

## **1000 INTRODUCTION TO ECONOMIC DEVELOPMENT AREAS**

California currently has four types of Economic Development Areas (EDAs) that have related tax incentives:

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

Taxpayers who conduct business activities within the boundaries of one of these areas or zones may qualify for special state tax incentives.

In prior years, special tax incentives were also available for taxpayers that conducted business activities within the boundaries of the former:

- Los Angeles Revitalization Zone (LARZ).
- Program Areas.
- Enterprise Zone

The LARZ incentives applied to taxable years beginning on or after January 1, 1992, and before January 1, 1998.

The Program Area incentives applied to taxable years beginning on or after January 1, 1985, and before January 1, 1997. For taxable years beginning on or after January 1, 1997, Program Areas were converted to EZs and are entitled to the benefits available to EZs.

## **1100 Mechanisms for Designating Economic Development Areas**

### ***1110 Enterprise Zone Act / Employment and Economic Incentive Act***

The *Enterprise Zone Act* and the *Employment and Economic Incentive Act*, which became effective on March 20, 1984, established the mechanisms for designating economic development areas referred to as *Enterprise Zones* (EZs) and *Program Areas* in California. Special tax incentives are available for entities and individuals that operate or invest in a business located within designated EZs or Program Areas.

No more than 42 EZs may be designated at any one time (per Government Code Section 7073). Currently, there are 42 designated or conditionally designated EZs. See *Enterprise Zone Locations and Designation Dates*, Section 1310.

EZ designations are effective for 15 years. An additional 5year extension may be allowed if the EZ meets certain criteria. The California Department of Housing & Community Development approves extensions via an application process.

### ***1120 Local Agency Military Base Recovery Area Act***

The Local Agency Military Base Recovery Area Act, which became effective on October 11, 1993, established the mechanisms for designating Local Agency Military Base Recovery Areas (LAMBRA) to stimulate growth and development in areas that experience military base closures. A taxpayer that conducts a trade or business within a LAMBRA, and within the first two taxable years after commencing business has a net increase in jobs (defined as 2,000 paid hours per employee per year) of one or more employees in the LAMBRA, may qualify for special incentives.

The law provides for the designation of eight (8) LAMBRA (Government Code Section 7113.5). Tax incentives are not available until an area has received final designation from the California Department of Housing & Community Development. Designations are effective for eight years. See *LAMBRA Locations and Designation Dates*, Section 1320.

### ***1130 Enterprise Zone Act – Manufacturing Enhancement Area***

Effective January 1, 1998, the law provides for the designation of two (2) Manufacturing Enhancement Areas (Government Code Section 7073.8). Both of the Manufacturing Enhancement Areas (MEAs) have been designated. A special tax incentive is available for entities and individuals that operate or invest in a business located within the designated MEA.

Designations expire December 31, 2012. See *MEA Locations and Designation Dates*, Section 1330.

### ***1140 Targeted Tax Area***

The Targeted Tax Area (TTA) was established to stimulate development in a selected economically depressed area. Special tax incentives are available for entities and individuals that operate or invest in a business located within the designated TTA.

The law provides for the designation of one (1) Targeted Tax Area (Government Code Section 7097). The Targeted Tax Area designation expires October 31, 2013. See *TTA Locations and Designation Date*, Section 1340.

### ***1200 Expired Economic Development Areas***

The following expired EDAs were operative in prior years:

- Los Angeles Revitalization Zone (LARZ);
- Program Areas; and
- Enterprise Zones.

The LARZ was established in the areas of Los Angeles County that suffered from civil disturbances in April and May, 1992. Taxpayers conducting business activities in this zone could qualify for special state tax incentives similar to the EZ. The LARZ became operative on May 1, 1992, and the tax incentives were applicable for taxable years beginning on or after January 1, 1992 and before January 1, 1998. The LARZ geographic area expired on December 1, 1998. See *LARZ Locations and Designation Date*, Section 1350.

The first Program Areas were designated October 15, 1986. Program Area tax incentives were available for taxable years beginning before January 1, 1997. Taxpayers conducting business activities within a Program Area had to be

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certified by the California Technology, Trade & Commerce Agency as meeting specified work force standards to take advantage of the Program Area tax incentives. Program Areas were converted into EZs effective for taxable years beginning on or after January 1, 1997. All carryover credits and NOLs were converted into EZ carryovers for use in future years. The expiration dates of the Program Areas remained unchanged as a result of the conversion. See *Program Area Locations and Designation Dates*, Section 1360.

A large number of EZs expired in 2006 and 2007.

<b>Location of Expired EZ</b>	<b>Designation Date</b>	<b>Expiration Date</b>
Altadena/Pasadena	04/10/1992	04/09/2007
Bakersfield/Kern (SE Bakersfield)	10/15/1986	10/14/2006
Calexico	10/15/1986	10/14/2006
Coachella Valley	11/11/1991	11/10/2006
Delano	12/17/1991	12/16/2006
Eureka	10/15/1986	10/14/2006
Fresno	10/15/1986	10/14/2006
Long Beach	01/08/1992	01/07/2007
Los Angeles-Central City	10/15/1986	10/14/2006
Los Angeles-Mid Alameda Corridor	10/15/1986	10/14/2006
The City of Lynwood	10/15/1986	10/14/2001
Los Angeles-NE Valley	10/15/1986	10/14/2006
Merced/Atwater	12/17/1991	12/16/2006
Oroville	11/06/1991	11/05/2006
Porterville	10/15/1986	10/14/2006
Redding/Anderson (Shasta Metro)	11/06/1991	11/05/2006
Richmond	03/02/1992	03/01/2007
Sacramento-Northgate	10/15/1986	10/14/2006
San Bernardino/Riverside (Agua Mansa)	10/15/1986	10/14/2006
San Diego- Metro	10/15/1986	10/14/2006
San Diego- South Bay	01/28/1992	01/27/2007
San Francisco	05/28/1992	05/27/2007
San Jose	12/31/1986	12/30/2006
Yuba/Sutter	10/15/1986	10/14/2006

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The EZ incentives expire as follows:

	<b>Expiration of Enterprise Zone Incentives</b>
<b>Hiring Credit</b>	The enterprise zone hiring credit is allowed for a full five-year period of employment from the date of hire for those employees hired prior to the expiration date of the enterprise zone as provided for by statute.
<b>Sales or Use Tax Credit</b>	The enterprise zone sales or use tax credit is allowed for qualified property purchased and placed in service up to the expiration date of the enterprise zone as provided for by statute.
<b>Business Expense Deduction</b>	The enterprise zone business expense deduction is allowed for qualified property purchased and placed in service up to the expiration date of an enterprise zone.
<b>Net Operating Loss</b>	The enterprise zone net operating loss is allowed for losses attributed to a taxpayer's trade or business activities within the enterprise zone prior to the expiration of the enterprise zone. To determine this loss, the entire full year loss is computed as if the taxpayer operated in the enterprise zone the entire year, and then this loss is apportioned to the enterprise zone based on the number of days the taxpayer conducted business in the enterprise zone (numerator), as compared to the number of days in the tax year (denominator).
<b>Net Interest Deduction</b>	The enterprise zone net interest deduction is allowed for interest payments received on or before the expiration date of the enterprise zone.

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### ***1300 Geographic Boundaries***

A business may qualify for special tax incentives if it operates or invests in a trade or business located within the geographic boundaries of one of the EDAs. EDA geographic boundary information is available from:

Department of Housing and Community Development  
Division of Financial Assistance  
State Enterprise & Economic Development Section  
1800 Third Street, Suite 390-1  
Sacramento, CA 95811

Telephone: (916) 322-1554  
FAX: (916) 327-6600  
Website: [www.hcd.ca.gov](http://www.hcd.ca.gov)

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### ***1310 Enterprise Zone Locations and Designation Dates***

Beginning in 2006, a large number of EZs were set to expire, however the expired EZs could apply with HCD for a new conditional designation. Many EZs were granted conditional designation. AB 1550 was enacted to address issues related to the gap period between final designation of a new zone and the expiration date of the old zone (thus resulting in an interruption of tax incentives). It allowed conditionally designated EZ, in certain situations to offer all enterprise zone benefits the day after the expiration date of the expiring zone, or until HCD declines to designate. For example, if an EZ expired on October 14, 2006, new EZ incentives would be available from October 15, 2006 forward. With the new law there are now 4 types of zones:

- Current EZ Designations - Continue to earn incentives until the expiration of the EZ. A separate FTB 3805Z is necessary to take these incentives.
- Expired EZs - May continue earning, using incentives, or carryover credits after expiration. A separate FTB 3805Z is necessary to take these incentives. (See EDAM 1200 for a listing of expired EZs and how the incentives expire).
- Conditional EZ Designations - These EZs begin to earn incentives the day after the former EZ expired. The EZ will expire 15 years after the expiration of the former EZ or on the date HCD declines to designate<sup>1</sup>. A separate FTB 3805Z is necessary to take these incentives.
- EZs Pending Final Designation - These EZs have not received final designation and will not be entitled to incentives unless or until HCD issues a final designation letter.

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<sup>1</sup> Government Code section 7074.2 states as follows:

(c) Notwithstanding any other provision of law, an expiring enterprise zone that applies for a new enterprise zone designation pursuant to Section 7073 or 7073.1, and receives a conditional designation letter from the department, may offer, and a taxpayer doing business within the geographic boundaries of the new zone referenced in the conditional designation letter shall be eligible to receive, all enterprise zone benefits until the department makes a final designation or declines to redesignate the zone. The department shall make the effective date of the new zone the date of expiration of the previous designation and the term of the new zone shall begin on that date.

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## Current Designations

<b>Location</b>	<b>Designation Date</b>	<b>Expiration Date</b>
Antelope Valley	02/01/1997	01/31/2012
Barstow	02/01/2006	01/31/2021
Compton	08/01/2007	07/31/2022
Fresno County	06/27/2007	06/26/2022
Imperial Valley	03/01/2006	02/28/2021
Kings County	06/22/1993	06/21/2008
Lindsey	10/06/1995	10/05/2010
Los Angeles-Eastside	01/11/1998	01/10/2008
Los Angeles-Harbor Area	03/04/1989	03/03/2009
Madera	03/04/1989	03/03/2009
Pittsburg	01/11/1998	01/10/2008
Oakland	09/28/1993	09/27/2008
Sacramento Army Depot	10/04/1994	10/03/2009
Sacramento-Florin/Perkins	04/05/1989	04/04/2009
Santa Ana	06/08/1993	06/07/2008
Santa Clarita	07/01/2007	06/31/2022
Shafter	10/04/1995	10/03/2010
Siskiyou County (Shasta Valley)	06/22/1993	06/21/2008
Stanislaus	11/16/2005	11/15/2020
Stockton	06/22/1993	06/21/2008
Watsonville	05/01/1997	04/30/2012
West Sacramento	01/11/1998	01/10/2008

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## Conditional Designations

<b>Location</b>	<b>Designation Date</b>	<b>Expiration Date *</b>
Calexico	10/15/2006	10/14/2021
Coachella Valley	11/11/2006	11/10/2021
Delano	12/17/2006	12/16/2021
Eureka	10/15/2006	10/14/2021
Fresno City	10/15/2006	10/14/2021
Long Beach	01/08/2007	01/07/2022
Los Angeles	10/15/2006	10/14/2021
Merced County	12/17/2006	12/16/2021
North Sacramento (City and County)	10/15/2006	10/14/2021
Oroville	11/06/2006	11/05/2021
Pasadena	04/10/2007	04/09/2022
Richmond	03/02/2007	03/01/2022
San Bernardino	10/15/2006	10/14/2021
San Diego	10/15/2006	10/14/2021
San Francisco	05/28/2007	05/27/2022
San Jose	12/31/2006	12/30/2021
Shasta	11/06/2006	11/05/2021
Yuba/Sutter	10/15/2006	10/14/2021

\* The EZ will expire 15 years after the conditional designation date (as shown) or on the date HCD declines to designate.

## Pending Final Designations

<b>New Designations</b>	<b>Designated Date</b>	<b>Expiration Date</b>
Arvin	Unknown	Unknown
Southgate/Lynwood	Unknown	Unknown

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### ***1320 LAMBRA Locations and Designation Dates***

The law provides for the designation of eight (8) LAMBRA (Government Code Section 7113.5). There are currently eight (8) LAMBRA, designated on the dates shown:

<b>Location</b>	<b>Designation Date</b>	<b>Expiration Date</b>
Castle Airport Aviation & Development Center*	06/01/1996	05/31/2012
Southern California Logistics Airport*	02/01/1996	02/20/2010
Mare Island	01/01/1999	01/31/2008
San Bernardino International Airport & Trade Ctr.	04/01/2000	03/31/2008
Alameda Point	06/01/2000	05/31/2008
Mather Field & McClellan Park	07/01/2000	06/30/2008
Liberty Station	06/01/2001	05/31/2009
Tustin Marine Corps Air Station in Tustin	09/01/2001	08/31/2009

\* The Southern California Logistics Airport LAMBRA was set to expire on January 31, 2004 and the Castle Airport Aviation & Development Center LAMBRA was set to expire on May 31, 2004. The California Department of Housing & Community Development (HCD) extended the Southern California Logistics Airport LAMBRA expiration date to February 20, 2010, and the Castle Airport Aviation & Development Center LAMBRA to May 31, 2012 (pursuant to the requirements of AB 2875 - Gov't Code Section 7110.5).

**NOTE:** LAMBRA tax incentives are not available until an area has received final designation from the HCD.

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### ***1330 MEA Locations and Designation Dates***

The law provides for the designation of two (2) Manufacturing Enhancement Areas (Government Code Section 7073.8). Both of the Manufacturing Enhancement Areas were designated on the dates shown:

<b>Location</b>	<b>Designation Date</b>	<b>Expiration Date</b>
Brawley	10/01/1998	12/31/2012
Calexico	10/01/1998	12/31/2012

### ***1340 TTA Locations and Designation Date***

The law provides for the designation of one (1) Targeted Tax Area (Government Code Section 7097).

All of the incorporated cities in Tulare County and portions of the unincorporated areas of Tulare County received final designation as the TTA, effective November 1, 1998. The TTA expires December 31, 2012. The eight (8) incorporated cities in Tulare County are:

- Dinuba
- Exeter
- Farmersville
- Lindsay
- Porterville
- Tulare
- Visalia
- Woodlake

### ***1350 LARZ Locations and Designation Dates***

The zone boundaries were designated 12/31/92 but were effective retroactively for qualified costs paid or incurred on or after 05/01/92 or 09/01/92. **Note:** Effective 1/1/96, the LARZ geographic area was re-determined (downsized) to eliminate previously qualified addresses. For taxpayers who operate in the portion of the LARZ that was excluded when the LARZ was downsized, LARZ benefits that were incurred when the LARZ designation was effective are still allowed after downsizing (carryover amounts). With regard to the applicability of LARZ benefits incurred after the downsize of the LARZ, generally, they are no

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longer available as of the first day of the taxable year beginning on or after the determination date (01/01/1996).

- Compton
- Hawthorne
- Huntington Park
- Inglewood
- Lawndale
- Long Beach
- Los Angeles
- Lynwood
- Pomona
- Signal Hill
- Unincorporated Los Angeles County

**Note:** The LARZ expired on December 1, 1998.

### ***1360 Program Area Locations and Designation Dates***

Portions of the following areas were designated as Program Areas on the dates shown. Designations were effective for fifteen years.

<b>Location</b>	<b>Designation Date</b>
Los Angeles-East Area	01/11/1988
Los Angeles- Greater Watts	10/15/1986
Los Angeles-Wilmington/San Pedro/Harbor	03/03/1989
Madera	03/03/1989
Pittsburg	01/11/1988
Sacramento-Northgate	10/15/1986
Sacramento-Oak Park/Florin-Perkins	04/05/1989
S.E. Bakersfield	10/15/1986
West Sacramento	01/11/1988

**Note:** For taxable years beginning on or after January 1, 1997, Program Areas were converted to EZs and are entitled to the benefits available to EZs.

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### **1400 Tax Incentives**

The specific tax incentives available and the relevant California Revenue & Taxation Code (CR&TC) sections, include the following:

#### **EZ**

- Hiring Credit - CR&TC §17053.74 & 23622.7
- Sales or Use Tax Credit - CR&TC §17053.70 & 23612.2
- Business Expense Deduction - CR&TC §17267.2 & 24356.7
- Net Interest Deduction - CR&TC §17235 & 24384.5
- Net Operating Loss - CR&TC §17276.2 & 24416.2

#### **LAMBRA**

- Hiring Credit - CR&TC §17053.46 & 23646
- Sales or Use Tax Credit - CR&TC §17053.45 & 23645
- Business Expense Deduction - CR&TC §17268 & 24356.8
- Net Operating Loss - CR&TC §17276.5 & 24416.5

#### **MEA**

- Hiring Credit - CR&TC §17053.47 & 23622.8

#### **TTA**

- Hiring Credit - CR&TC §17053.34 & 23634
- Sales or Use Tax Credit - CR&TC §17053.33 & 23633
- Business Expense Deduction - CR&TC §17267.6 & 24356.6
- Net Operating Loss - CR&TC §17276.6 & 24416.6

#### **LARZ (REPEALED)**

- General Hiring Credit - CR&TC §17053.17 & 23623.5
- Construction Hiring Credit - CR&TC §17053.10 & 23625
- Sales or Use Tax Credit - CR&TC §17052.15 & 23612.6
- Business Expense Deduction - CR&TC §17266 & 24356.4
- Net Interest Deduction - CR&TC §17233 & 24385
- Net Operating Loss - CR&TC §17276.4 & 24416.4

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**1500 References**

<b>Form Number</b>	<b>Form Name</b>
FTB 3553	Enterprise Zone Employee Credit
FTB 3805Z	Enterprise Zone Business Booklet
FTB 3806	Los Angeles Revitalization Zone Business Booklet
FTB 3807	Local Agency Military Base Recovery Area Business Booklet
FTB 3808	Manufacturing Enhancement Area Business Booklet
FTB 3809	Targeted Tax Area Business Booklet

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