the service is performed and the employee's residence is within the EZ.

Base of operations is the permanent place from which employees start work and customarily return in order to receive instruction from the taxpayer or communications from their customers or persons; to replenish stock or other material; to repair equipment; or to perform any other functions necessary in the exercise of their trade or profession at some other point or points.

When determining income or loss apportionment on Worksheet V, Section A or B, the numerator of the payroll factor is the taxpayer's total compensation paid to employees for working within the EZ during the taxable year. See Worksheet V, Section A/ B, column (b).

When determining income apportionment on Worksheet V, Section A, the denominator of the payroll factor is the taxpayer's total compensation paid to employees working in California. See Worksheet V, Section A, column (a).

When determining loss apportionment on Worksheet V, Section B, the denominator of the payroll factor is the taxpayer's total compensation paid to employees working in all business operation locations.

Corporations Which File a Combined Report
Business income for each corporation doing business in the EZ will be its business income apportioned to California (see FTB Pub. 1061 for further information on combined reports and entity income apportionment). The EZ property and payroll factors used to determine the EZ income includes only the taxpayer's California amounts in the denominator.

Example: Computation of EZ income assigned to each entity operating within the EZ

Parent corporation A has two subsidiaries, B and C. Corporations A and B operate within an EZ. The combined group operates within and outside California and apportions its income to California using Schedule R. Assume the combined group's business income apportioned to California was $1,000,000 and Corporation A's and B's share of business income assigned to California is $228,000 and $250,000 respectively. Corporation A's and B's separate EZ and separate California property and payroll factor amounts are shown as follows.

Business income apportioned to the EZ was determined as follows:

	A	B
Property Factor		
EZ property	$1,000,000	$ 800,000
California property	$1,000,000	$1,200,000
Apportionment %	100%	66.66%
Payroll Factor		
EZ payroll	$ 800,000	$ 800,000
California payroll	$ 800,000	$1,000,000
Apportionment %	100%	80%
Average Apportionment % (Property + Payroll Factors) / 2	100%	73.33%
Apportioned Business Income	$ 228,000	$ 250,000
EZ business income	$ 228,000	$ 183,325

Instructions for Worksheet V — Apportionment

Section A – Income Apportionment

Use Worksheet V, Section A, Income Apportionment, to determine the amount of business income apportioned to the EZ.

Worksheet V **Enterprise Zones**

Section A **Income Apportionment**

Use Worksheet V, Section A, if your business has net income from sources within and outside an EZ.	(a) Total within California	(b) Total within an EZ	(c) Percentage within an EZ column (b) ÷ column (a)
PROPERTY FACTOR			
1 Average yearly value of owned real and tangible personal property used in the business (at original cost). See instructions for more information. Exclude property not connected with the business and the value of construction in progress.			
Inventory			
Buildings			
Machinery and equipment			
Furniture and fixtures			
Delivery equipment			
Land			
Other tangible assets (attach schedule)			
Rented property used in the business. See instructions for more information			
Total property values			
PAYROLL FACTOR			
2 Employees' wages, salaries, commissions, and other compensation related to business income included in the return.			
Total payroll			
3 Total percentage – sum of the percentages in column (c)			
4 Average apportionment percentage – 1/2 of line 3. Enter here and on form FTB 3805Z, Side 1, line 4			

Note: The average apportionment percentage shown on line 4 represents the portion of the taxpayer's total business that is attributable to activities conducted within the EZ. Those factors with zero balances in the totals of column (a) will not be included in the computation of the average apportionment percentage. For example, if the taxpayer does not have any payroll within or outside the EZ, then the average apportionment percentage would be computed by dividing line 3 by one instead of by two as normally instructed.

Note: If the business operates solely within a single EZ and all its property and payroll are solely within that single EZ, enter 100% (1.00) on Section A, line 4, column (c). Do not complete the rest of Worksheet V. The apportioned EZ business income determines the amount of the tax incentives that can be used.

Only California source business income is apportioned to the EZ. A taxpayer's EZ business income is its California apportioned business income multiplied by the specific EZ apportionment percentage.

The EZ property and payroll factors used in the determination of apportionable business income include only the taxpayer's California amounts in the denominator.

Section B – Loss Apportionment

Use Worksheet V, Section B, Loss Apportionment, to determine your net operating loss apportioned to the EZ.

Note: If the business operates solely within a single EZ and all its property and payroll are solely within that single EZ, enter 100% (1.00) on Section B, line 4, column (c). Do not complete the rest of Worksheet V. A taxpayer's EZ net operating loss is its net business operating loss from all sources multiplied by the specific EZ apportionment percentage computed in Worksheet V, Section B.

The EZ property and payroll factors used in the determination of the apportioned business net operating loss include worldwide amounts in the denominator.

Section C – Income or Loss

Form 540 and Long Form 540NR filers, use Worksheet V, Section C to determine the amount to enter on:

- Worksheet VI, Section A, line 1;
- Worksheet VI, Section C, line 1 and line 6; and
- Schedule Z, Part I, line 1 and line 3.

Do not include disaster losses in any amounts used in the table.

Only California source business income is apportioned to the EZ. A taxpayer's EZ business income is its California apportioned business income computed using Schedule R,

Worksheet V **Enterprise Zones** (continued)

Section B **Loss Apportionment (For the computation of current year net operating loss only)**

Use Worksheet V, Section B, if your business has net losses from sources within and outside an EZ.	(a) Total within and outside an EZ	(b) Total within an EZ	(c) Percentage within an EZ column (b) ÷ column (a)
PROPERTY FACTOR			
1 **Average** yearly value of owned real and tangible personal property used in the business (at original cost). See instructions for more information. Exclude property not connected with the business and the value of construction in progress.			
Inventory			
Buildings			
Machinery and equipment			
Furniture and fixtures			
Delivery equipment			
Land			
Other tangible assets (attach schedule)			
Rented property used in the business. See instructions for more information			
Total property values			
PAYROLL FACTOR			
2 Employees' wages, salaries, commissions, and other compensation related to business income included in the return. **Total payroll**			
3 Total percentage – sum of the percentages in column (c)			
4 Average apportionment percentage (1/2 of line 3). Enter here and on Worksheet VI, Section B, line 4			

Note: The average apportionment percentage shown on line 4 represents the portion of the taxpayer's total business that is attributable to activities conducted within the EZ. Those factors with zero balances in the totals of column (a) will not be included in the computation of the average apportionment percentage. For example, if the taxpayer does not have any payroll within or outside the EZ, then the average apportionment percentage would be computed by dividing line 3 by one instead of by two as normally instructed.

multiplied by the specific EZ apportionment percentage computed using Worksheet V, Section A.

The first step is to determine which portion of the taxpayer's net income is "business income" and which portion is "nonbusiness income." Only business income is apportioned to the EZ. See Part IV, Doing Business Totally Within, Within and Outside an EZ, or in More Than One EZ, for a complete discussion of business and nonbusiness income.

Business income or loss reported on federal Schedules C, C-EZ, E, and F, and other schedules are reported on line 6 through line 9. Line 11 and line 12 report business gains or losses reported on Schedule D and Schedule D-1. All business income and losses should be adjusted for any differences between California and federal amounts as shown on the Schedule CA (540 or 540NR).

Part I Individual Income and Expense Items

Wages

Taxpayers with wages from a company located within and outside an EZ must determine the EZ wage income by entering the percentage of the time that they worked within the EZ in column (b). The percentage of time should be for the same period for which the wages entered on line 1 were earned. This percentage must be determined based on their record of time and events such as a travel log or entries in a daily planner.

Part II Pass-Through Income or Loss

Multiple Pass-Through Entities

If you are a shareholder, beneficiary, partner, or member in multiple pass-through entities with businesses located within and outside an EZ from which you received EZ tax incentives, see the following example for computing business income in the EZ.

Example:

Pass-through entity	Trade or business income from Schedule K-1 (100S, 541, 565, or 568)	Entity's EZ apportionment percentage	Enterprise zone apportioned income
ABC, Inc.	$40,000	80%	$32,000
A, B, & C	30,000	10%	3,000
ABC, LLC	10,000	50%	5,000
Total			**$40,000**

Part III Taxpayer's Trade or Business

Business Income or Loss

Use business income or loss from federal Form 1040 Schedules C, C-EZ, E, and F, plus California adjustments from Schedule CA (540 or 540NR) for each trade or business. Also include business capital gains and losses from Schedule D and business gains and losses from Schedule D-1 as adjusted on Schedule CA (540 or 540NR).

Income Computation

To compute the EZ Income for Worksheet VI, Section C and Schedule Z, you must complete Worksheet V, Section C. The instructions below refer to Worksheet V, Section C.

Located Entirely Within the Enterprise Zone

Line 6 – Line 9: If your business operation reported on federal Form 1040 Schedule C, C-EZ, E, or F, or other schedule is entirely within the EZ, enter the income or loss from this activity in column (a), and enter 1.00 in column (b).

Line 11 and Line 12: If the gain or loss reported on Schedule D or Schedule D-1 as adjusted on Schedule CA (540 or 540NR) was attributed to an asset used in an activity conducted entirely within the EZ, enter the

gain or loss reported in column (a), and enter 1.00 in column (b).

Located Entirely Within California

Line 6 – Line 9: If your business operation reported on federal Form 1040 Schedule C, C-EZ, E, or F, or other schedule is entirely within California, enter the income or loss from this activity in column (a). To determine the apportionment percentage in column (b), complete Worksheet V, Section A. Enter the percentage from Worksheet V, Section A, line 4, column (c) on Worksheet V, Section C, column (b).

Line 11 and Line 12: If the gain or loss reported on Schedule D or Schedule D-1 as adjusted on Schedule CA (540 or 540NR) was attributed to an asset used in an activity conducted entirely within California, enter the gain or loss reported in column (a). To determine the apportionment percentage in column (b), complete Worksheet V, Section A. Enter the percentage from Worksheet V, Section A, line 4, column (c) on Worksheet V, Section C, column (b).

Located Within and Outside the Enterprise Zone and California

Line 6 – Line 9: If your business operation reported on federal Form 1040 Schedule C, C-EZ, E, or F, or other schedule is within and outside the EZ and California, get Schedule R and complete line 1 through line 18b and line 28 through line 31. Enter the amount on Schedule R, line 18b and line 31 in column (a) of this worksheet. To determine the apportionment percentage in column (b), complete Worksheet V, Section A. Enter the percentage from Worksheet V, Section A, line 4, column (c) on Worksheet V, Section C, column (b).

Note: When computing Schedule R, disregard any reference to Form 100, Form 100S, Form 100W, Form 100X, Form 565, or Form 568. Also disregard any reference to Schedule R-3, Schedule R-4, or Schedule R-5, and skip line 16.

Nonresidents that have an apportioning business that operates within the zone should have already computed Schedule R, and can use those amounts when that schedule is referenced. Residents must complete a Schedule R in order to determine their California source business income for purposes of the EZ credit computation.

Line 11 and Line 12: If the gain or loss reported on Schedule D or Schedule D-1 as adjusted on Schedule CA (540 or 540NR) was attributed to an asset used in an activity conducted within and outside the EZ and California, get Schedule R and complete Schedule R-1. Multiply the gain or loss reported by the percentage on Schedule R-1, line 5 and enter the result in column (a). To determine the apportionment percentage in column (b), complete Worksheet V, Section A. Enter the percentage from Worksheet V, Section A, line 4, column (c) on Worksheet V, Section C, column (b).

Line 14 – If you are computing the EZ NOL and the result on the Income or Loss Worksheet, line 14, column (c) is a **negative** amount, enter this amount on Worksheet VI, Section A, line 1.

Note: If the amount is positive, you do not have an EZ NOL.

If you are computing the EZ business income and the result on the Income or Loss Worksheet, line 14, column (c) is a **positive** amount and:

- You have NOL carryovers, enter the amount on Worksheet VI, Section C, line 1 and line 6 (skip line 2 through line 5). Also enter the amount from the Income or Loss Worksheet, line 14, column (c) on Schedule Z, Part I, line 1 and line 3 (skip line 2) if you have EZ credits; or
- You do not have NOL carryovers but you do have credits or credit carryovers, enter the amount on Schedule Z, Part I, line 1 and line 3 (skip line 2).

Note: If the amount is negative, you do not have any business income attributed to the EZ and you cannot utilize any EZ NOL carryover, credit(s), or credit carryover(s) in the current taxable year.

Loss Computation

To compute the EZ NOL for Worksheet VI, Section A, you must complete Worksheet V, Section C. The instructions below refer to Worksheet V, Section C.

Located Entirely Within the Enterprise Zone

Line 6 – Line 9: If your business operation reported on federal Form 1040 Schedule C, C-EZ, E, or F, or other schedule is entirely within the EZ, enter the income or loss from this activity in column (a), and enter 1.00 in column (b).

Line 11 and Line 12: If the gain or loss reported on Schedule D or Schedule D-1 as adjusted on Schedule CA (540 or 540NR) was attributed to an asset used in an activity conducted entirely in the EZ, enter the gain or loss reported in column (a) and enter 1.00 in column (b).

Located Within and Outside the Enterprise Zone

Line 6 – Line 9: If your business operation reported on federal Form 1040 Schedule C, C-EZ, E, or F, or other schedule is within and outside the EZ, enter the income or loss from this activity in column (a). To determine the apportionment percentage in column (b), complete Worksheet V, Section B. Enter the percentage from Worksheet V, Section B, line 4, column (c) on Worksheet V, Section C, column (b).

Line 11 and Line 12: If the gain or loss reported on Schedule D or Schedule D-1 as adjusted on Schedule CA (540 or 540NR) was attributed to an asset used in an activity conducted within and outside the EZ, enter the gain or loss reported in column (a). To determine the apportionment percentage in column (b), complete Worksheet V, Section B. Enter the percentage from Worksheet V, Section B, line 4, column (c) on Worksheet V, Section C, column (b).

Line 14 – See line 14 under Income Computation.

Worksheet V Enterprise Zones (continued)

Section C Income or Loss

Part I Individual Income and Expense Items. See instructions.

	(a) Amount	(b) Percentage of time providing services in the EZ	(c) Apportioned amount (a) x (b)
1 Wages			
2 Employee business expenses			
3 Subtotal: Enter the total of line 1, column (c) and line 2, column (c), on this line			

Part II Pass-Through Income or Loss. See instructions.

(a) Name of entity	(b) Distributive or pro-rata share of business income or loss apportioned to the EZ from Schedule K-1 (100S, 541, 565, or 568) including capital gains and losses
4	
5 Subtotal: Enter the total of line 4, column (b), on this line	

Part III Taxpayer's Trade or Business. See instructions.

	(a) Business income or loss	(b) Apportionment percentage for the EZ	(c) Apportioned income or loss (a) x (b)
6 Schedule C or C-EZ			
7 Schedule E (Rentals)			
8 Schedule F			
9 Other business income or loss			
10 Subtotal: Enter the total of line 6 through line 9, column (c), on this line			

	(a) Business gain or loss	(b) Apportionment percentage for the EZ	(c) Apportioned gain or loss (a) x (b)
11 Schedule D			
12 Schedule D-1			
13 Subtotal: Enter the total of line 11, column (c) and line 12, column (c), on this line			
14 Total: Enter the total of column (c) for line 3, line 10, and line 13, and line 5, column (b), on this line			

Part V Net Operating Loss (NOL) Computation and Loss Limitations

For taxable years beginning on or after January 1, 2004, California has reinstated the Net Operating Loss (NOL) carryover deductions. The carryover periods for an NOL incurred in years:

- beginning before January 1, 2002, have been extended for two years.
- beginning on or after January 1, 2002, and before January 1, 2003, have been extended for one year.

For taxable years beginning on or after January 1, 2004, 100% of the NOL may be carried forward. For more information, get forms FTB 3805V and 3805Q.

The EZ NOL is allowed for losses attributable to the taxpayer's business activities within the EZ prior to the expiration of the EZ without regards to the ending date of the taxpayer's taxable year. This loss is calculated by computing the EZ net operating loss as if the EZ had remained in existence the entire year, and then this full year loss is pro-rated by the number of days the taxpayer operated in an EZ for the tax year over the total number of days in a tax year.

An NOL generated by a business that operates or invests within an EZ can be carried forward for 15 years but may not be carried back. In addition, up to 100% of the NOL generated in an EZ can be carried forward.

The business cannot generate NOLs from activities within the EZ before the first taxable year beginning on or after the date the EZ is officially designated.

Limitation

An EZ NOL deduction can offset only business income attributable to operations within the EZ.

Election

Taxpayers **must** elect and designate the carryover category (general or specific, EZ, LAMBRA, TTA, or Pierce's disease NOL) on the original return for the year of a loss and file form FTB 3805Z for each year in which an NOL deduction is being taken. The election is **irrevocable**.

Note: If you elect the EZ NOL deduction, you are prohibited by law from carrying over any other type of NOL, relating to EZ activities, from this year.

To determine which type of NOL will provide the greatest benefit, taxpayers that have general or specific, EZ, LAMBRA, TTA, or that may qualify for the special NOL treatment should estimate future income and complete Worksheet VI and the following forms or worksheets if applicable:

- FTB 3805V, Net Operating Loss (NOL) Computation and NOL and Disaster Loss Limitations — Individuals, Estates, and Trusts;
- FTB 3805Q, Net Operating Loss (NOL) Computation and NOL and Disaster Loss Limitations — Corporations;
- FTB 3807, Local Agency Military Base Recovery Area Business Booklet, Worksheet V; or
- FTB 3809, Targeted Tax Area Business Booklet, Worksheet V.

Alternative Minimum Tax

Taxpayers claiming an EZ NOL deduction must determine their NOL for alternative minimum tax purposes. Use Schedule P (100, 100W, 540, 540NR, or 541) to compute the NOL for alternative minimum tax purposes.

S Corporations

EZ NOLs incurred prior to becoming an S corporation cannot be used against S corporation income. See IRC Section 1371(b).

However, an S corporation is allowed to deduct an EZ NOL incurred after the "S" election is made. An S corporation may use the NOL as a deduction against income subject to the 1.5% entity-level tax (3.5% for financial S corporations). The expenses (and income) giving rise to the loss are also passed through to the shareholders in the year the loss is incurred.

NOL Carryover Amount – Businesses Operating Totally Within the Zone

For calendar and fiscal year taxpayers with all payroll and property within the EZ, the NOL carryover is determined by computing the business loss that results from business activity in the EZ.

NOL Carryover Amount – Businesses Operating Within and Outside the Zone

If the business is located within and outside or in more than one EZ, the loss amount available for carryover is determined by apportioning the total business loss of the entity to the EZ pursuant to the provisions of R&TC Chapter 17 (commencing with Section 25101), with certain modifications to the apportioning factors. The apportionment factors include the property and payroll factors, and compare EZ property and payroll to total property and payroll. The loss computation is done on Worksheet VI, Section A for individuals and exempt trusts, and Worksheet VI, Section B for corporations. The apportionment factor calculation is done on Worksheet V, Section B for business entities and Worksheet V, Section C for individuals. The loss carryover is deducted against income apportioned by each business to the EZ in subsequent years. This computation is done on Worksheet VI, Section C.

Corporations that are members of a unitary group filing a combined report must separately compute loss carryover for each corporation in the group (R&TC Section 25108) using their individual apportionment factors.

Unlike the NOL treatment on a federal consolidated return, a loss carryover for one member included in a combined report may not be applied to the intrastate apportioned income of another member included in a combined report.

For any water's-edge taxpayer, R&TC Section 24416(c) imposes a limitation on the NOL deduction if the NOL is generated during a non-water's edge tax year. The NOL carryover is limited to the lesser of the NOL or the re-computed NOL. The re-computed NOL carryover is determined by computing the income and factors of the original worldwide combined reporting group, as if the water's-edge election had been in force for the year of the loss. R&TC Section 24416(c) serves as a limitation. If this section applies, the NOL carryover for each corporation may only be decreased, not increased.

Instructions for Worksheet VI — NOL Computation and Loss Limitations

Individuals and exempt trusts with a current year loss should complete Section A. Corporations with a current year loss should complete Section B. Individuals and corporations with current year income and a prior year NOL carryover should complete Section C.

The EZ NOL is allowed for losses attributable to the taxpayer's business activities within the EZ prior to the expiration of the EZ without regards to the ending date of the taxpayer's taxable year. This loss is computed by computing the EZ NOL as if the EZ had remained in existence the entire year, and then this full year loss is pro-rated based on the number of days the taxpayer operated in the EZ for the tax year, as compared to the total number of days in the tax year.

Section A – Computation of Current Year NOL — Individuals and Exempt Trusts

Use this section to compute the EZ NOL to be carried over to future years by individuals and exempt trusts. Complete Section A only if you have a current year loss.

You must complete form FTB 3805V, Net Operating Loss (NOL) Computation and NOL and Disaster Loss Limitations – Individuals, Estates, and Trusts, before you can compute the allowable EZ loss.

Worksheet VI **Net Operating Loss (NOL) — Enterprise Zones**

Section A **Computation of Current Year Net Operating Loss — Individuals and Exempt Trusts**

1 Net trade or business loss from all sources. **Individuals**: Enter the total from the Income or Loss Worksheet, line 14, column (c) as a positive number. See instructions for definition of business income. **Exempt trusts:** Enter the amount from Form 109, line 10	1	
2 Total business capital losses included in line 1. Enter as a positive number	2	
3 Total business capital gains included in line 1	3	
4 If line 2 is greater than line 3, enter the difference as a positive number; otherwise enter -0-	4	
5 a Subtract line 4 from line 1. If the result is zero or less, do not complete the rest of this section. You do not have a current year NOL from an EZ	5a	
If you operate a business in an EZ that has expired, do the following:		
5 b Enter the number of days you operated a business in an EZ in the taxable year 2005	5b	
c Enter the number of days in the taxable year 2005	5c	
d Divide line 5b by line 5c	5d	
e Multiply line 5a by line 5d	5e	
6 Enter the amount from form FTB 3805V, Part 1, Section A	6	
7 If the EZ in which you operate a business did not expire this year, enter the smaller of line 5a or line 6. If the enterprise in which you operate a business expired this year, enter the smaller of line 5e or line 6. Also enter the amount in Section C, line 24, column (e) This is the EZ NOL carryover from 2005 to 2006.	7	

Section B **Computation of Current Year Net Operating Loss — Corporations**

Note: If you have an EZ NOL and a prior year general NOL, see instructions.

Check the appropriate box to describe your entity type during the year that the NOL was incurred:

☐ C corporation ☐ S corporation ☐ Exempt corporation

1 Net loss for state purposes from Form 100, line 18; Form 100W, line 18; Form 100S, combined amounts of line 15 and line 17; or Form 109, line 1. Enter as a positive number. **Note:** Apportioning corporations, enter the amount from Schedule R, line 14 plus line 17	1	
2 a 2005 disaster relief loss included in line 1. Enter as a positive number	2a	
b Nonbusiness income included in line 1. Enter as a negative number	2b	
c Nonbusiness losses included in line 1. Enter as a positive number	2c	
d Combine line 2a through line 2c	2d	
3 Subtract line 2d from line 1. If zero or less, do not complete the rest of this section; the corporation does not have a current year NOL from an EZ	3	
4 Enter the average apportionment percentage from Worksheet V, Section B, line 4	4	
5 a Multiply line 3 by line 4	5a	
If you operate a business in an EZ that has expired, do the following:		
5 b Enter the number of days you operated a business in an EZ in the taxable year 2005	5b	
c Enter the number of days in the taxable year 2005	5c	
d Divide line 5b by line 5c	5d	
e Multiply line 5a by line 5d	5e	
6 Enter the amount from form FTB 3805Q, Part 1, line 3	6	
7 If the EZ in which you operate a business did not expire this year, enter the smaller of line 5a or line 6. If the enterprise in which you operate a business expired this year, enter the smaller of line 5e or line 6. Also enter the amount in Section C, line 24, column (e) This is the EZ NOL carryover from 2005 to 2006.	7	

To compute the EZ NOL, separate business income and deductions from nonbusiness income and deductions. See Part IV for a complete discussion of business and nonbusiness income.

Section B – Computation of Current Year NOL — Corporations

Use this section to compute the NOL to be carried over to future years for corporations. Complete Section B only if the corporation has a current year loss.

You must complete form FTB 3805Q, Net Operating Loss (NOL) Computation and NOL and Disaster Loss Limitations — Corporations, before you can compute the allowable EZ loss.

Section C – Computation of NOL Carryover and Carryover Limitations — Individuals, Exempt Trusts, and Corporations

An EZ NOL deduction can offset only business income attributable to operations within the EZ. Use this section to compute the NOL deduction for individuals, exempt trusts, and corporations to reduce current year business income from the EZ.

Line 1 – See Part IV for a discussion of business and nonbusiness income.

Note to Form 540 and Form 540NR filers:

Be sure to include casualty losses, disaster losses, and any business deductions reported on federal Schedule A as itemized deductions.

Exception: If you elected to carry back part or all of your current year disaster loss under IRC Section 165(i)(1), do not include the amount of loss that was carried back in your current year business income for the EZ.

Line 2 – In modifying your income, deduct your capital losses only up to your capital gains. Enter as a positive number any net capital losses included in line 1.

Line 3 – Corporations must reduce income by the disaster loss deduction and the deduction for excess net passive income.

Line 6 – This is your modified taxable income (MTI). You may reduce this amount by your EZ deduction. Your EZ NOL deduction may not be larger than your MTI. If your MTI is a loss in the current year or if it limits the amount of NOL you may use this year, you must carry over the NOL to future years.

Line 7 – Enter the amount from line 6 in column (d). If this amount is zero or negative, transfer the amounts from line 8 through line 23, column (b) to column (e), and skip to line 25.

Line 8 through Line 23 – Enter the amounts on line 8 through line 23 as positive numbers.

In column (c), enter the smaller of the amount in column (b) or the amount in column (d) from the previous line.

In column (d), enter the result of subtracting column (c) from the balance on the previous line in column (d).

In column (e), enter the result of subtracting the amount in column (c) from the amount in column (b), as applicable.

Example:

(b) Carry-over from prior year	(c) Amount deducted this year	(d) Balance available to offset losses	(e) Enterprise zone NOL carryover
		$5,000	
$ 500	$ 500	4,500	$ 0

Line 24 – Enter the amount of your current year NOL. For individuals and exempt trusts, enter the amount from Section A, line 7. For corporations, enter the amount from Section B, line 7.

Line 25 – Total the amounts in column (b) and column (e). Enter the totals from line 25, columns (b), and (e) on form FTB 3805Z, Side 1, line 5a and line 5c, accordingly.

Your EZ NOL deduction for 2005 is the total of column (c). Enter this amount on your California tax return or schedule as follows:

- Form 100, line 21;
- Form 100S, line 19;
- Form 100W, line 21;
- Form 109, line 3 or line 11;
- Schedule CA (540), line 21(e), column B; or
- Schedule CA (540NR), line 21(e), column B.

Part VI Computation of Credit Limitations

Credit Limitations

The amount of EZ credits you can claim on your California tax return is limited by the amount of tax attributable to EZ business income. Use Schedule Z to compute this limitation.

If a taxpayer owns an interest in a disregarded business entity, the amount of the credit that can be utilized is limited to the difference between the taxpayer's regular tax computed with the income of the disregarded entity, and the taxpayer's regular tax computed without the income of the disregarded entity.

Partnerships must allocate the credit among the partners according to the partner's distributive share as determined in a written partnership agreement. See R&TC Section 17039(e)(2).

Credits you are otherwise eligible to claim may be limited. Do not apply credits against the minimum franchise tax (corporations, and S corporations), the annual tax (partnerships and QSub), the alternative minimum tax (corporations, exempt organizations, individuals, and fiduciaries), the built-in gains tax (S corporations) or the excess net passive income tax (S corporations).

Refer to the credit instructions in your tax booklet for more information.

S Corporations and the Application of Enterprise Zone Credits

The credits earned by an S corporation may be used to reduce EZ tax at both the corporate and the shareholder levels.

An S corporation may use 1/3 of the EZ credit to reduce the tax on the S corporation's EZ business income. In addition, S corporation shareholders may claim their pro-rata share of the entire amount of the EZ credits computed under the Personal Income Tax Law.

Example: In 2005, an S corporation qualified for a $3,000 EZ hiring credit. The S corporation will be able to use 1/3 of the credit ($3,000 x 1/3 = $1,000), to offset the tax on the corporation's EZ business income.

The S corporation will also pass through a $3,000 credit to its shareholders to offset their individual tax (computed under the Personal Income Tax Law) on EZ business income.

S corporations must attach form FTB 3805Z to Form 100S, California S Corporation Franchise or Income Tax Return, to claim the tax credits.

Shareholders should attach Schedule(s) K-1 (100S), Shareholder's Share of Income, Deductions, Credits, etc., to their individual tax returns.

Carryover

If the amount of EZ credit available this year exceeds your tax, you may carry over any excess credit to future years until exhausted. Apply the carryover to the earliest taxable year possible. In no event can the credit be carried back and applied against a prior year's tax or transferred to another taxpayer.

For S corporations, the amount of the 1/3 credit that is in excess of the 1.5% entity-level tax (3.5% for financial S corporations) in the current year may also be carried forward and used in future years to offset the S corporation entity-level tax. See the instructions for Schedule Z, Part III for more information.

Credit Code Number

You must use credit code number **176** to claim the EZ hiring and sales or use tax credits on your tax return. Using an incorrect code number may cause a delay in allowing the credit(s).

Worksheet VI Net Operating Loss (NOL) – Enterprise Zones (continued)

Section C Computation of NOL Carryover and Carryover Limitations — Individuals, Exempt Trusts, and Corporations. See instructions.

1 Enter the amount from Form 100, line 18; Form 100W, line 18; Form 100S, combined amounts of line 15 and line 17; or Form 109, line 1 or line 10. Form 540 or Long Form 540NR filers, enter the total from Worksheet V, Section C, line 14, column (c) on line 1 and line 6 (skip line 2 through line 5). See instructions. **Note:** Corporations filing a combined report, enter the taxpayer's business income assigned to California. See instructions for Part V	**1**	
2 a Form 100, Form 100W, Form 100S, and Form 109 filers: Enter any nonbusiness income included in line 1 as a negative number. Form 540 and Long Form 540NR filers leave blank	**2a**	
b Form 100, Form 100W, Form 100S, and Form 109 filers: Enter any nonbusiness loss included in line 1 as a positive number. Form 540 and Long Form 540NR filers leave blank	**2b**	
c Combine line 2a and line 2b	**2c**	
3 Form 100 and Form 100W filers: Enter the amount from Form 100, line 22 or Form 100W, line 22. Form 100S filers: Enter the total of the amounts from Form 100S, line 17 and line 20. Form 540, Long Form 540NR, and Form 109 filers: Enter -0-. Enter this amount as a negative number	**3**	
4 Combine line 1, line 2c, and line 3. If zero or less, enter -0- on line 6	**4**	
5 Enter the average apportionment percentage from Worksheet V, Section A, line 4	**5**	
6 Modified taxable income. Multiply line 4 by line 5. See instructions		**6**

(a) Description	(b) Carryover from prior year	(c) Amount deducted this year	(d) Balance available to offset losses	(e) EZ NOL carryover to 2006
7 Modified taxable income from line 6				
8 EZ NOL carryover beginning in 1989				
9 EZ NOL carryover beginning in 1990				
10 EZ NOL carryover beginning in 1991				
11 EZ NOL carryover beginning in 1992				
12 EZ NOL carryover beginning in 1993				
13 EZ NOL carryover beginning in 1994				
14 EZ NOL carryover beginning in 1995				
15 EZ NOL carryover beginning in 1996				
16 EZ NOL carryover beginning in 1997				
17 EZ NOL carryover beginning in 1998				
18 EZ NOL carryover beginning in 1999				
19 EZ NOL carryover beginning in 2000				
20 EZ NOL carryover beginning in 2001				
21 EZ NOL carryover beginning in 2002				
22 EZ NOL carryover beginning in 2003				
23 EZ NOL carryover beginning in 2004				
24 EZ NOL beginning in 2005				
25 Total the amounts in column (b), (c) and column (e). See instructions				

Instructions for Schedule Z — Computation of Credits

Reporting Requirements of S Corporations, Estates, Trusts, and Partnerships

- Partnerships do not complete Schedule Z. The partners and members of these types of entities should complete Schedule Z in order to determine the amount of EZ credits that they may claim on their California tax return.
- S corporations and their shareholders must complete Schedule Z.
- Report to shareholders, beneficiaries, partners, and members, the distributive or pro-rata share of business income, loss, and deductions apportioned to the zone; and
- Separately state any distributive or pro-rata share of business capital gains and losses apportioned to the zone included in the amount above.

S Corporations
Complete only Part III of Schedule Z if your entity-level tax before credits is more than the minimum franchise tax.

Corporations and S corporations subject to the minimum franchise tax only
Complete only Part IV of Schedule Z.

All others
Complete Part I and Part II of Schedule Z.

Part I

Note: For filers with NOLs or NOL carryovers.

- Complete Worksheet VI first if you have a current year NOL or an NOL carryover.
- Then complete Schedule Z if you have any EZ credits.

If you do not have a current year NOL or any NOL carryovers:

- Individuals: Go to Worksheet V, Section C. Follow the instructions there. Enter the amount from Worksheet V, Section C, line 14, column (c) on Schedule Z, Part I, line 1 and line 3 (skip line 2).
- Corporations: Follow the instructions for line 1 below.

Line 1 – Enter all trade or business income. See Part IV for the definition of business income.

Line 2 – If your business is located entirely within the EZ, enter 1.

This percentage is the apportionment percentage computed by the entity using Worksheet V, Section A, and represents the percentage of the entity's business income attributable to the EZ.

Line 6a – Compute the tax as if the EZ taxable income represented all of your taxable income.

Individuals: Use the tax table or tax rate schedule in your tax booklet for your filing status.

Exempt organizations
Use the applicable tax rate in your tax booklet.

Corporations and S Corporations
Use the applicable tax rate.

Example: (Determination of EZ Income for Shareholders, Partners, or Members of Pass-Through Entities)
John Anderson is vice president of ABC, Inc., an S corporation that has two locations: one in an EZ and one outside an EZ. Eighty percent (80%) of the S corporation's business is attributable to the EZ.

Note: This percentage was determined by ABC, Inc. using form FTB 3805Z, Worksheet V, Section A, when ABC's S corporation return (Form 100S) was prepared. John divides his time equally (50/50) between the two offices of ABC, Inc.

Jackie Anderson (John's spouse) works for ABC, Inc. at its office located in the EZ.

John and Jackie Anderson have the following 2005 items of California income and expense:

John's salary from ABC, Inc.	$100,000
Jackie's salary from ABC, Inc.	75,000
Interest on savings account	1,000
Dividends	3,000
Schedule K-1 (100S) from ABC, Inc.:	
Ordinary income	40,000
EZ business expense deduction	(5,000)*
John's unreimbursed employee expenses from federal Schedule A	(2,000)

*The EZ business expense deduction is a separately stated item on Schedule K-1 (100S), line 8.

The Anderson's EZ business income (total amount to be reported on line 3) is computed as follows:

John's EZ salary ($100,000 x 50%)	$50,000
Jackie's EZ salary ($75,000 x 100%)	75,000
Pass-through ordinary income from ABC, Inc. ($40,000 x 80%)	32,000
EZ business expense deduction from ABC, Inc.	(5,000)
John's unreimbursed employee business expenses (2,000 x 50%)	(1,000)
Total EZ income (Schedule Z, Part I, line 3)	$151,000

Note: The standard deduction and personal or dependency exemptions are not included in the computation of EZ business income since they are not related to trade or business activities.

John and Jackie must compute the tax (to be entered on Schedule Z, Part I, line 6a) on the total EZ business income of $151,000 (as if it represents all of their income). Using the instructions on their personal income tax returns for filing status married filing jointly, the 2005 tax computed on $151,000 is $9,981.

Line 6b – Corporations and S corporations
If the amount on line 6b is the minimum franchise tax ($800), you cannot use your EZ credits this year. You should complete Part IV of the worksheet to compute the amount of credit carryover.

Part II

Use Part II of Schedule Z if you are a corporation, individual, estate, or trust. Corporations and S corporations that are subject to paying only the minimum franchise tax, go to Part IV.

Line 8A, column (e) – Enter the amount from line 7. This is the amount of limitation based on the tax on EZ business income.

Line 8A, column (f) – Enter the amount of credit that is used on Schedule P (100, 100W, 540, 540NR, or 541), column (b). The amount cannot be greater than the amount on line 8A, column (e) or the amount computed on line 8B, column (d). Enter this amount on form FTB 3805Z, Side 1, line 1a.

Line 8B, column (b) – Enter the amount of the current year credit that was computed on Worksheet I, Section A, line 6.

Line 8B, column (c) – Enter the amount of the total prior year credit carryover. This is the amount of credit that was previously computed on Worksheet I, Section A in the prior year minus the amount that was allowed to be taken on the prior year return.

Line 8B, column (d) – Add the amount of the current year credit on line 8B, column (b) and the amount of the total prior year carryover on line 8B, column (c).

Line 8B, column (e) – Compare the amounts on line 8A, column (e) and line 8A, column (f). Enter the smaller amount.

Line 8B, column (g) – Subtract the amount on line 8B, column (e) from the amount on line 8B, column (d). Enter the result on line 8B, column (g). This is the amount of credit that can be carried over to future years.

Note: This carryover includes both the Schedule P (100, 100W, 540, 540NR, or 541) limitation and the limitation based on EZ business income.

Line 9A, column (e) – Subtract the amount on line 8B, column (e) from the amount on line 8A, column (e). If the result is zero, your remaining credits are limited and must be carried over to future years. In this case, enter the amount from line 9B, column (d) on line 9B, column (g).

Line 9A, column (f) – Enter the amount of credit that is used on Schedule P (100, 100W, 540, 540NR, or 541), column (b). The amount cannot be greater than the amount on line 9A, column (e) or the amount computed on line 9B, column (d). Enter this amount on form FTB 3805Z, Side 1, line 1c.

Line 9B, column (b) – Enter the amount of the current year credit that was computed on Worksheet II, line 2, column (c).

Line 9B, column (c) – Enter the amount of the total prior year credit carryover. This is the amount of credit that was previously computed on Worksheet II, line 2, column (c) minus the amount that was allowed to be taken on the prior year return.

Line 9B, column (d) – Add the amount of the current year credit on line 9B, column (b) and the amount of the total prior year carryover on line 9B, column (c).

Line 9B, column (e) – Compare the amounts on line 9A, column (e) and line 9A, column (f). Enter the smaller amount.

Line 9B, column (g) – Subtract the amount on line 9B, column (e) from the amount on line 9B, column (d). Enter the result on line 9B, column (g). This is the amount of credit that can be carried over to future years. **Note:** This carryover includes both the Schedule P (100, 100W, 540, 540NR, or 541) limitation and the limitation based on EZ business income.

Example: Part II

Assume the ABC Business has $8,000 of tax. The business computed a credit limitation based on zone income of $7,000 on Schedule Z, line 7.

The business has the following credits:

Hiring credit	—	$500 and a $300 carryover from a prior year
Sales or use tax credit	—	$9,000

Schedule Z, Part II would be computed as follows:

Part II Limitation of Credits for Corporations, Individuals, Estates, and Trusts. See instructions.

(a) Credit name		(b) Credit amount	(c) Total prior year carryover	(d) Total credit col. (b) plus col. (c)	(e) Limitation based on zone business income	(f) Used on Schedule P can never be greater than col. (d) or col. (e)	(g) Carryover col. (d) minus col. (e)
8 Hiring credit	A				7,000	800	
	B	500	300	800	800		–0–
9 Sales or use tax credit	A				6,200	6,200	
	B	9,000	–0–	9,000	6,200		2,800

Part III

Use Part III of Schedule Z only if you are an S corporation.

Line 10 and Line 11, column (b) – Enter the amount of current year credits that were computed on Worksheet I and Worksheet II in column (b) for line 10 and line 11, as applicable. Also enter this amount on Form 100S:

- Schedule C, line 4; and
- Schedule K, line 13.

You may need to adjust your Schedule C (100S) to reflect the EZ tax limitation (Part I, line 7) to your credits after completing this worksheet.

Line 10 and Line 11, column (c) – Multiply the amounts on line 10 and line 11, column (b) by 1/3. Enter these amounts in column (c). The amounts in column (c) are the maximum amounts of the current year credits that may be used by the S corporation to offset its 1.5% entity-level tax (3.5% for financial S corporations).

Line 10 and Line 11, column (d) – Enter the amounts of total prior year credit carryover. This is the amount of credit that was previously computed on Worksheet I or Worksheet II, minus the amount that was allowed to be taken on the prior year return.

Line 10 and Line 11, column (e) – Add the amounts of the current year credits in column (c) and the total prior year carryovers in column (d).

Line 10 and Line 11, column (f) – Enter the credit amounts that were used by the S corporation in the current year to offset its 1.5% entity-level tax (3.5% for financial S corporations). Enter the amounts in column (f) for line 10 and line 11 on form FTB 3805Z, Side 1, line 1a and line 1c, as applicable.

Line 10 and Line 11, column (g) – Subtract the amount in column (f) for each line from the amounts in column (e). These are the credit amounts that can be carried over to future years and used by the S corporation.

Part IV

Use Part IV of Schedule Z if you are a corporation or S corporation subject to paying only the minimum franchise tax.

Line 12 and Line 13, column (b) – Enter the amounts of current year credits that were computed on Worksheet I and Worksheet II. **S corporations** may enter only 1/3 of the amounts from Worksheet I and II on line 12, column (b) and line 13, column (b), as applicable.

Line 12 and Line 13, column (c) – Enter the amounts of the total prior year credit carryovers. These are the amounts of credits that were previously computed on Worksheet I and Worksheet II in the prior year, minus the amounts that were allowed to be taken on the prior year return. **S corporations** may enter only 1/3 of the amounts from Worksheet I and Worksheet II in the prior year, minus the amounts that were allowed to be taken on the prior year return.

Line 12 and Line 13, column (d) – Add the amounts in column (b) and column (c) for line 12 and line 13. These are the credit amounts that can be carried over to future years.

Standard Industrial Classification Manual, 1987 Edition (Partial Listing)

The Standard Industrial Classification (SIC) Manual is organized using a hierarchial structure, first by division, then by two-digit major groups within each division, then by three-digit industry groups within each major group, and finally by four-digit industry codes within each industry group.

Classification of business activities is based upon establishments, which are defined in the SIC Manual as an economic unit, generally at a single physical location, where business is conducted, or where services or industrial operations are performed. A taxpayer's enterprise may consist of more than one establishment. The SIC Manual provides the following examples of establishments: A factory, mill, store, hotel, movie theater, mine, farm, ranch, bank, railroad depot, airline terminal, sales office, warehouse, or central administrative office. Where distinct and separate economic activities are performed at a single physical location (such as construction activities operated out of the same physical location as a lumber yard), each activity should be treated as a separate establishment where: (1) No one industry description in the SIC Manual includes such combined activities; (2) The employment in each economic activity is significant; and (3) Separate reports are prepared on the number of employees, their wages and salaries, sales or receipts, property and equipment, and other types of financial data, such as financial statements, job costing, and profit center accounting.

For purposes of this publication, SIC Codes 3721, 3724, 3728, and 3812 are listed since only Long Beach taxpayers with establishments in these industry codes qualify for the EZ hiring credit.

The complete Standard Industrial Classification Manual, 1987 Edition, is available for purchase from:

NATIONAL TECHNICAL INFORMATION SERVICE
5285 PORT ROYAL ROAD
SPRINGFIELD VIRGINIA 22161
Order No. PB 87-100012

The manual is also available on the Internet at
www.osha.gov/oshstats/sicser.html

The four-digit industry codes within Division D of the SIC Manual are:

3721 Research and development on aircraft

3724 Aircraft Engines and Engine Parts

3728 Aircraft Parts and Auxiliary Equipment, not elsewhere classified

3812 Search and navigation equipment

FTB 3805Z
Codes for Principal Business Activity

This list of principal business activities and their associated codes is designed to classify a business by the type of activity in which it is engaged to facilitate the administration of the California Revenue and Taxation Code. For taxable years beginning on or after January 1, 1998, these principal business activity codes are based on the North American Industry Classification System published by the United States Office of Management and Budget.

Caution: For purposes of qualifying for the Long Beach Enterprise Zone hiring credit, refer to the Standard Industrial Classification Manual. A partial listing of the SIC codes is located on page 23 of this booklet.

Agriculture, Forestry, Fishing, and Hunting

Code

Crop Production
- 111100 Oilseed & Grain Farming
- 111210 Vegetable & Melon Farming (including potatoes & yams)
- 111300 Fruit & Tree Nut Farming
- 111400 Greenhouse, Nursery, & Floriculture Production
- 111900 Other Crop Farming (including tobacco, cotton, sugarcane, hay, peanut, sugar beet, & all other crop farming)

Animal Production
- 112111 Beef Cattle Ranching & Farming
- 112112 Cattle Feedlots
- 112120 Dairy Cattle & Milk Production
- 112210 Hog & Pig Farming
- 112300 Poultry & Egg Production
- 112400 Sheep & Goat Farming
- 112510 Animal Aquaculture (including shellfish & finfish farms & hatcheries)
- 112900 Other Animal Production

Forestry and Logging
- 113110 Timber Tract Operations
- 113210 Forest Nurseries & Gathering of Forest Products
- 113310 Logging

Fishing, Hunting and Trapping
- 114110 Fishing
- 114210 Hunting & Trapping

Support Activities for Agriculture and Forestry
- 115110 Support Activities for Crop Production (including cotton ginning, soil preparation, planting, & cultivating)
- 115210 Support Activities for Animal Production
- 115310 Support Activities for Forestry

Mining
- 211110 Oil & Gas Extraction
- 212110 Coal Mining
- 212200 Metal Ore Mining
- 212310 Stone Mining & Quarrying
- 212320 Sand, Gravel, Clay, & Ceramic & Refractory

Minerals Mining & Quarrying
- 212390 Other Nonmetallic Mineral Mining & Quarrying
- 213110 Support Activities for Mining

Utilities
- 221100 Electric Power Generation, Transmission & Distribution
- 221210 Natural Gas Distribution
- 221300 Water, Sewage, & Other Systems
- 221500 Combination Gas & Electric

Construction

Code

Construction of Buildings
- 236110 Residential Building Construction
- 236200 Nonresidential Building Construction

Heavy and Civil Engineering Construction
- 237100 Utility System Construction
- 237210 Land Subdivision
- 237310 Highway, Street, & Bridge Construction
- 237990 Other Heavy & Civil Engineering Construction

Specialty Trade Contractors
- 238100 Foundation, Structure, & Building Exterior Contractors (including framing carpentry, masonry, glass, roofing, & siding)
- 238210 Electrical Contractors
- 238220 Plumbing, Heating, & Air-Conditioning Contractors
- 238290 Other Building Equipment Contractors
- 238300 Building Finishing Contractors (including drywall, insulation, painting, wallcovering, flooring, tile, & finish carpentry)
- 238900 Other Specialty Trade Contractors (including site preparation)

Manufacturing

Food Manufacturing
- 311110 Animal Food Mfg
- 311200 Grain & Oilseed Milling
- 311300 Sugar & Confectionery Product Mfg
- 311400 Fruit & Vegetable Preserving & Specialty Food Mfg
- 311500 Dairy Product Mfg
- 311610 Animal Slaughtering and Processing
- 311710 Seafood Product Preparation & Packaging
- 311800 Bakeries & Tortilla Mfg
- 311900 Other Food Mfg (including coffee, tea, flavorings, & seasonings)

Beverage and Tobacco Product Manufacturing
- 312110 Soft Drink & Ice Mfg
- 312120 Breweries
- 312130 Wineries
- 312140 Distilleries
- 312200 Tobacco Manufacturing

Textile Mills and Textile Product Mills
- 313000 Textile Mills
- 314000 Textile Product Mills

Apparel Manufacturing
- 315100 Apparel Knitting Mills

Code
- 315210 Cut & Sew Apparel Contractors
- 315220 Men's & Boys' Cut & Sew Apparel Mfg
- 315230 Women's & Girls' Cut & Sew Apparel Mfg
- 315290 Other Cut & Sew Apparel Mfg
- 315990 Apparel Accessories & Other Apparel Mfg

Leather and Allied Product Manufacturing
- 316110 Leather & Hide Tanning & Finishing
- 316210 Footwear Mfg (including rubber & plastics)
- 316990 Other Leather & Allied Product Mfg

Wood Product Manufacturing
- 321110 Sawmills & Wood Preservation
- 321210 Veneer, Plywood, & Engineered Wood Product Mfg
- 321900 Other Wood Product Mfg

Paper Manufacturing
- 322100 Pulp, Paper, & Paperboard Mills
- 322200 Converted Paper Product Mfg

Printing and Related Support Activities
- 323100 Printing & Related Support Activities

Petroleum and Coal Products Manufacturing
- 324110 Petroleum Refineries (including integrated)
- 324120 Asphalt Paving, Roofing, & Saturated Materials Mfg
- 324190 Other Petroleum & Coal Products Mfg

Chemical Manufacturing
- 325100 Basic Chemical Mfg
- 325200 Resin, Synthetic Rubber, & Artificial & Synthetic Fibers & Filaments Mfg
- 325300 Pesticide, Fertilizer, & Other Agricultural Chemical Mfg
- 325410 Pharmaceutical & Medicine Mfg
- 325500 Paint, Coating, & Adhesive Mfg
- 325600 Soap, Cleaning Compound, & Toilet Preparation Mfg
- 325900 Other Chemical Product & Preparation Mfg

Plastics and Rubber Products Manufacturing
- 326100 Plastics Product Mfg
- 326200 Rubber Product Mfg

Nonmetallic Mineral Product Manufacturing
- 327100 Clay Product & Refractory Mfg
- 327210 Glass & Glass Product Mfg
- 327300 Cement & Concrete Product Mfg
- 327400 Lime & Gypsum Product Mfg
- 327900 Other Nonmetallic Mineral Product Mfg

Primary Metal Manufacturing
- 331110 Iron & Steel Mills & Ferroalloy Mfg
- 331200 Steel Product Mfg from Purchased Steel
- 331310 Alumina & Aluminum Production & Processing
- 331400 Nonferrous Metal (except Aluminum) Production & Processing
- 331500 Foundries

Fabricated Metal Product Manufacturing
- 332110 Forging & Stamping
- 332210 Cutlery & Handtool Mfg
- 332300 Architectural & Structural Metals Mfg
- 332400 Boiler, Tank, & Shipping Container Mfg
- 332510 Hardware Mfg
- 332610 Spring & Wire Product Mfg
- 332700 Machine Shops, Turned Product, & Screw, Nut, & Bolt Mfg

Code
- 332810 Coating, Engraving, Heat Treating, & Allied Activities
- 332900 Other Fabricated Metal Product Mfg

Machinery Manufacturing
- 333100 Agriculture, Construction, & Mining Machinery Mfg
- 333200 Industrial Machinery Mfg
- 333310 Commercial & Service Industry Machinery Mfg
- 333410 Ventilation, Heating, Air-Conditioning, & Commercial Refrigeration Equipment Mfg
- 333510 Metalworking Machinery Mfg
- 333610 Engine, Turbine, & Power Transmission Equipment Mfg
- 333900 Other General Purpose Machinery Mfg

Computer and Electronic Product Manufacturing
- 334110 Computer & Peripheral Equipment Mfg
- 334200 Communications Equipment Mfg
- 334310 Audio & Video Equipment Mfg
- 334410 Semiconductor & Other Electronic Component Mfg
- 334500 Navigational, Measuring, Electromedical, & Control Instruments Mfg
- 334610 Manufacturing & Reproducing Magnetic & Optical Media

Electrical Equipment, Appliance, and Component Manufacturing
- 335100 Electric Lighting Equipment Mfg
- 335200 Household Appliance Mfg
- 335310 Electrical Equipment Mfg
- 335900 Other Electrical Equipment & Component Mfg

Transportation Equipment Manufacturing
- 336100 Motor Vehicle Mfg
- 336210 Motor Vehicle Body & Trailer Mfg
- 336300 Motor Vehicle Parts Mfg
- 336410 Aerospace Product & Parts Mfg
- 336510 Railroad Rolling Stock Mfg
- 336610 Ship & Boat Building
- 336990 Other Transportation Equipment Mfg

Furniture and Related Product Manufacturing
- 337000 Furniture & Related Product Manufacturing

Miscellaneous Manufacturing
- 339110 Medical Equipment & Supplies Mfg
- 339900 Other Miscellaneous Manufacturing

Wholesale Trade

Merchant Wholesalers, Durable Goods
- 423100 Motor Vehicle & Motor Vehicle Parts & Supplies
- 423200 Furniture & Home Furnishings
- 423300 Lumber & Other Construction Materials
- 423400 Professional & Commercial Equipment & Supplies
- 423500 Metal & Mineral (except Petroleum)
- 423600 Electrical & Electronic Goods
- 423700 Hardware, & Plumbing & Heating Equipment & Supplies
- 423800 Machinery, Equipment, & Supplies
- 423910 Sporting & Recreational Goods & Supplies
- 423920 Toy & Hobby Goods & Supplies
- 423930 Recyclable Materials
- 423940 Jewelry, Watch, Precious Stone, & Precious Metals
- 423990 Other Miscellaneous Durable Goods

Code

Merchant Wholesalers, Nondurable Goods

424100 Paper & Paper Products
424210 Drugs & Druggists' Sundries
424300 Apparel, Piece Goods, & Notions
424400 Grocery & Related Products
424500 Farm Product Raw Materials
424600 Chemical & Allied Products
424700 Petroleum & Petroleum Products
424800 Beer, Wine, & Distilled Alcoholic Beverages
424910 Farm Supplies
424920 Book, Periodical, & Newspapers
424930 Flower, Nursery Stock, & Florists' Supplies
424940 Tobacco & Tobacco Products
424950 Paint, Varnish, & Supplies
424990 Other Miscellaneous Nondurable Goods

Wholesale Electronic Markets and Agents and Brokers

425110 Business to Business Electronic Markets
425120 Wholesale Trade Agents & Brokers

Retail Trade

Motor Vehicle and Parts Dealers

441110 New Car Dealers
441120 Used Car Dealers
441210 Recreational Vehicle Dealers
441221 Motorcycle Dealers
441222 Boat Dealers
441229 All Other Motor Vehicle Dealers
441300 Automotive Parts, Accessories, & Tire Stores

Furniture and Home Furnishings Stores

442110 Furniture Stores
442210 Floor Covering Stores
442291 Window Treatment Stores
442299 All Other Home Furnishings Stores

Electronics and Appliance Stores

443111 Household Appliance Stores
443112 Radio, Television, & Other Electronics Stores
443120 Computer & Software Stores
443130 Camera & Photographic Supplies Stores

Building Material and Garden Equipment and Supplies Dealers

444110 Home Centers
444120 Paint & Wallpaper Stores
444130 Hardware Stores
444190 Other Building Material Dealers
444200 Lawn & Garden Equipment & Supplies Stores

Food and Beverage Stores

445110 Supermarkets and Other Grocery (except Convenience) Stores
445120 Convenience Stores
445210 Meat Markets
445220 Fish & Seafood Markets
445230 Fruit & Vegetable Markets
445291 Baked Goods Stores
445292 Confectionery & Nut Stores
445299 All Other Specialty Food Stores
445310 Beer, Wine, & Liquor Stores

Health and Personal Care Stores

446110 Pharmacies & Drug Stores
446120 Cosmetics, Beauty Supplies, & Perfume Stores
446130 Optical Goods Stores
446190 Other Health & Personal Care Stores

Gasoline Stations

447100 Gasoline Stations (including convenience stores with gas)

Code

Clothing and Clothing Accessories Stores

448110 Men's Clothing Stores
448120 Women's Clothing Stores
448130 Children's & Infants' Clothing Stores
448140 Family Clothing Stores
448150 Clothing Accessories Stores
448190 Other Clothing Stores
448210 Shoe Stores
448310 Jewelry Stores
448320 Luggage & Leather Goods Stores

Sporting Goods, Hobby, Book, and Music Stores

451110 Sporting Goods Stores
451120 Hobby, Toy, & Game Stores
451130 Sewing, Needlework, & Piece Goods Stores
451140 Musical Instrument & Supplies Stores
451211 Book Stores
451212 News Dealers & Newsstands
451220 Prerecorded Tape, Compact Disc, & Record Stores

General Merchandise Stores

452110 Department stores
452900 Other General Merchandise Stores

Miscellaneous Store Retailers

453110 Florists
453210 Office Supplies & Stationery Stores
453220 Gift, Novelty, & Souvenir Stores
453310 Used Merchandise Stores
453910 Pet & Pet Supplies Stores
453920 Art Dealers
453930 Manufactured (Mobile) Home Dealers
453990 All Other Miscellaneous Store Retailers (including tobacco, candle, & trophy shops)

Nonstore Retailers

454110 Electronic Shopping & Mail-Order Houses
454210 Vending Machine Operators
454311 Heating Oil Dealers
454312 Liquefied Petroleum Gas (Bottled Gas) Dealers
454319 Other Fuel Dealers
454390 Other Direct Selling Establishments (including door-to-door retailing, frozen food plan providers, party plan merchandisers, & coffee-break service providers)

Transportation and Warehousing

Air, Rail, and Water Transportation

481000 Air Transportation
482110 Rail Transportation
483000 Water Transportation

Truck Transportation

484110 General Freight Trucking, Local
484120 General Freight Trucking, Long-distance
484200 Specialized Freight Trucking

Transit and Ground Passenger Transportation

485110 Urban Transit Systems
485210 Interurban & Rural Bus Transportation
485310 Taxi Service
485320 Limousine Service
485410 School & Employee Bus Transportation
485510 Charter Bus Industry
485990 Other Transit & Ground Passenger Transportation

Pipeline Transportation

486000 Pipeline Transportation

Scenic & Sightseeing Transportation

487000 Scenic & Sightseeing Transportation

Code

Support Activities for Transportation

488100 Support Activities for Air Transportation
488210 Support Activities for Rail Transportation
488300 Support Activities for Water Transportation
488410 Motor Vehicle Towing
488490 Other Support Activities for Road Transportation
488510 Freight Transportation Arrangement
488990 Other Support Activities for Transportation

Couriers and Messengers

492110 Couriers
492210 Local Messengers & Local Delivery

Warehousing and Storage

493100 Warehousing & Storage (except lessors of miniwarehouses & self-storage units)

Information

Publishing Industries (except Internet)

511110 Newspaper Publishers
511120 Periodical Publishers
511130 Book Publishers
511140 Directory & Mailing List Publishers
511190 Other Publishers
511210 Software Publishers

Motion Picture and Sound Recording Industries

512100 Motion Picture & Video Industries (except video rental)
512200 Sound Recording Industries

Broadcasting (except Internet)

515100 Radio & Television Broadcasting
515210 Cable & Other Subscription Programming

Internet Publishing and Broadcasting

516110 Internet Publishing & Broadcasting

Telecommunications

517000 Telecommunications (including paging, cellular, satellite, cable & other program distribution, resellers, & other telecommunications)

Internet Service Providers, Web Search Portals, and Data Processing Services

518111 Internet Service Providers
518112 Web Search Portals
518210 Data Processing, Hosting, & Related Services

Other Information Services

519100 Other Information Services (including news syndicates & libraries)

Finance and Insurance

Depository Credit Intermediation

522110 Commercial Banking
522120 Savings Institutions
522130 Credit Unions
522190 Other Depository Credit Intermediation

Nondepository Credit Intermediation

522210 Credit Card Issuing
522220 Sales Financing
522291 Consumer Lending
522292 Real Estate Credit (including mortgage bankers & originators)
522293 International Trade Financing
522294 Secondary Market Financing
522298 All Other Nondepository Credit Intermediation

Activities Related to Credit Intermediation

522300 Activities Related to Credit Intermediation (including loan brokers, check clearing, & money transmitting)

Code

Securities, Commodity Contracts, and Other Financial Investments and Related Activities

523110 Investment Banking & Securities Dealing
523120 Securities Brokerage
523130 Commodity Contracts Dealing
523140 Commodity Contracts Brokerage
523210 Securities & Commodity Exchanges
523900 Other Financial Investment Activities (including portfolio management & investment advice)

Insurance Carriers and Related Activities

524140 Direct Life, Health, & Medical Insurance & Reinsurance Carriers
524150 Direct Insurance & Reinsurance (except Life, Health, & Medical) Carriers
524210 Insurance Agencies & Brokerages
524290 Other Insurance Related Activities (including third-party administration of insurance and pension funds)

Funds, Trusts, and Other Financial Vehicles

525100 Insurance & Employee Benefit Funds
525910 Open-End Investment Funds (Form 1120-RIC)
525920 Trusts, Estates, & Agency Accounts
525930 Real Estate Investment Trusts (Form 1120-REIT)
525990 Other Financial Vehicles (including closed-end investment funds)

"Offices of Bank Holding Companies" and "Offices of Other Holding Companies" are located under **Management of Companies (Holding Companies)** on next page.

Real Estate and Rental and Leasing

Real Estate

531110 Lessors of Residential Buildings & Dwellings
531114 Cooperative Housing
531120 Lessors of Nonresidential Buildings (except Miniwarehouses)
531130 Lessors of Miniwarehouses & Self-Storage Units
531190 Lessors of Other Real Estate Property
531210 Offices of Real Estate Agents & Brokers
531310 Real Estate Property Managers
531320 Offices of Real Estate Appraisers
531390 Other Activities Related to Real Estate

Rental and Leasing Services

532100 Automotive Equipment Rental & Leasing
532210 Consumer Electronics & Appliances Rental
532220 Formal Wear & Costume Rental
532230 Video Tape & Disc Rental
532290 Other Consumer Goods Rental
532310 General Rental Centers
532400 Commercial & Industrial Machinery & Equipment Rental & Leasing

Lessors of Nonfinancial Intangible Assets (except copyrighted works)

533110 Lessors of Nonfinancial Intangible Assets (except copyrighted works)

Professional, Scientific, and Technical Services

Legal Services

541110 Offices of Lawyers
541190 Other Legal Services

Code

Accounting, Tax Preparation, Bookkeeping, and Payroll Services

541211 Offices of Certified Public Accountants
541213 Tax Preparation Services
541214 Payroll Services
541219 Other Accounting Services

Architectural, Engineering, and Related Services

541310 Architectural Services
541320 Landscape Architecture Services
541330 Engineering Services
541340 Drafting Services
541350 Building Inspection Services
541360 Geophysical Surveying & Mapping Services
541370 Surveying & Mapping (except Geophysical) Services
541380 Testing Laboratories

Specialized Design Services

541400 Specialized Design Services (including interior, industrial, graphic, & fashion design)

Computer Systems Design and Related Services

541511 Custom Computer Programming Services
541512 Computer Systems Design Services
541513 Computer Facilities Management Services
541519 Other Computer Related Services

Other Professional, Scientific, and Technical Services

541600 Management, Scientific, & Technical Consulting Services
541700 Scientific Research & Development Services
541800 Advertising & Related Services
541910 Marketing Research & Public Opinion Polling
541920 Photographic Services
541930 Translation & Interpretation Services
541940 Veterinary Services
541990 All Other Professional, Scientific, & Technical Services

Management of Companies (Holding Companies)

551111 Offices of Bank Holding Companies
551112 Offices of Other Holding Companies

Administrative and Support and Waste Management and Remediation Services

Administrative and Support Services

561110 Office Administrative Services
561210 Facilities Support Services
561300 Employment Services
561410 Document Preparation Services
561420 Telephone Call Centers
561430 Business Service Centers (including private mail centers & copy shops)
561440 Collection Agencies
561450 Credit Bureaus
561490 Other Business Support Services (including repossession services, court reporting, & stenotype services)

Code

561500 Travel Arrangement & Reservation Services
561600 Investigation & Security Services
561710 Exterminating & Pest Control Services
561720 Janitorial Services
561730 Landscaping Services
561740 Carpet & Upholstery Cleaning Services
561790 Other Services to Buildings & Dwellings
561900 Other Support Services (including packaging & labeling services, & convention & trade show organizers)

Waste Management and Remediation Services

562000 Waste Management & Remediation Services

Educational Services

611000 Educational Services (including schools, colleges, & universities)

Health Care and Social Assistance

Offices of Physicians and Dentists

621111 Offices of Physicians (except mental health specialists)
621112 Offices of Physicians, Mental Health Specialists
621210 Offices of Dentists

Offices of Other Health Practitioners

621310 Offices of Chiropractors
621320 Offices of Optometrists
621330 Offices of Mental Health Practitioners (except Physicians)
621340 Offices of Physical, Occupational & Speech Therapists, & Audiologists
621391 Offices of Podiatrists
621399 Offices of All Other Miscellaneous Health Practitioners

Outpatient Care Centers

621410 Family Planning Centers
621420 Outpatient Mental Health & Substance Abuse Centers
621491 HMO Medical Centers
621492 Kidney Dialysis Centers
621493 Freestanding Ambulatory Surgical & Emergency Centers
621498 All Other Outpatient Care Centers

Medical and Diagnostic Laboratories

621510 Medical & Diagnostic Laboratories

Home Health Care Services

621610 Home Health Care Services

Code

Other Ambulatory Health Care Services

621900 Other Ambulatory Health Care Services (including ambulance services & blood & organ banks)

Hospitals

622000 Hospitals

Nursing and Residential Care Facilities

623000 Nursing & Residential Care Facilities

Social Assistance

624100 Individual & Family Services
624200 Community Food & Housing, & Emergency & Other Relief Services
624310 Vocational Rehabilitation Services
624410 Child Day Care Services

Arts, Entertainment, and Recreation

Performing Arts, Spectator Sports, and Related Industries

711100 Performing Arts Companies
711210 Spectator Sports (including sports clubs & racetracks)
711300 Promoters of Performing Arts, Sports, & Similar Events
711410 Agents & Managers for Artists, Athletes, Entertainers, & Other Public Figures
711510 Independent Artists, Writers, & Performers

Museums, Historical Sites, and Similar Institutions

712100 Museums, Historical Sites, & Similar Institutions

Amusement, Gambling, and Recreation Industries

713100 Amusement Parks & Arcades
713200 Gambling Industries
713900 Other Amusement & Recreation Industries (including golf courses, skiing facilities, marinas, fitness centers, & bowling centers)

Accommodation and Food Services

Accommodation

721110 Hotels (except Casino Hotels) & Motels
721120 Casino Hotels
721191 Bed & Breakfast Inns
721199 All Other Traveler Accommodation
721210 RV (Recreational Vehicle) Parks & Recreational Camps
721310 Rooming & Boarding Houses

Code

Food Services and Drinking Places

722110 Full-Service Restaurants
722210 Limited-Service Eating Places
722300 Special Food Services (including food service contractors & caterers)
722410 Drinking Places (Alcoholic Beverages)

Other Services

Repair and Maintenance

811110 Automotive Mechanical & Electrical Repair & Maintenance
811120 Automotive Body, Paint, Interior, & Glass Repair
811190 Other Automotive Repair & Maintenance (including oil change & lubrication shops & car washes)
811210 Electronic & Precision Equipment Repair & Maintenance
811310 Commercial & Industrial Machinery & Equipment (except Automotive & Electronic) Repair & Maintenance
811410 Home & Garden Equipment & Appliance Repair & Maintenance
811420 Reupholstery & Furniture Repair
811430 Footwear & Leather Goods Repair
811490 Other Personal & Household Goods Repair & Maintenance

Personal and Laundry Services

812111 Barber Shops
812112 Beauty Salons
812113 Nail Salons
812190 Other Personal Care Services (including diet & weight reducing centers)
812210 Funeral Homes & Funeral Services
812220 Cemeteries & Crematories
812310 Coin-Operated Laundries & Drycleaners
812320 Drycleaning & Laundry Services (except Coin-Operated)
812330 Linen & Uniform Supply
812910 Pet Care (except Veterinary) Services
812920 Photofinishing
812930 Parking Lots & Garages
812990 All Other Personal Services

Religious, Grantmaking, Civic, Professional, and Similar Organizations

813000 Religious, Grantmaking, Civic, Professional, & Similiar Organizations (including condominium and homeowners associations)

YEAR
2005

Enterprise Zone Deduction and Credit Summary

CALIFORNIA FORM
3805Z

Attach to your California tax return.

Social security or California corporation number

Name(s) as shown on return

FEIN

Secretary of State file number

A. Check the appropriate box for your entity type:
☐ Individual ☐ Estate ☐ Trust ☐ C corporation ☐ S corporation ☐ Partnership
☐ Exempt organization ☐ Limited liability company ☐ Limited liability partnership

B. Enter the name of the enterprise zone business: _____

C. Enter the address (actual location) where the enterprise zone business is conducted:

_____

D. Enter the name of the enterprise zone in which the business and/or investment activity is located.

_____

E. Enter the six-digit Principal Business Activity Code number of the EZ Business ..... _____
Enter the six-digit number from the Principal Business Activity Code from the chart. For the Long Beach Enterprise Zone, enter the four-digit Standard Industrial Classification (SIC) code number from the chart.

F. Total number of employees in the enterprise zone ..... _____

G. Number of employees included in the computation of the hiring credit, if claimed ..... _____

H. Number of new employees included in the computation of the hiring credit, if claimed ..... _____

I. Gross annual receipts of the business ..... _____

J. Total asset value of the business ..... _____

Part I Credits Used and Recaptures

1 Hiring and sales or use tax credits claimed on the current year return:

a Hiring credit from Schedule Z, line 8A, column (f) or line 10, column (f) ..... **1a** _____

b Hiring credit recapture from Worksheet I, Section B, line 2, column (b) ..... **1b** _____

c Sales or use tax credit from Schedule Z, line 9A, column (f) or line 11, column (f) ..... **1c** _____

d Add line 1a and line 1c ..... **1d** _____

Note: To compute the amount of credits to carry over, complete Schedule Z on Side 2.

Part II Business Expense Deduction for Equipment Purchases and Recapture

2 a Enter the cost of qualified property purchased for the enterprise zone that is being deducted as a current year business expense from Worksheet III, Section A, line 5, column (b) ..... **2a** _____

ELECTION: The act of deducting a portion of the cost of any property as a current year expense rather than adding it to the capital account constitutes an election to treat that property in accordance with R&TC Sections 17267.2 or 24356.7. That election may not be revoked except with the written consent of the Franchise Tax Board (FTB).

b Business expense deduction recapture from Worksheet III, Section B, line 2, column (b) ..... **2b** _____

Part III Net Interest Deduction for Lenders

3 Enter the amount of net interest received on loans to businesses located in the enterprise zone from Worksheet IV, line 2, column (f) ..... **3** _____

Part IV Portion of Business Attributable to the Enterprise Zone

4 Enter the average apportionment percentage of your business that is in the enterprise zone from Worksheet V, Section A, line 4. If your operation is wholly within the enterprise zone, the average apportionment percentage is 100% (1.00). ... **4** _____

Part V Net Operating Loss (NOL) Carryover and Deduction

5 a Enter the enterprise zone NOL carryover from prior years from Worksheet VI, Section C, line 25, column (b) ..... **5a** _____

b Enter the total enterprise zone NOL deduction used in the current year from Worksheet VI, Section C, line 25, column (c). Enter this amount on Schedule CA (540 or 540NR), line 21e, column B; Form 100, line 21; Form 100W, line 21; Form 100S, line 19; or Form 109, line 3 or line 11 ..... **5b** _____

c Enter the enterprise zone NOL carryover to future years from Worksheet VI, Section C, line 25, column (e) ..... **5c** _____

ELECTION: For those taxpayers eligible for an NOL carryover under R&TC Sections 17276.2, 17276.4, 17276.5, 17276.6, 24416.2, 24416.4, 24416.5, or 24416.6, the act of claiming an NOL carryover on this form constitutes the **irrevocable** election to apply the loss under R&TC Sections 17276.2 or 24416.2, for taxpayers operating a trade or business within the enterprise zone. If you elect to carry over an NOL under the enterprise zone provisions, you cannot carry over any other type and amount of NOL from this year.

Schedule Z Computation of Credit Limitations — Enterprise Zones

Part I Computation of Credit Limitations. See instructions.

1	Trade or business income. **Individuals:** Enter the amount from the Worksheet V, Section C, line 14, column (c) on this line and on line 3 (skip line 2). See instructions. **Note:** Corporations filing a combined report, enter the taxpayer's business income apportioned to California. See instructions for Part IV			1	
2	**Corporations:** Enter the average apportionment percentage from Worksheet V, Section A, line 4. See instructions			2	
3	Multiply line 1 by line 2			3	
4	Enter the enterprise zone NOL deduction from Worksheet VI, Section C, line 25, column (c)			4	
5	Enterprise zone taxable income. Subtract line 4 from line 3			5	
6	**a** Compute the amount of tax due using the amount on line 5. See instructions	6a			
	b Enter the amount of tax from Form 540, line 24; Long Form 540NR, line 27; Form 541, line 21; Form 100, line 24; Form 100W, line 24; Form 100S, line 22; or Form 109, line 7 or line 15. Corporations and S corporations, see instructions	6b			
7	Enter the smaller of line 6a or line 6b. This is the limitation based on the enterprise zone business income. Go to Part II, Part III, or Part IV. See instructions			7	

Part II Limitation of Credits for Corporations, Individuals, Estates, and Trusts. See instructions.

(a) Credit name		(b) Credit amount	(c) Total prior year carryover	(d) Total credit col. (b) plus col. (c)	(e) Limitation based on EZ business income	(f) Used on Schedule P can never be greater than col. (d) or col. (e)	(g) Carryover col. (d) minus col. (e)
8 Hiring credit	A						
	B						
9 Sales or use tax credit	A						
	B						

Part III Limitation of Credits for S corporations Only. See instructions.

(a) Credit name	(b) Credit amount	(c) S corporation credit col. (b) multiplied by 1/3	(d) Total prior year carryover	(e) Total credit col. (c) plus col. (d)	(f) Credit used this year by S corporation	(g) Carryover col. (e) minus col. (f)
10 Hiring credit						
11 Sales or use tax credit						

Part IV Limitation of Credits for C Corporations and S Corporations Subject to Paying Only the Minimum Franchise Tax. See instructions.

(a) Credit name	(b) Credit amount	(c) Total prior year carryover	(d) Total credit carryover col. (b) plus col. (c)
12 Hiring credit			
13 Sales or use tax credit			

Refer to page 3 for information on how to claim deductions and credits.

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Go to our Website:

www.ftb.ca.gov

How to Get California Tax Information (Keep This Page For Future Use)

Your Rights as a Taxpayer

Our goal at the Franchise Tax Board (FTB) is to make certain that your rights are protected so that you will have the highest confidence in the integrity, efficiency, and fairness of our state tax system. FTB Pub. 4058, California Taxpayers' Bill of Rights, includes information on your rights as a California taxpayer, the Taxpayers' Rights Advocate Program, and how you can request written advice from the FTB on whether a particular transaction is taxable. See "Where to Get Tax Forms and Publications" below.

Where to Get Tax Forms and Publications

By Internet – You can download, view, and print California tax forms and publications from our Website at **www.ftb.ca.gov.**

Information about other state agencies can be accessed through the State Agency Index located on the California State Website at **www.ca.gov.**

By phone – To order California tax forms and publications, call our automated phone service. To order a form:

- Refer to the list in your tax booklet and find the code number for the form you want to order.
- Call (800) 338-0505 and follow the instructions.

Please allow two weeks to receive your order. If you live outside California, please allow three weeks to receive your order.

In person – Many post offices provide free California personal income tax booklets during the filing season.Most libraries and some quick print businesses have forms and schedules for you to photocopy (a nominal fee may apply).

Note: Employees at post offices, and quick print businesses cannot provide tax information or assistance.

By mail – Write to:

TAX FORMS REQUEST UNIT
FRANCHISE TAX BOARD
PO BOX 307
RANCHO CORDOVA CA 95741-0307

Letters

If you write to us, be sure your letter includes your FEIN, Secretary of State file number, California corporation number, or social security number, your daytime and evening telephone numbers, and a copy of the notice (if applicable). Send your letter to:

PROFESSIONAL RESOURCES AND
EDUCATION SECTION MS F-283
FRANCHISE TAX BOARD
PO BOX 1468
SACRAMENTO CA 95812-1468

We will respond to your letter within ten weeks. In some cases, we may need to call you for additional information. **Note:** Do not attach correspondence to your tax return unless the correspondence relates to an item on your return.

General Toll-Free Phone Service

Telephone assistance is available year-round from 7 a.m. until 7 p.m. Monday through Friday, except holidays.

From within the
United States, call . . . . . (800) 852-5711
From outside the United
States, call (not toll-free) . (916) 845-6500

Assistance for persons with disabilities:
The FTB complies with the Americans with Disabilities Act. Persons with a hearing or speech impairments, call:

From TTY/TDD . . . . . (800) 822-6268
(Direct line to FTB customer service)

Asistencia bilingüe en español:
Asistencia telefónica esta disponible todo el año durante las 7 a.m. y las 7 p.m. lunes a viernes, excepto días festivos.

Dentro de los Estados Unidos,
llame al. . . . . (800) 852-5711
Fuera de los Estados Unidos,
llame al (cargos aplican) . . (916) 845-6500

Página Electrónica:
www.ftb.ca.gov

Asistencia para personas discapacitadas:
El FTB está en conformidad con el Acta de Americanos Discapacitados. Personas con problemas auditivos o de habla pueden llamar:

De TTY/TDD – Línea directa al servicio de clientes del FTB (800) 822-6268

EZ Contact Information

For business eligibility or zone related information, including questions regarding EZ geographic boundaries, contact the zone manager of the local zone in which the business is located. Local Zone managers are listed in the State's official Zone Website at **www.hcd.ca.gov/fa/cdbg/ez**.

For information that is not tax-specific or zone-specific, you may contact the Department of Housing and Community Development at:

FINANCIAL ASSISTANCE DIVISION
CALIFORNIA TAX INCENTIVES PROGRAMS
DEPARTMENT OF HOUSING AND
COMMUNITY DEVELOPMENT
1800 THIRD STREET, SUITE 390
SACRAMENTO CA 95814

Tel: (916) 322-1112

or you may also contact:

FRANCHISE TAX BOARD
Telephone: (916) 845-3464
FAX: (916) 845-6791
Website: **www.ftb.ca.gov**