

## **7000 ENTERPRISE ZONE EMPLOYEE WAGE CREDIT**

References 17053.75

A credit is available to qualified employees who earn qualified wages. The credit is equal to 5% of the employee's qualified wages for the year. The maximum credit may not exceed \$525.

### ***7100 Qualified Employee***

A qualified employee must meet *all* of the following requirements:

- At least 90% of the employee's work time is spent on activities that are directly related to the conduct of a trade or business within an EZ.
- At least 50% of the employee's work is performed within an EZ.
- The employee is *not* an employee of the federal government, the state of California, or a local government.

For information about the geographic boundaries of an EZ, refer to Section 2100.

### ***7200 Qualified Wages***

Qualified wages are those wages attributable to services performed by a qualified employee that do not exceed \$10,500 for any taxable year. Qualified wages do not include compensation received from the federal government, the state of California, or a local government. In addition, qualified wages do not include any wages received on or after the date the EZ designation expires, is no longer binding, or becomes inoperative. A large number of EZs expired in 2006 and 2007 (refer to Section 1200 for a complete listing of expired EZs).

### ***7300 Credit Limitations & Income Limitation***

#### ***7310 Credit Limitation***

The maximum amount of qualifying wages is \$10,500. For each dollar of income received by the employee that is in excess of the qualified wages (\$10,500), the credit shall be reduced by nine cents (\$0.09).

***7320 Zone Income Limitation***

For each eligible taxable year, the credit may only offset taxes due on the income earned within the EZ.

***7400 Credit Usage and Carryover***

This credit may not reduce regular tax below the tentative minimum tax (TMT).

There are no carryover provisions for the EZ Employee Wage credit. Any unused credit is not refundable and the credit may not be carried over to succeeding tax years.

***7500 Enterprise Zone Expiration***

A large number of EZs expired in 2006 and 2007 (refer to Section 1200 for a complete listing of expired EZs). The EZ employee wage credit is available for qualified employee on qualified wages received on or before the expiration date.

**Note:** The statute specifically provides that wages received are eligible for computing the employee wage credit. CR&TC §17053.75(a) Wages received does not include accrued wage amounts, or those amounts paid but not actually or constructively received by the employee.