California
Forms & Instructions

3808

2010
Manufacturing Enhancement Area
Business Booklet

Members of the Franchise Tax Board
John Chiang, Chair
Betty T. Yee, Member
Ana J. Matosantos, Member

This booklet contains:

Form FTB 3808, Manufacturing Enhancement Area Credit Summary

State of California
Franchise Tax Board

Instructions for Form FTB 3808
Manufacturing Enhancement Area Businesses

References in these instructions are to the Internal Revenue Code (IRC) as of **January 1, 2009,** and to the California Revenue and Taxation Code (R&TC).

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What's New

Assigned Credits to Affiliated Corporations – For taxable years beginning on or after January 1, 2010, California Revenue and Taxation Code Section 23663 allows an eligible assignee to claim assigned credits, received this taxable year or carried over from prior years, against its tax liabilities. R&TC Section 23663 allows assignor to assign an eligible credit to eligible assignee for taxable years beginning on or after July 1, 2008. For more information, get form FTB 3544A, List of Assigned Credit Received and/or Claimed by Assignee, and form FTB 3544, Election to Assign Credit Within Combined Reporting Group. Also, go to **ftb.ca.gov** and search for **credit assignment**.

Single Sales Factor Apportionment – For taxable years beginning on or after January 1, 2011, any apportioning trade or business, other than an apportioning trade or business under R&TC Section 25128(b), may make an irrevocable annual election on an original timely filed tax return to apportion California business income using the single sales factor. However, to calculate the California business income for the Manufacturing Enhancement Area (MEA), the income apportioning method must be used. Income apportioned to the MEA continues to be apportioned based on the property and payroll factors.

General Information

In general, for taxable years beginning on or after January 1, 2010, California law conforms to the Internal Revenue Code (IRC) as of January 1, 2009. 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, go to **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.

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 R&TC in the tax booklets. Taxpayers should not consider the tax booklets as authoritative law.

New Jobs Credit – For taxable years beginning on or after January 1, 2009, a new jobs credit against the net tax (individuals) or tax (corporations) is allowed for a qualified employer in the amount of $3,000 for each qualified full-time employee hired during the taxable year that increases the employer's number of full-time employees over the previous year. This is determined on an annual full-time equivalent basis. Any credits not used in the taxable year may be carried forward up to eight years. For more information, go to **ftb.ca.gov** and search for **new jobs** or get form FTB 3527, New Jobs Credit.

Important: An employee that is a qualified employee for the MEA hiring credit is not a qualified employee for the New Jobs credit.

Business Tax Credit Limitation – For taxable years beginning on or after January 1, 2008, and before January 1, 2010, business tax credits could only offset 50% of the tax (corporations) or net tax (individuals), if a corporation's taxable income was $500,000 or more, or if an individual's net business income was $500,000 or more.

Business tax credits disallowed due to the 50% limitation could be carried over. The carryover period for disallowed credits was extended by the number of taxable years the credits were not allowed. Taxpayers are required to keep track of the disallowed business tax credits on a worksheet and provide it to the Franchise Tax Board (FTB) upon request.

Other Limitation
If a taxpayer owns an interest in a disregarded business entity, the amount of the MEA hiring 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. For more information on disregarded business entities, get Form 568, Limited Liability Company Tax Booklet.

Minimum Wage
The California minimum wage is $8 per hour.

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

Introduction

Economic Development Area (EDA) Tax Incentives

California has established four types of 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 from the California Department of Housing & Community Development (HCD). Final designation is when the HCD designates an area to be an EDA. Tax incentives are available to individuals and businesses operating or investing within the geographic boundaries of the following EDAs:

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

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

- EZ tax incentives, FTB 3805Z, Enterprise Zone Business Booklet
- LAMBRA tax incentives, FTB 3807, Local Agency Military Base Recovery Area Business Booklet
- TTA tax incentives, FTB 3809, Targeted Tax Area Business Booklet

Reporting Requirement

California statutes require the 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 the EDAs in which the businesses are claiming the tax incentives.

Complete items A through J on Side 1 of form FTB 3808, Manufacturing Enhancement Area Credit Summary, as applicable. This information will be used to meet the FTB's statutory reporting requirement.

Purpose

This booklet provides specific information on the available MEA tax incentive. Taxpayers investing or operating within an MEA may be eligible for a hiring credit if, both the taxpayer and the hired employee meet the requirements of R&TC Sections 17053.47 and 23633.8. Use this booklet to determine the correct amount of hiring credit that a business may claim for operating or investing in a trade or business within an MEA. Complete the worksheets and

Schedule Z in this booklet for the MEA hiring credit. Then enter the hiring credit amount on form FTB 3808.

Manufacturing Enhancement Area Designation

California's two MEAs are the cities of **Brawley** and **Calexico**, located in Imperial County. These cities received their final designation as MEAs effective January 1, 1998. The MEA designation expires on December 31, 2012. The program offers a special tax incentive to encourage business and stimulate job creation in the area.

The geographic boundaries of an MEA are used to determine whether the tax incentive is available to a business in a specified location. For business eligibility or zone related information, including questions regarding MEA geographic boundaries, contact the local zone program manager in which the business is located. Go to **hcd.ca.gov** and search for **directory of zone contacts** for Directory of Economic Development Areas.

For information that is zone-specific, but not tax-specific, you may contact the HCD. See page 20 for the HCD contact information.

Forms List

Forms referred to in this booklet include:

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
FTB Pub. 1061	Guidelines for Corporations filing a Combined Report
Schedule C (100S)	S Corporation Tax Credit
Schedule K-1 (100S)	Shareholder's Share of Income, Deductions, 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.
Schedule R	Apportionment and Allocation of Income
FTB 3544	Election to Assign Credit Within Combined Reporting Group
FTB 3544A	List of Assigned Credit Received and/or Claimed by Assignee

Who Can Claim the MEA Tax Incentive?

The MEA hiring credit is available to individuals, sole proprietors, corporations, estates, trusts, and partnerships operating or investing in a business located within the designated MEA.

To take advantage of the hiring credit, a completed VoucherCert 10-07 must be obtained from the local agency responsible for verifying employee eligibility. Do not file VoucherCert 10-07 with your tax return. Keep it for your records. See the Manufacturing Enhancement Area Designation section on this page for more information on contacting your local agency.

How to Claim the Credit

To claim the MEA hiring credit, complete form FTB 3808 and attach it to your California tax return.

Attach a separate form FTB 3808 for each business you operate or invest in that is located within an MEA. Also, complete the following schedule and/or worksheets to report credits incurred:

- Corporations complete Schedule Z and all the worksheets, except for Worksheet II, Section B.
- Sole proprietors complete Schedule Z and all the worksheets.
- Trusts, estates and partnerships, complete Worksheet I and Worksheet II, Section A.
- Individual investors receiving pass-through MEA **credits**, complete Worksheet II, Section B and Schedule Z. All other investors, complete Worksheet II, Section A and Schedule Z.

Schedule Z is on Side 2 of form FTB 3808.

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

Form 540 filers:	Claim the MEA tax incentive on Form 540, lines 14 and 43 through 45, as applicable.
Long Form 540NR filers:	Claim the MEA tax incentive on Long Form 540NR, lines 14 and 58 through 60, as applicable.
Form 100 filers:	Claim the MEA tax incentive on Form 100, line 15, line 26, and line 27, as applicable.
Form 100S filers:	Claim the MEA tax incentive on Form 100S, line 12, line 19, line 24, and line 25, as applicable.
Form 100W filers:	Claim the MEA tax incentive on Form 100W, line 15, line 26, and line 27, as applicable.
Form 109 filers:	Check the "Yes" box for the MEA question I at the top of Form 109, Side 1.

Be sure to keep all completed worksheets and supporting documents for your records.

Form FTB 3808 – Instructions for items A through J

- For corporations, estates, trusts, partnerships, LLCs classified as partnerships, exempt organizations, and sole proprietors, complete items A through J.
- Investors of pass-through entities, complete items A through D. See form FTB 3808, Side 1 for more information.

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

To qualify for the MEA hiring credit, you must be engaged in a trade or business within the selected SIC listed on pages 15 and 16 of this booklet. Enter the SIC code of the establishment that qualifies you to take this credit on form FTB 3808, Side 1. If your business 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.

FTB implemented the PBA codes 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 R&TC. The PBA codes are listed on page 17 through page 19. Enter the PBA code of your principal activity on form FTB 3808, Side 1.

Part I – Hiring Credit and Recapture

Vouchering

Employers hiring qualified employees get the Form VoucherCert 10-07 from the local agency responsible for verifying employee eligibility. Do not file Form VoucherCert 10-07 with your tax return. Keep the voucher for your records. For vouchering questions, you may contact the HCD at 916.322.1554.

Line 1 Hiring Credit

A qualified taxpayer conducting a trade or business within an MEA may claim a hiring credit for wages paid or incurred to hire certain disadvantaged individuals. Qualified taxpayers must meet all of the following:

- Be engaged in a line of business described in Standard Industrial Classification (SIC) Codes 0211 through 0291, Code 0723, or

Codes 2011 through 3999 of the Standard Industrial Classification Manual, 1987 Edition.

- Conduct a trade or business within the MEA.
- Have at least 50% of its workforce that was hired after the MEA designation, be residents of the county in which the MEA is located at the time of hire.
- Have at least 30% of the qualified county resident workforce described above be qualified disadvantaged individuals.

A "qualified disadvantaged individual" is an individual who at the time hired was any of the following:

a. A person receiving or determined to be eligible to receive services funded by the federal Job Training Partnership Act (JTPA), or its successor.
b. Any voluntary or mandatory registrant under the Greater Avenues for Independence Act of 1985 (GAIN), or its successor.
c. A person who has been certified eligible by the Employment Development Department under the federal Targeted Jobs Tax Credit Program, or its successor, whether or not this program is in effect.

An employer may claim a credit for the qualified wages paid or incurred to a qualified disadvantaged individual who meets all of the following:

- Was hired after the MEA received its final designation.
- Spends at least 90% of his or her work time for the qualified employer on activities directly related to the conduct of a qualified trade or business activity within the boundaries of the MEA.
- Performs at least 50% of the work for the qualified employer within the boundaries of the MEA.

The percentage of wages used to compute the credit depends on the number of years the employee works for the employer in the MEA. 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 or incurred to hire a qualified disadvantaged individual for the consecutive 60-month period beginning on the first day the individual 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.
- 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 MEA hiring credit. The current minimum wage is $8.00 per hour. For purposes of computing the MEA hiring credit, 150% of the minimum wage is $12.00 per hour.

Example:
John Anderson was hired on January 1, 2010. John's hourly rate for the first month was the minimum wage ($8.00). At the beginning of the second month, his hourly rate increased to $8.50. In the third month, John's hourly rate increased to $12.50. The hourly rate that qualifies for the credit is limited to 150% of the minimum wage, or $12.00 per hour. The amount of qualified wages is computed as follows:

Month(s)	Hours per month x	Hourly rate allowed =	Qualified wages per month
1	175	$ 8.00	$1,400.00
2	170	8.50	$1,445.00
3	170	12.00	$2,040.00

Record Keeping
For each qualified employee, keep records and a schedule of the first 60 months of employment showing (at least) the following:

- Employee's name.
- Date the employee was hired.
- The employee's address at the time of hire.
- 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% of the minimum wage.
- Location of the employee's job site and duties performed.
- Total qualified wages per month for each month of employment.

Line 2 Credit Recapture

Employers recapture (add back to the tax liability) the amount of credit attributable to an employee's wages if the employer terminates the employee at anytime during the longer of the following:

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

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

- The employer terminates the employee before the completion of 270 days of employment.
- 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).

Employers 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.

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

- Voluntary on the part of the employee.
- In response to misconduct of the employee. See Cal Code Regs., tit. 22 sections 1256-30 to 1256-43, for further information on misconduct.
- 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.
- Due to a substantial reduction in the employer's trade or business operations.

Instructions for Worksheet I – Hiring Credit & 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 the qualified wages paid or incurred during the taxable year to each employee listed in column (a) in the appropriate column.

Line 2, column (b) through column (f) – Add the amounts in each column. The cumulative qualified wages used to compute the MEA hiring credit cannot exceed $2,000,000. This limit applies for **each** taxable year.

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 MEA hiring credit is reduced by the amount of the federal jobs tax credit from the Work Opportunity Tax Credit (WOTC) claimed for this year. The reduction applies for those employees who are hired on or after January 1, 2010, and before August 31, 2011 (excluding unemployed veterans and disconnected youth as described in IRC Section 51[d][14]).

No other California jobs tax credit may be claimed for the same wage expense paid to employees shown in line 1, column (a).

Important: An employee that is a qualified employee for the MEA hiring credit is not a qualified employee for the New Jobs credit.

Line 6 – For partnerships, enter the amount from line 6, on form FTB 3808, Side 1, Part I, line 1. Also, include the current year hiring credit amount on Forms 565 and 568, Schedule K, line 15f and the distributive share of the credit to partners and members on Schedule K-1 line 15f. In addition, add the entire amount of the credit on Schedule K, line 1, column (c).

Worksheet I Hiring Credit & Recapture — Manufacturing Enhancement Area

Section A Credit Computation

	(a) Employee's name	(b) 1st year	(c) 2nd year	(d) 3rd year	(e) 4th year	(f) 5th year
		Qualified wages paid or incurred for year of employment				
1						
2	Total. See instructions					
		.50	.40	.30	.20	.10
3	Multiply line 2 by the percentage for each column. See instructions					

4	Add line 3, column (b) through column (f)	4	
5	Enter the amount of the 2010 federal jobs tax credit allowed. See instructions	5	
6	Subtract line 5 from line 4. See instructions You cannot take the MEA hiring credit as well as another credit for the same wage expense.	6	

Section B Credit Recapture

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

For corporations, individuals, estates, and trusts, enter the amount from line 6 on Schedule Z, as follows:

- Part II, line 6B, column (b) for corporations, individuals, and estates and trusts.
- Part III, line 7, column (b) for S corporations.
- Part IV, line 8, column (b) for corporations and S corporations subject to paying only the minimum franchise tax.

Important: Affiliated corporations that received credits assigned under R&TC Section 23663, do not include the assigned credits received on this worksheet. Those credits are entered and tracked on form FTB 3544A.

Credit Limitations

- The cumulative qualified wages used to compute the MEA hiring credit cannot exceed $2,000,000. This limit applies for **each** taxable year, regardless of the number of qualified disadvantaged individuals employed.
- Businesses must reduce any deduction for wages by the amount of the MEA hiring credit on Worksheet I, Section A, line 6.
- S corporations may claim only 1/3 of the credit against the 1.5% entity-level tax (3.5% for financial S corporations). S corporations can pass through 100% of the credit to their shareholders. S corporations must reduce their wage deduction by 1/3 of the amount on Worksheet I, Section A, line 6 and on Form 100S, line 7. In addition, the S corporation must make an adjustment for the entire amount of the credit on Schedule K (100S), line 1, column (c).

Example: In 2010, an S corporation qualified for a $3,000 MEA hiring credit. The S corporation can claim a credit for $1,000 ($3,000 x 1/3). 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 MEA business income in any year. Use Schedule Z to compute the credit limitation.
- Where a wage expense qualifies for the MEA hiring credit as well as another credit, the business may claim only one credit for that wage expense.
- The business may carry over any unused hiring credit to future years until the credit is exhausted. In the case of an S corporation, 1/3 of the credit can be carried over if it cannot be used in the current year. The remaining 2/3 must be disregarded and may not be carried over.

For more information about the treatment of credits for S corporations, see instructions for Schedule Z.

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 3808, Side 1, line 2.

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

- Form 100, Schedule J, line 5.
- Form 100S, Schedule J, line 5 and Schedule K-1 (100S), line 17d.
- Form 100W, Schedule J, line 5.
- Form 109, Schedule K, line 4.
- Form 540, line 63.
- Long Form 540NR, line 73.
- Form 541, line 21b and Schedule K-1 (541), line 14d.
- Form 565, Schedule K, line 20c and Schedule K-1 (565), line 20c.
- Form 568, Schedule K, line 20c and Schedule K-1 (568), line 20c.

Indicate that you included the hiring credit recapture on your tax return by writing "**FTB 3808**", in the space provided on the schedule or form.

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.

Part II – Portion of Business Attributable to the Manufacturing Enhancement Area

The MEA tax incentive is limited to the tax on business income attributable to operations within the area. If the business is located within and outside an MEA, or in more than one MEA, you must determine the portion of total business income that is attributable to each MEA.

Business Income vs. Nonbusiness Income

Only business income is apportioned to the MEA to determine the incentive limitation.

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 further references and examples of nonbusiness income.

For an individual, business income includes but is not limited to, California business income or loss from federal Form 1040, Schedules C,D,E,F, and California Schedule D-1 (or federal Form 4797, Sales of Business Property, if California Schedule D-1 is not needed), 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.

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 from the MEA.

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

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

Report these items as other income on Schedule K-1 (100S, 541, 565, or 568).

Form 540 and Long Form 540NR filers, refer to Worksheet II, Section B to compute business income apportioned to the MEA.

For business entities, including sole proprietors, use Worksheet II, Section A to compute business income apportioned to the MEA.

Apportionment

Business income is apportioned to an MEA by multiplying the total California business income of the taxpayer by a fraction. The fraction consists of the numerator which is the property factor plus the payroll factor, and the denominator, which is two. If a taxpayer conducts businesses in more than one MEA, the MEA apportionment factor and credit limitations are computed separately for each MEA.

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.

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 aggregate annual subrental rates paid by subtenants.

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 MEA during the taxable year to produce MEA business income. See Worksheet II, Section A, column (b).

The denominator of the property factor is the total average value of all real and tangible personal property owned or rented and used during the taxable year within California. See Worksheet II, Section A, 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 payment 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 MEA

Compensation is considered to be within the MEA if any of the following tests are met:

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

   Incidental means any temporary or transitory service rendered in connection with an isolated transaction.
3. If the employee's services are performed within and outside the MEA, the employee's compensation is attributed to the MEA if any of the following tests are met:
   A. The employee's base of operations is within the MEA.
   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 MEA.
   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 MEA.

   Base of operations is the permanent place from which the 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.

The numerator of the payroll factor is the total compensation paid to employees for working within the MEA during the taxable year. See Worksheet II, Section A, column (b).

The denominator of the payroll factor is the total compensation paid to employees working in California. See of Worksheet II, Section A, column (a).

Corporations Filing a Combined Report
Business income for each corporation doing business in an MEA will be its business income apportioned to California. Get FTB Pub. 1061 for further information on combined reports and entity income apportionment. The MEA property and payroll factors used in the determination of MEA business income includes only the taxpayer's California amounts in the denominator.

Example: Computation of MEA business income apportioned to each entity operating within the MEA
Parent Corporation A has two subsidiaries, B and C. Corporations A and B operate within an MEA. 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 and B's share of California business income is $228,000 and $250,000 respectively. Corporation A and B's separate MEA and separate California property and payroll factor amounts are shown in the example below.

Business income apportioned to the MEA was determined as follows:

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

Instructions for Worksheet II Income or Loss Apportionment – Manufacturing Enhancement Area

If the business operates solely within a single MEA and all its property and payroll are solely within that single MEA, enter 100% (1.00) on Section A, line 4, column (c). Do not complete the rest of Worksheet II.

Section A – Income Apportionment

Use Worksheet II, Section A, Income Apportionment, to determine the amount of business income apportioned to the MEA. The apportioned MEA business income determines the amount of the tax incentive that can be used.

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

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

Worksheet II Income or Loss Apportionment – Manufacturing Enhancement Area

Section A Income Apportionment

Use Worksheet II, Section A, if your business has net income from sources within and outside an MEA.	(a) Total within California	(b) Total within an MEA	(c) Percentage within an MEA 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 tax 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 3808, Side 1, line 3			

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 MEA. 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 MEA, the average apportionment percentage would be computed by dividing line 3 by one instead of by two as normally instructed.

Section B – Income or Loss

Form 540 and Long Form 540NR filers, use Worksheet II, Section B to determine the amount to enter on 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 MEA.

The first step is to determine which portion of the taxpayer's net income is "business income" and which portion is "nonbusiness income," since only business income is apportioned to the MEA. See Part II on page 6, Portion of Business Attributable to the Manufacturing Enhancement Area, for a complete discussion of business and nonbusiness income.

Business income or loss reported on federal Form 1040 Schedules C, C-EZ, E, F, and other schedules are reported on lines 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 MEA must determine the MEA wage income by entering the percentage of the time that they worked within the MEA in column (b). The percentage of time should be for the same period 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 MEA from which you received MEA tax incentives, see the example below for computing business income in the MEA.

Example:

Pass-through entity	Trade or business income from Schedule K-1 (100S, 541, 565, or 568)	Entity's MEA apportionment percentage	MEA 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
Located Entirely Within the MEA

Line 6 – Line 9: If your business operation reported on federal Form 1040 Schedule C, C-EZ, E, F, or other schedule is entirely within the MEA, 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 MEA, 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, 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 II, Section A.

Enter the percentage from Worksheet II, Section A, line 4, column (c) on Worksheet II, Section B, 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 II, Section A. Enter the percentage from Worksheet II, Section A, line 4, column (c) on Worksheet II, Section B, column (b).

Located Within and Outside California and the MEA

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

When computing Schedule R, disregard any reference to Form 100, Form 100W, Form 565, or Form 568. Also, disregard any reference to Schedules R-3, R-4, or R-5.

Nonresidents that have an apportioning business that operates within the MEA 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 MEA 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 MEA and California, get Schedule R and complete Schedule R-1. Multiply the gain or loss reported by the apportionment percentage on Schedule R-1, line 5 and enter the result in column (a). To determine the apportionment percentage in column (b), complete Worksheet II, Section A. Enter the percentage from Worksheet II, Section A, line 4, column (c) on Worksheet II, Section B, column (b).

Line 14 – If, in computing your income or loss, the result on line 14, column (c), is a **negative** amount, you do not have any business income attributable to the MEA. You cannot use any of the MEA hiring credit in the current taxable year.

If the amount on line 14, column (c), is a **positive** amount, enter the amount on Schedule Z, Part I, line 1 and line 3 (skip line 2).

Worksheet II **Income or Loss Apportionment – Manufacturing Enhancement Area (continued)**

Section B **Income or Loss Apportionment**

Part I **Individual Income and Expense Items.** See instructions.

	(a) Amount	(b) Percentage of time providing services in the MEA	(c) Apportioned amount (a) x (b)
1 Wages			
2 Employee business expenses			
3 Total. Add line 1, column (c) and line 2, column (c)			

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 MEA from Schedule K-1 (100S, 541, 565, or 568) including capital gains and losses
4	
5 Total. Add line 4, column (b)	

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

	(a) Business income or loss	(b) Apportionment Percentage for the MEA	(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 Total. Add line 6 through line 9, column (c)			
	(a) Business gain or loss	**(b)** Apportionment Percentage for the MEA	**(c)** Apportioned gain or loss (a) x (b)
11 Schedule D			
12 Schedule D-1			
13 Total. Add line 11, column (c) and line 12, column (c)			
14 Total. Add line 3, line 10, and line 13, column (c), and line 5, column (b). See instructions			

Schedule Z – Computation of Credit Limitations

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

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

The MEA hiring credit you are otherwise eligible to claim may be limited. Do not apply the credit 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.

Assignment of Credits – Members of a Combined Reporting Group

For taxable years beginning on or after July 1, 2008, credit earned by members of a combined reporting group may be assigned to an affiliated corporation that is a member of the same combined reporting group. A credit assigned may only be applied by the affiliated corporation against their tax in a taxable year beginning on or after January 1, 2010. For taxable years before July 1, 2008, this credit could not be allocated or otherwise transferred to another taxpayer, even if the other taxpayer was a member of a unitary or combined group or otherwise affiliated with the taxpayer that earned the credit.

For more information, get form FTB 3544, or form FTB 3544A.

S Corporations and the Application of the MEA Hiring Credit

An S corporation may use its MEA hiring credit to reduce the MEA tax at both the corporate and shareholder levels.

An S corporation may use 1/3 of the MEA hiring credit to reduce the tax on the S corporation's MEA business income. In addition, S corporation shareholders may claim their pro-rata share of the entire amount of the MEA hiring credits

computed under the Personal Income Tax Law.

Example: In 2010, an S corporation qualified for a $3,000 MEA 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 MEA business income.

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

S corporations should attach form FTB 3808 to Form 100S, California S Corporation Franchise or Income Tax Return, to claim the MEA tax credit. If form FTB 3808 is not attached to the tax return, the credit may be disallowed.

Shareholders should attach Schedule(s) K-1 (100S) to their individual tax returns.

Carryover
If the amount of credit available this year exceeds your MEA tax, you may carry over any excess credit to future years until exhausted. Apply the carryover to the earliest taxable year(s) possible. In no event can the credit be carried back and applied against a prior year's tax. Generally, the credit cannot be transferred to another taxpayer, unless:

- There was a qualifying merger.
- The credit qualifies under R&TC Section 23663 for assignment to an affiliated corporation.

  For additional information, get form FTB 3544, or form FTB 3544A.

For S corporations, the amount of the 1/3 credit that is in excess of the 1.5% entity-level MEA 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.

If a C corporation had unused credit carryovers when it elected S corporation status, the carryovers were reduced to 1/3 and transferred to the S corporation. The remaining 2/3 were disregarded. The allowable carryovers may be used to offset the 1.5% tax on net income in accordance with the respective carryover rules. These C corporation carryovers may not be passed through to shareholders. For more information, get Schedule C (100S), S Corporation Tax Credits.

Credit Code Number
You must use credit code number **211** to claim the MEA hiring credit on your tax return. Using an incorrect code may cause a delay in allowing the credit.

Instructions for Schedule Z – Computation of Credit Limitations

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

- Partnerships do not complete Schedule Z. However, the partners and members of these types of entities should complete Schedule Z in order to determine the amount of the MEA hiring credit 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 MEA; and
- Separately state any distributive or pro-rata share of business capital gains and losses apportioned to the MEA included in the amount above.

S Corporations
Complete only Part I and 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 – Computation of Credit Limitations

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

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

Specifically, this percentage is the apportionment percentage computed by the entity using Worksheet II, Section A, and it represents the percentage of the entity's business income attributable to the MEA.

Line 4a – Compute the tax as if the MEA 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.

If the amount on line 4a is the minimum franchise tax ($800), you cannot use your MEA hiring credit this year. You should complete Part IV of Schedule Z to compute the amount of credit carryover.

Example: Determination of MEA 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 within an MEA and one outside an MEA. Eighty percent (80%) of the S corporation's business income is attributable to the MEA.

This percentage was determined by ABC, Inc. using Worksheet II, Section A, when ABC's S corporation tax return (Form 100S) was prepared.

John divides his time equally (50/50) between the two offices of ABC, Inc. Jackie Anderson (John's spouse/RDP) works for ABC, Inc. at its office located in the MEA.

John and Jackie Anderson have the following items of California income and expense for the 2010 taxable year:

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
John's unreimbursed employee expenses from Schedule A	(2,000)

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

John's MEA salary ($100,000 x 50%)	$50,000
Jackie's MEA salary ($75,000 x 100%)	75,000
Pass-through ordinary income from ABC, Inc. ($40,000 x 80%)	32,000
John's unreimbursed employee business expenses ($2,000 x 50%)	(1,000)
Total MEA income (Schedule Z, Part I, line 3)	$156,000

The standard deduction and personal or dependency exemptions are not included in the computation of MEA 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 4a) on the total MEA income of $156,000 (as if it represents all of their income).

Line 4b – Corporations and S Corporations: If the amount on line 4b is the minimum franchise tax ($800), you cannot use your MEA hiring credit this year. You should complete Part IV of Schedule Z to compute the amount of credit carryover.

Part II – Limitation of Credits for Corporations, Individuals, Estates, and Trusts

Corporations, individuals, estates, or trusts, use Schedule Z, Part II. Corporations and S corporations that are subject to paying only the minimum franchise tax, use Schedule Z, Part IV.

Line 6A, column (f) – Enter the amount from line 5. This is the amount of limitation based on the tax on MEA business income.

Line 6A, column (g) – 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 6A, column (f) or the amount computed on line 6B, column (e). Enter this amount on form FTB 3808, Side 1, line 1.

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

Line 6B, column (c) – Enter the amount of the total prior year carryover credit. This is the amount of credit that was previously figured on Worksheet I in the prior year, minus the amount that was allowed to be taken on the prior year tax return.

Line 6B, column (d) – Enter the amount of credit assigned to affiliated corporations that are members of the same combined reporting group from form FTB 3544 column (g). Only C corporations who completed the form will enter an amount in this column. Individuals, and Estates and Trusts, leave blank and go to column (e) instructions.

Line 6B, column (e) – Add the amount of the current year credit on line 6B, column (b) and the amount of the total prior year carryover on line 6B, column (c), then subtract the amount of the total credit assigned on line 6B, column (d).

Line 6B, column (f) – Compare the amounts on line 6A, column (f) and line 6A, column (g). Enter the smaller amount.

Line 6B, column (h) – Subtract the amount on line 6B, column (f) from the amount on line 6B, column (e). Enter the result on line 6B, column (h). This is the amount of credit that can be carried over to future years. This carryover includes both the Schedule P (100, 100W, 540, 540NR, or 541) limitation and the limitation based on MEA business income.

Part III – Limitation of Credits for S Corporations Only

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

Line 7, column (b) – Enter the amount of credit computed this year from Worksheet I. Also, enter this amount on Form 100S as follows:

- Schedule C, line 4
- Schedule K, line 13d

You may need to adjust your Schedule C (100S) to reflect the MEA tax limitation (Part I, line 5) on your credit after completing this worksheet.

Line 7, column (c) – Multiply the amount on line 7, column (b) by 1/3. Enter this amount in column (c). The amount in column (c) is the maximum amount of the current year credit that may be used by the S corporation to offset its 1.5% entity-level tax (3.5% for financial S corporations).

Line 7, column (d) – Enter the amount of the total prior year carryover of the credit (this is the amount of credit that was previously figured on Worksheet I in the prior year, minus the amount that was allowed to be taken on the prior year tax return).

Line 7, column (e) – Add the amount of the current year credit on line 7, column (c) and the amount of the total prior year carryover on line 7, column (d).

Line 7, column (f) – Enter the amount of credit that was used by the S corporation in the current year to offset its 1.5% entity-level tax (3.5% for financial S corporations). Enter this amount on form FTB 3808, Side 1, line 1.

Line 7, column (g) – Subtract the amount in column (f) from the amount in column (e). This is the amount of credit that can be carried over to future years and used by the S corporation.

Part IV – Limitation of Credits for Corporations and S Corporations Subject to Paying Only the Minimum Franchise Tax

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

Line 8, column (b) – Enter the amount of current year credit that was computed on Worksheet I. **S corporations** may enter only 1/3 of the amount from Worksheet I.

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

Line 8, column (d) – Enter the amounts of credits assigned to affiliated corporations that are members of the same combined reporting group from form FTB 3544, column (g). Only C corporations who completed the form will enter an amount in this column. S corporations, leave blank and go to column (e) instructions.

Line 8, column (e) – Add the amount of the current year credit on line 8, column (b) and the amount of the total prior year carryover on line 8, column (c), then subtract the amount of credit assigned on line 8, column (d). This is the amount of credit that can be carried over to future years.

Example: Part II

The ABC Business has $8,000 of tax. The business computed a credit limitation based on the MEA income of $7,000 on Schedule Z, line 5. The business has the following credits:

Hiring credit — $500 and a $300 carryover from a prior year

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 assigned from form FTB 3544 col. (g)	(e) Total credit sum of col. (b) plus col. (c), minus col. (d)	(f) Limitation based on MEA business income	(g) Credit used on Sch. P Can never be greater than col. (e) or col. (f)	(h) Total credit carryover col. (e) minus col. (f)
6 Hiring Credit	A					7,000	800	
	B	500	300	–0–	800	800		–0–

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Visit our website:

ftb.ca.gov

TAXABLE YEAR

2010

Manufacturing Enhancement Area Credit Summary

CALIFORNIA FORM

3808

Attach to your California tax return.

SSN or ITIN or California corporation number

Name(s) as shown on return

FEIN

Qualified taxpayer's SIC code. See instructions. ___ ___ ___ ___

Secretary of State (SOS) 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 Manufacturing Enhancement Area (MEA) business: _____

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

_____

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

_____

E. Enter the six-digit Principal Business Activity Code of the MEA Business . . . . . _____

F. Total number of employees in the MEA . . . . . _____

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 Hiring Credit and Recapture (Complete Schedule Z on Side 2 before you complete this part.)

1 Hiring credit from Schedule Z, line 6A, column (g) or line 7, column (f) . . . . . **1** _____

2 Recapture of hiring credit from Worksheet I, Section B, line 2, column (b) . . . . . **2** _____

Part II Portion of Business Attributable to the Manufacturing Enhancement Area

3 Enter the average apportionment percentage of your business that is in the MEA from Worksheet II, Section A, line 4. If your operation is entirely within one MEA, the average apportionment percentage is 100% (1.00) . . . . . **3** _____

Schedule Z Computation of Credit Limitations — Manufacturing Enhancement Area

Part I Computation of Credit Limitations. See instructions.

1	Trade or business income. **Individuals:** Enter the amount from Worksheet II, Section B, line 14, column (c) on this line and on line 3 (skip line 2). See instructions. Corporations which file a combined report, enter the taxpayer's business income apportioned to California (see Part II instructions)			1	
2	Corporations: Enter the average apportionment percentage from Worksheet II, Section A, line 4. See instructions			2	
3	Multiply line 1 by line 2			3	
4	a Compute the amount of tax due using the amount on line 3. See instructions	4a			
	b Enter the amount of tax from Form 540, line 35; Long Form 540NR, line 42; Form 541, line 21; Form 100, line 24; Form 100W, line 24; Form 100S, line 22; or Form 109, line 10. Corporations and S corporations, see instructions	4b			
5	Enter the smaller of line 4a or line 4b. This is the limitation based on the MEA income. Go to Part II, Part III, or Part IV. See instructions			5	

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 assigned from form FTB 3544 col. (g)	(e) Total credit sum of col. (b) plus col. (c), minus col. (d)	(f) Limitation based on MEA business income	(g) Credit used on Sch. P Can never be greater than col. (e) or col. (f)	(h) Total credit carryover col. (e) minus col. (f)
6 Hiring 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)
7 Hiring Credit							

Part IV Limitation of Credits for 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 assigned from form FTB 3544 col. (g)	(e) Total credit carryover sum of col. (b) plus col. (c), minus col. (d)
8 Hiring Credit					

Refer to page 3 for information on how to claim the credit.

Standard Industrial Classification Manual, 1987 Edition (Partial Listing)

The Standard Industrial Classification (SIC) Manual classifies business activities 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.

The SIC Manual is organized using a hierarchical structure. First by division, next 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.

For purposes of this publication, SIC Codes 0211 through 0291, Code 0723, or Codes 2011 through 3999 are listed since only taxpayers with establishments in these industry codes qualify for the MEA hiring credit.

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

NATIONAL TECHNICAL INFORMATION SERVICE
5301 Shawnee Road
Alexandria, Virginia 22312
Order No. PB 87-100012

Or to view this manual, go to **osha.gov** and search for **SIC code**.

The four-digit industry codes within Division D of the SIC Manual are: (*nec* means "not elsewhere classified")

3291	Abrasive products
2891	Adhesives & sealants
2879	Agricultural chemicals, nec
3563	Air & gas compressors
3728	Aircraft parts & equipment, nec
3724	Aircraft engines & engine parts
3721	Aircraft
2812	Alkalies & chlorine
3354	Aluminum extruded products
3355	Aluminum rolling & drawing, nec
3365	Aluminum foundries
3353	Aluminum sheet, plate, & foil
3363	Aluminum die-casting
3483	Ammunition, except for small arms, nec
3826	Analytical instruments
0273	Animal aquaculture
0279	Animal specialties, nec
2077	Animal & marine fats & oils
2387	Apparel belts
2389	Apparel & accessories, nec
3446	Architectural metal work
3292	Asbestos products
2952	Asphalt felts & coatings
2951	Asphalt paving mixtures & blocks
3581	Automatic vending machines
2396	Automotive & apparel trimmings
3465	Automotive stampings
2673	Bags: plastic, laminated, & coated
2674	Bags: uncoated paper & multiwall
3562	Ball & roller bearings
0211	Beef cattle feedlots
0212	Beef cattle, except feedlots
2063	Beet sugar
2836	Biological products except diagnostic substances
2782	Blankbooks & looseleaf binders
3312	Blast furnace & steel mills
3564	Blowers & fans
3732	Boat building & repairing
3452	Bolts, nuts, rivets, & washers
2731	Book publishing
2732	Book printing
2789	Bookbinding & related work
2086	Bottled & canned soft drinks
2342	Bras, girdles, & allied garments
2051	Bread, cake, & related products
3251	Brick & structural clay tile
2211	Broadwoven fabric mills, cotton
2221	Broadwoven fabric mills, manmade
0251	Broiler, fryer, and roaster chickens
2231	Broadwoven fabric mills, wool
3991	Brooms & brushes
3995	Burial caskets
3578	Calculating & accounting equipment
2064	Candy & other confectionery products
2062	Cane sugar refining
2033	Canned fruits & vegetables
2091	Canned & cured fish & seafood
2032	Canned specialties
2394	Canvas & related products
3955	Carbon paper & inked ribbons
2895	Carbon black
3624	Carbon & graphite products
3592	Carburetors, pistons, rings, & valves
2273	Carpets & rugs
2823	Cellulosic manmade fiber
3241	Cement, hydraulic
3253	Ceramic wall & floor tile
2043	Cereal breakfast foods
2022	Cheese, natural & processed
2899	Chemical preparations, nec
2067	Chewing gum
2131	Chewing & smoking tobacco
0252	Chicken eggs
2066	Chocolate & cocoa products
2111	Cigarettes
2121	Cigars
3255	Clay refractories
2295	Coated fabrics, not rubberized
3316	Cold finishing of steel shapes
2754	Commercial printing, gravure
2752	Commercial printing, lithographic
2759	Commercial printing, nec
3582	Commercial laundry equipment
3646	Commercial lighting fixtures
3669	Communication equipment
3577	Computer peripheral equipment, nec
3575	Computer terminals
3572	Computer storage devices
3271	Concrete block & brick
3272	Concrete products, nec
3531	Construction machinery
2679	Converted paper products, nec
3535	Conveyors & conveying equipment
2052	Cookies & crackers
3351	Copper rolling & drawing
3366	Copper foundries
2298	Cordage & twine
2653	Corrugated & solid fiber boxes
3961	Costume jewelry
2074	Cottonseed oil
2021	Creamery butter
0723	Crop preparation services for market
3466	Crowns & closures
3643	Current-carrying wiring devices
2391	Curtains & draperies
3087	Custom compound purchased resins
3281	Cut stone & stone products
3421	Cutlery
2865	Cyclic crudes & intermediates
0241	Dairy farms
2034	Dehydrated fruits, vegetables, & soups
3843	Dental equipment & supplies
2675	Die-cut paper products
2085	Distilled & blended liquors
2047	Dog & cat food
3942	Dolls & stuffed toys
2591	Drapery hardware & blinds & shades
2023	Dry, condensed, & evaporated dairy products
2079	Edible fats & oils, nec
3641	Electric lamps
3634	Electric housewares & fans
3699	Electrical equipment & supplies, nec
3629	Electrical industrial apparatus, nec
3845	Electromedical equipment
3313	Electrometallurgical products
3679	Electronic components, nec
3678	Electronic connectors
3671	Electron tubes
3675	Electronic capacitors
3676	Electronic resistors
3677	Electronic coils & transformers
3571	Electronic computers
3534	Elevators & moving stairways
3694	Engine electrical equipment
2677	Envelopes
3822	Environmental controls
2892	Explosives
2381	Fabric dress & work gloves
3499	Fabricated metal products, nec
3443	Fabricated plate work (boiler shops)
3498	Fabricated pipe & fittings
3069	Fabricated rubber products, nec
3441	Fabricated structural metal
2399	Fabricated textile products, nec
3523	Farm machinery & equipment
3965	Fasteners, buttons, needles, & pins
2875	Fertilizers, mixing only
2655	Fiber cans, drums, & similar products
2262	Finishing plants, manmade
2261	Finishing plants, cotton
2269	Finishing plants, nec
3211	Flat glass
2087	Flavoring extracts & syrups, nec
2041	Flour & other grain mill products
3824	Fluid meters & counting devices
3492	Fluid power valves & hose fittings
2026	Fluid milk
3594	Fluid power pumps & motors
3593	Fluid power cylinders & actuators
2657	Folding paperboard boxes
2099	Food preparations, nec
3556	Food products machinery
3131	Footwear cut stock
3149	Footwear, except rubber, nec
2092	Fresh/frozen prepared fish/seafood
2053	Frozen bakery products, except bread
2038	Frozen specialties, nec
2037	Frozen fruits & vegetables
0271	Fur-bearing animals and rabbits
2371	Fur goods
2599	Furniture & fixtures, nec
3944	Games, toys, & children's vehicles
3053	Gaskets, packing, & sealing devices
0291	General farms, primarily animal
3569	General industrial machinery, nec
0219	General livestock, nec
2369	Girls' & children's outerwear, nec
2361	Girls' & children's dresses, blouses
3221	Glass containers
3321	Gray & ductile iron foundries
2771	Greeting cards
3764	Guided missile & space vehicle parts
3769	Guided missile & space vehicle parts, nec

(continued on next page)

3761 Guided missiles & space vehicles
2861 Gum & wood chemicals
3275 Gypsum products
3423 Hand & edge tools, nec
3996 Hardsurface floor coverings, nec
2429 Hardware, nec
2426 Hardwood dimensions & flooring mills
2435 Hardwood veneer & plywood
2353 Hats, caps, & millinery
3433 Heating equip, except electric
0213 Hogs
3536 Hoists, cranes, & monorails
0272 Horses and other equines
2252 Hosiery, nec
2392 House furnishings, nec
3142 House slippers
3651 Household audio & video equipment
3635 Household vacuum cleaners
3631 Household cooking appliances
3633 Household laundry equipment
3639 Household appliances, nec
2519 Household furniture, nec
3632 Household refrigerators & freezers
2024 Ice cream & frozen desserts
3491 Industrial valves
2819 Industrial inorganic chem, nec
3599 Industrial machinery, nec
2869 Industrial organic chem, nec
3537 Industrial trucks & tractors
2813 Industrial gases
3543 Industrial patterns
3567 Industrial furnaces & ovens
2816 Inorganic pigments
3825 Instruments to measure electricity
3519 Internal combustion engines, nec
2835 In vitro & in vivo diagnostic substances
3462 Iron & steel forging
3915 Jewelers' materials & lapidary work
3911 Jewelry, precious metal
2253 Knit outerwear mills
2254 Knit underwear mills
2259 Knitting mills, nec
3821 Laboratory apparatus & furniture
2258 Lace & warp knit fabric mills
3083 Laminated plastic plate & sheet
3524 Lawn & garden equipment
3952 Lead pencils & art goods
3199 Leather goods, nec
2386 Leather & sheep-lined clothing
3111 Leather tanning & finishing
3151 Leather gloves & mittens
3648 Lighting equipment
3274 Lime
2411 Logging
2992 Lubricating oils & greases
3161 Luggage
2098 Macaroni, spaghetti, & noodles
3541 Machine tools, metal cutting types
3545 Machine tool accessories
3542 Machine tools, metal forming type
3695 Magnetic & optical recording media
3322 Malleable iron foundries
2083 Malt
2082 Malt beverages
2761 Manifold business forms
2097 Manufactured ice
3999 Manufacturing industries, nec
3953 Marking devices
2515 Mattresses & bedsprings
3586 Measuring & dispensing pumps
3829 Measuring & controlling devices, nec
2011 Meat packing plants
3061 Mechanical rubber goods
2833 Medicinal & botanicals
2325 Men's & boys' trousers & slacks
3143 Men's footwear, except athletic
2323 Men's & boys' neckwear
2329 Men's & boys' clothing, nec
2321 Men's & boys' shirts
2322 Men's & boys' underwear & nightwear
2326 Men's & boys' work clothing
2311 Men's & boys' suits & coats
2514 Metal household furniture
3549 Metalworking machinery, nec
3398 Metal heat treating
3411 Metal cans
3412 Metal barrels, drums, & pails
3431 Metal sanitary ware
3497 Metal foil & leaf
3479 Metal coating & allied services
3469 Metal stampings, nec
3442 Metal door, sash, & trim
2431 Millwork
3296 Mineral wool
3295 Minerals, ground or treated
3532 Mining machinery
2741 Misc publishing
3449 Misc metal work
3496 Misc fabricated wire products
2451 Mobile homes
3716 Motor homes
3711 Motor vehicles & car bodies
3621 Motor & generators
3714 Motor vehicle parts & accessories
3751 Motorcycles, bicycles, & parts
3931 Musical instruments
2441 Nailed wood boxes & shook
2241 Narrow fabric mills
2711 Newspapers
2873 Nitrogenous fertilizers
3297 Nonclay refractories
3644 Noncurrent-carrying wiring devices
3369 Nonferrous foundries, nec
3364 Nonferrous die-casting, except aluminum
3357 Nonferrous wiredrawing & insulating
3356 Nonferrous rolling & drawing, nec
3341 Nonferrous metals
3463 Nonferrous forging
3299 Nonmetallic mineral products, nec
2297 Nonwoven fabrics
3579 Office machines, nec
2522 Office furniture, except wood
3533 Oil & gas field machinery
3851 Ophthalmic goods
3827 Optical instruments & lenses
3489 Ordnance & accessories, nec
2824 Organic fibers, noncellulosic
3565 Packaging machinery
2851 Paints & allied products
3554 Paper industries machinery
2621 Paper mills
2671 Paper coated & laminated, packaging
2672 Paper coated & laminated, nec
2631 Paperboard mills
2542 Partitions & fixtures, except wood
3951 Pens & mechanical pencils
2721 Periodicals
3172 Personal leather goods, nec
2911 Petroleum refining
2999 Petroleum & coal products, nec
2834 Pharmaceutical preparations
2874 Phosphatic fertilizers
3861 Photographic equipment & supplies
2035 Pickles, sauces, & salad dressing
3085 Plastic bottles
3086 Plastic foam products
2821 Plastic materials & resins
3084 Plastic pipe
3088 Plastic plumbing fixtures
3089 Plastic products, nec
2796 Platemaking service
3471 Plating & polishing
2395 Pleating & stitching
3432 Plumbing fixture fittings & trim
2842 Polishes & sanitation goods
3264 Porcelain electrical supplies
2096 Potato chips & similar snacks
3269 Pottery products, nec
0254 Poultry hatcheries
0259 Poultry and eggs, nec
2015 Poultry slaughtering & processing
3568 Power transmission equipment, nec
3546 Power-driven handtools
3448 Prefabricated metal buildings
2452 Prefabricated wood buildings
2045 Prepared flour mixes & doughs
2048 Prepared feeds, nec
3652 Prerecorded records & tapes
3229 Pressed & blown glass, nec
3399 Primary metal products, nec
3339 Primary nonferrous metals, nec
3334 Primary aluminum
3331 Primary copper
3692 Primary batteries, dry & wet
3672 Printed circuit boards
2893 Printing ink
3555 Printing trades machinery
3823 Process control instruments
3231 Products of purchased glass
2531 Public building & related furniture
2611 Pulp mills
3561 Pumps & pumping equipment
3663 Radio, TV, & communications equipment
3743 Railroad equipment
2061 Raw sugar cane
3273 Ready-mixed concrete
2493 Reconstituted wood products
3585 Refrigeration & heating equipment
3625 Relays & industrial controls
3645 Residential lighting fixtures
2044 Rice milling
2095 Roasted coffee
2384 Robes & dressing gowns
3547 Rolling mill machinery
3052 Rubber & plastic hose & belting
3021 Rubber & plastic footwear
2068 Salted & roasted nuts & seeds
2656 Sanitary food containers
2676 Sanitary paper products
2013 Sausages & other prepared meats
3425 Saw blades & handsaws
2421 Sawmills & planing mills, general
3596 Scales & balances, except laboratory
2397 Schiffli machine embroideries
3451 Screw machine products
3812 Search & navigation equipment
3674 Semiconductors & related devices
3263 Semivitreous table & kitchenware
3589 Service industry machinery, nec
2652 Setup paperboard boxes
0214 Sheep and goats
3444 Sheet metal work
3731 Ship building & repairing
3993 Signs & advertising specialties
3914 Silverware and plate ware
3484 Small arms
3482 Small arms ammunition
2841 Soap & other detergents
2436 Softwood veneer & plywood
2075 Soybean oil mills
3769 Space vehicle equipment & parts
3764 Space propulsion units & parts
2429 Special product sawmills, nec
3544 Special dies, tools, jigs, & fixtures
3559 Special industry machinery, nec
3566 Speed changers, drives, & gears
3949 Sporting & athletic goods, nec
2678 Stationery products
3493 Steel springs, except wire
3315 Steel wire & related products
3317 Steel pipe & tubes
3325 Steel foundries, nec
3324 Steel investment foundries
3691 Storage batteries
3259 Structural clay products, nec
2439 Structural wood members, nec
2843 Surface active agents
3841 Surgical & medical instruments
3842 Surgical appliances & supplies
3613 Switchgear & switchboard apparatus
2822 Synthetic rubber
3795 Tanks & tank components
3661 Telephone & telegraph apparatus
3552 Textile machinery
2393 Textile bags
2299 Textile goods, nec
2284 Thread mills
2282 Throwing & winding mills
2296 Tire cord & fabrics
3011 Tires & inner tubes
2141 Tobacco stemming & redrying
2844 Toilet preparations
3612 Transformers, except electronic
3799 Transportation equipment, nec
3792 Travel trailers & campers
3713 Truck & bus bodies
3715 Truck trailers
3511 Turbines & turbines generator sets
0253 Turkey and turkey eggs
2791 Typesetting
3082 Unsupported plastic profile shapes
3081 Unsupported plastic film & sheet
2512 Upholstered household furniture
3494 Valves & pipe fittings, nec
2076 Vegetable oil mills, nec
3647 Vehicular lighting equipment
3261 Vitreous plumbing fixtures
3262 Vitreous china table & kitchenware
3873 Watches, clocks, & parts
2385 Waterproof outerwear
2257 Weft knit fabric mills
3548 Welding apparatus
2046 Wet corn milling
2084 Wines, brandy, & brandy spirits
3495 Wire springs
2337 Women's & misses' suits & coats
2335 Women's, juniors', & misses' dresses
2341 Women's & children's underwear
2251 Women's hosiery, except socks
2339 Women's & misses' outerwear, nec
2331 Women's & misses' blouses & shirts
3171 Women's handbags and purses
3144 Women's footwear, except athletic
2491 Wood preserving
2499 Wood products, nec
2434 Wood kitchen cabinets
2541 Wood partitions & fixtures
2521 Wood office furniture
2517 Wood TV & radio cabinets
2449 Wood containers, nec
2511 Wood household furniture
2448 Wood pallets & skids
3553 Woodworking machinery
3844 X-ray apparatus & tubes
2281 Yarn spinning mills

FTB 3808
Principal Business Activity Codes

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, 1997 Edition.

For purposes of qualifying for the MEA tax incentive, refer to the Standard Industrial Classification Manual, 1987 Edition and the partial listing on pages 15 and 16 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 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

Telecommunications

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

Data Processing Services

518210 Data Processing, Hosting, & Related Services

Other Information Services

519100 Other Information Services (including news syndicates & libraries, internet publishing & broadcasting)

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, checks, 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
525990 Other Financial Vehicles (including mortgage REITs & closed-end investment funds)

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

Real Estate and Rental and Leasing

Real Estate

531110 Lessors of Residential Buildings & Dwellings (including equity REITs)
531114 Cooperative Housing (including equity REITs)
531120 Lessors of Nonresidential Buildings (except Miniwarehouses) (including equity REITs)
531130 Lessors of Miniwarehouses & Self-Storage Units (including equity REITs)
531190 Lessors of Other Real Estate Property (including equity REITs)
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)

Code

Professional, Scientific, and Technical Services

Legal Services
541110 Offices of Lawyers
541190 Other Legal Services

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

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

Your Rights as a Taxpayer

Our goal at the 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 at **ftb.ca.gov.**

Access other state agencies' websites at **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 and libraries provide free California personal income tax booklets during the filing season.

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 federal employer identification number (FEIN), Secretary of State (SOS) file number, California corporation number, social security number (SSN) or individual taxpayer identification number (ITIN), your daytime and evening telephone numbers, and a copy of the notice (if applicable). Send your letter to:

CORRESPONDENCE, ANALYSIS, SUPPORT 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.

Do not attach correspondence to your tax return unless the correspondence relates to an item on your tax return.

Internet and Telephone Assistance

Telephone assistance is available year-round from 7 a.m. until 5 p.m. Monday through Friday, except holidays. Hours subject to change.

Website: **ftb.ca.gov**
Telephone: 800.852.5711
from within the United States
916.845.6500
from outside the United States
TTY/TDD: 800.822.6268
for persons with hearing or speech impairments

Asistencia Por Internet y Teléfono

Asistencia telefónica está disponible todo el año durante las 7 a.m. y las 5 p.m. lunes a viernes, excepto días festivos. Las horas están sujetas a cambios.

Sitio web: **ftb.ca.gov**
Teléfono: 800.852.5711
dentro de los Estados Unidos
916.845.6500
fuera de los Estados Unidos
TTY/TDD: 800.822.6268
personas con discapacidades auditivas y del habla

MEA Contact Information

For business eligibility or zone related information, including questions regarding MEA geographic boundaries and vouchering, contact the the HCD or the local zone program manager in which the business is located. Go to **hcd.ca.gov** and search for **directory of zone contacts** for Directory of Economic Development Areas.

For information that is zone-specific but not tax-specific, contact the HCD at:

DEPARTMENT OF HOUSING & COMMUNITY DEVELOPMENT
DIVISION OF FINANCIAL ASSISTANCE
ENTERPRISE ZONE PROGRAMS
1800 THIRD STREET SUITE 390
SACRAMENTO CA 95811

Mailing address
PO BOX 952054 MS 390-1
SACRAMENTO CA 94252-2054

Website: **hcd.ca.gov**
Telephone: 916.322.1554
Fax: 916.327.6660

or for tax-specific information contact:

FRANCHISE TAX BOARD
Website: **ftb.ca.gov**
Telephone: 916.845.3464