

2011 Enterprise Zone Employee Credit

3553

Attach to your California tax return.

Name(s) as shown on tax return

SSN or ITIN

Step 1: Complete the Enterprise Zone Employee Credit Qualification Checklist on page 3 of the instructions to see if you qualify to claim this credit.

Step 2: Complete the form below to figure your available credit.

1	Enter the total amount of wages you earned working in an enterprise zone. Do not enter more than \$10,500	1	00
2	If you file a joint return, enter the total amount of wages your spouse/RDP earned working in an enterprise zone. Do not enter more than \$10,500.	2	00
3	Add line 1 and line 2.	3	00
4	Multiply the amount on line 3 by 5% (.05).	4	00
5	Enter the amount from Form 540 or Long Form 540NR, line 17	5	00
6	If the amount on line 5 is either of the following: • Equal to or less than the amount on line 3, enter -0- here and skip to line 10. • More than the amount on line 3, enter the amount from line 3.	6	00
7	Subtract line 6 from line 5	7	00
8	Multiply line 7 by 9% (.09).	8	00
9	Subtract line 8 from line 4. If the result is zero or less, STOP . You do not qualify for this credit	9	00
10	Enter the total amount of enterprise zone wages. See instructions	10	00
11	Enter the total amount of employee business expenses that you paid relating to your work in the enterprise zone. See instructions	11	00
12	Net enterprise zone wage income. Subtract line 11 from line 10	12	00
13	Enter the amount of tax for the amount on line 12. See instructions	13	00
14	Total available enterprise zone employee credit. Enter the smaller of line 9 or line 13. If you entered -0- on line 6 and skipped to line 10, enter the smaller of line 4 or line 13 Your credit may be limited. See the instructions for line 14.	14	00

Instructions for Form FTB 3553

Enterprise Zone Employee Credit

What's New

New Enterprise Zone Designation

The following Enterprise Zone (EZ) received final designation in 2011:
Taft

At the time this form was published, only the above EZ received final designation. Before filing form FTB 3553, Enterprise Zone Employee Credit, go to hcd.ca.gov and search for **directory of zone contacts** to find Directory of Economic Development Areas for up to date information.

Expired Zones

No EZs expired in 2011.

New Conditionally Designated Zones

No zones received conditional designation for 2011.

At the time this form was published, no zones received conditional designation. Before filing form FTB 3553, go to hcd.ca.gov and search for **EDA** for updated zone date chart information.

Conditionally Designated Zones

Region and Zone Name	Zone Jurisdictions
Central Valley	
Sequoia Valley (formerly Tulare County)	County of Tulare, Cities of Dinuba, Exeter, Lindsay, Porterville, Tulare, Visalia, Woodlake
Greater Sacramento/Stockton	
*Sacramento (includes Northern, Army Depot, Florin Perkins)	City of Sacramento, City of Rancho Cordova, County of Sacramento
San Diego	
San Diego (formerly South Bay & Metro)	Cities of San Diego, Chula Vista, National City
Bay Area	
Pittsburg-Bay Point	City of Pittsburg, County of Contra Costa
San Francisco	City and County of San Francisco
Southern California	
Anaheim	City of Anaheim
Harbor Gateway Communities	City and County of Los Angeles, City of Huntington Park
Santa Clarita Valley (formerly Santa Clarita)	City of Santa Clarita, County of Los Angeles

*This zone includes the former Sacramento – Northern zone that has been expanded. For more information, contact the Department of Housing and Community Development (HCD) at 916.322.1554.

General Information

Minimum Wage

The California minimum wage is \$8 per hour.

Enterprise Zone Designation

The following EZs received final designation in 2010:

Enterprise Zone

Hesperia
West Sacramento

Conditional Designation

Enterprise zones that receive a conditional designation from the Department of Housing and Community Development (HCD) are allowed to offer tax incentives during a zone's redesignation period. The redesignation period is the gap between the expiration date of the old zone and the final designation of the new zone. Brand new zones are not in a redesignation period; therefore, incentives for these zones

begin once the zone receives its final designation as an enterprise zone. Before filing form FTB 3553, go to hcd.ca.gov and search for **directory of zone contacts** to find Directory of Economic Development Areas for assistance with conditional zone jurisdictions and designation dates, and to find out if your business is in a brand new zone.

Conditionally Designated Zones

The following zones received conditional designation in 2010:

Zone Name

Anaheim
Harbor Gateway Communities
Santa Clarita Valley (formerly Santa Clarita)

Expired Zones

The following EZs expired in 2010:

Enterprise Zone

Lindsay
Shafter

Generally, no further EZ incentives can be generated after the expiration date. Any EZ credit carryover or EZ net operating loss carryover can continue to be utilized to the extent of tax on business income or business income attributable to the former EZ.

Filing of Form FTB 3553

If you are working at a business located in an expired zone and in a new zone (whether conditionally designated or final designation has been received), file one form FTB 3553 for the expired zone and another form FTB 3553 for the new zone, to claim the EZ credits. The credit from an expired zone can only offset against the tax on wage income earned in the expired zone. The credit generated from a new zone can only offset against the tax on wage income earned in the new zone. The amount of credit is limited by the amount of tax (line 13 of form FTB 3553) on wage income earned within each EZ. But the total amount of credits generated from income earned within all EZs should not exceed the tax amount on line 35 of Form 540, California Resident Income Tax Return, or line 42 of Long Form 540NR, California Nonresident or Part-Year Resident Income Tax Return.

For an expired zone, use form FTB 3553 to report the employee credit on the wages earned while working in the enterprise zone, to the day the zone expired.

For a conditionally designated zone, use form FTB 3553 to report the employee credit on the wages earned while working in the new conditionally designated zone.

Registered Domestic Partners (RDP)

For purposes of California income tax, references to a spouse, husband, or wife also refer to a California RDP, unless otherwise specified. When we use the initials RDP they refer to both a California registered domestic "partner" and a California registered domestic "partnership," as applicable. For more information on RDPs, get FTB Pub. 737, Tax Information for Registered Domestic Partners.

A Purpose

Use form FTB 3553:

- To see if you qualify for a credit based on wages you earned while working within the boundaries of a California EZ.
- To figure the credit, if you qualify to claim it.

Use Form 540 or Long Form 540NR to claim this credit.

B Description

The credit is five percent of each employee's qualified wages for the year (maximum credit is \$525 per employee). Qualified wages are wages earned in the geographic areas designated as EZs. Parts of the following areas and cities are EZs:

- Antelope Valley
- Arvin
- Barstow
- Calexico
- Coachella Valley
- Compton
- Delano
- Eureka
- Fresno – City
- Fresno – County
- Hesperia
- Imperial Valley
- Kings County
- Long Beach
- Los Angeles – East (formerly Eastside)
- Los Angeles – Hollywood
- Merced
- Oakland
- Oroville
- Pasadena
- Richmond
- Salinas Valley
- San Bernardino (formerly Agua Mansa)
- San Joaquin (formerly Stockton)
- San Jose
- Santa Ana
- Santa Clarita Valley (formerly Santa Clarita)
- Shasta Metro (formerly Redding/Anderson)
- Siskiyou County (formerly Shasta Valley)
- Southgate – Lynwood
- Stanislaus (including Ceres, Modesto, Turlock, and Stanislaus County)
- Watsonville
- West Sacramento
- Yuba/Sutter

No zones expired during 2011. For more information on zone expiration dates, contact the HCD.

For business eligibility or zone related information, including questions regarding EZ geographic boundaries, contact 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** to find Directory of Economic Development Areas.

For information that is zone-specific but not tax-specific, you may 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

C Qualifications

To qualify for this credit in 2011, you need to meet all of the following:

- Performed at least 50% of your compensated work (for the employer located within the EZ) within the boundaries of an enterprise zone in California.
- Spent at least 90% of your work time (for the employer located within the EZ) on activities that are directly related to the operation of the trade or business located within the EZ.
- Did not work for any federal, California state, or local government.

Complete the Qualification Checklist on page 3 of the instructions to see if you qualify for the EZ employee credit.

D Limitations

Zone Income Limitation

You may not apply the credit toward any taxes due on income you and your spouse/RDP earned outside the EZ or prior to the zone designation.

Income Limitations

The maximum amount of qualifying wages is \$10,500 for each enterprise zone employee. Reduce this credit by 9% (9 cents for each dollar of income you received that is more than your qualified EZ wages).

This credit cannot reduce regular tax below the tentative minimum tax. Get Schedule P (540 or 540NR), Alternative Minimum Tax and Credit Limitations, for more information. This credit is not refundable and any unused credit may not be carried over to succeeding years.

Specific Line Instructions

Line 10 – Total enterprise zone wages are all enterprise zone wages. This amount is not limited to \$10,500 like the amounts on line 1 and line 2.

Line 11 – Generally, this amount will be \$0 (zero dollars). However, expenses that may be included on this line are employee business expenses that you paid for such as union dues, work clothes and uniforms, tools used in your work, employment-related education expenses, and occupational taxes. Personal expenses such as commuting expenses and meals are not deductible and **cannot** be included on this line. Refer to federal Publication 17, Your Federal Income Tax, or federal Form 2106, Employee Business Expense, for more information about employee business expenses.

Line 13 – Find the amount of tax for the amount shown on line 12 by using the Tax Table or Tax Rate Schedules in your Form 540 or Long Form 540NR Tax Booklet. Use the same filing status you used on your Form 540 or Long Form 540NR.

Line 14 – The amount of this credit you can claim on your income tax return may be limited further. See the credit instructions in your Form 540 or the Long Form 540NR Tax Booklet for more information. These instructions also explain how to claim this credit on your income tax return. Use code number **169** when you claim this credit.

Enterprise Zone Employee Credit Qualification Checklist

Purpose of Checklist

Use this checklist to see if you qualify to claim the Enterprise Zone Employee Credit for 2011.

Married/RDP filing jointly: Each spouse/RDP completes Questions 1 through 4 separately. If at least one spouse/RDP qualifies for the credit, answer “No” to Question 5 and continue to Question 6.

If you have more than one job, answer the questions separately for each job.

Qualification Checklist

1. Did you work in an enterprise zone during 2011? An enterprise zone is an area designated by the state of California. See General Information B, Description, on page 2 of the instructions for a list of the geographic areas designated as enterprise zones. Your employer can verify if the business operates in an enterprise zone.
 Yes. Go to question 2.
 No. STOP, you do not qualify for the credit.
2. Do you work for the United States government, the state of California, or a city or county government located in California?
 Yes. STOP, you do not qualify for the credit.
 No. Go to question 3.
3. Were 50% or more of the hours you worked for your employer performed at your employer's location in the enterprise zone? See Checklist Instructions below.
 Yes. Go to question 4.
 No. STOP, you do not qualify for the credit.
4. Were 90% or more of the hours you worked for your employer related to your employer's business activity located in the enterprise zone? See Checklist Instructions below.
 Yes. Go to question 5.
 No. STOP, you do not qualify for the credit.
5. Will you file your tax return using the filing status single, head of household, or qualifying widow(er)?
 Yes. Go to question 7.
 No. Go to question 6.
6. Did you and your spouse/RDP both work in an enterprise zone and qualify for the credit?
 Yes. Go to question 8.
 No. Go to question 7.
7. Is your filing status Single, Married/RDP Filing Separately, Qualifying Widower, or Head of Household, and your California adjusted gross income (AGI) equal to or greater than \$16,334? (If you have not already completed your California income tax return, you will need to complete at least part of it now. If you use Form 540, complete line 1 through line 17. If you use Long Form 540NR, complete Schedule CA (540NR), California Adjustments – Nonresidents or Part-Year Residents, Part II, line 7, column E through line 37, column E.)
 Yes. STOP, you do not qualify for the credit.
 No. Go to form FTB 3553 and complete line 1 through line 14 to figure the credit. Use Form 540 or Long Form 540NR to claim the credit.
8. Is your filing status Married/RDP Filing Jointly, and your combined California AGI equal to or greater than \$32,667? (If you have not already completed your California income tax return, you will need to complete at least part of it now. If you use Form 540, complete line 1 through line 17. If you use Long Form 540NR, complete Schedule CA (540NR), Part II, line 7, column E through line 37, column E.)
 Yes. STOP, you do not qualify for the credit.
 No. Go to form FTB 3553 and complete line 1 through line 14 to figure the credit. Use Form 540 or Long Form 540NR to claim the credit.

Checklist Instructions

Question 3 – How do I know if I meet the 50% test?

If you worked at one location for the employer all year, then you meet the test. If you worked for the employer at more than one location, then you need to divide your hours worked at each location in the enterprise zone by your total hours worked at all locations for the employer. Add all the percentages for each location within the enterprise zone to determine if you have met the 50% test.

Question 4 – How do I know if I meet the 90% test?

If you worked at one location for the employer all year, then you meet the test. If you worked for the employer at more than one location during the year, then you need to ask your employer if you have met this test.

Additional Information

Where can I get more information?

See the examples on page 4 or call the Franchise Tax Board at 916.845.3464.

Examples

Example 1: John Smith worked for the ABC Company in Fresno (located in an area designated as an enterprise zone) during 2011 and earned wages of \$12,600. John also paid alimony of \$3,000 during the year. John figured his California AGI using Form 540. California AGI is \$9,600 (wages of \$12,600 less alimony paid of \$3,000). John is single.

John has met all the requirements to qualify for the credit and is now ready to figure the credit.

The sample form FTB 3553 shows how John figured his credit. The amount of credit John can claim on Form 540 may be limited further. He should also refer to the credit instructions in the 540/540A Personal Income Tax Booklet for more information on additional credit limitations.

TAXABLE YEAR	EXAMPLE 1	CALIFORNIA FORM
2011	Enterprise Zone Employee Credit	3553
Attach to your California tax return.		
Name(s) as shown on return		SSN or ITIN
J O H N S M I T H		T T
Step 1: Complete the Enterprise Zone Employee Credit Qualification Checklist on page 3 of the instructions to see if you qualify to claim this credit. Step 2: Complete the form below to figure your available credit.		
1	Enter the total amount of wages you earned working in an enterprise zone. Do not enter more than \$10,500.	10,500 00
2	If you file a joint return, enter the total amount of wages your spouse/RDP earned working in an enterprise zone. Do not enter more than \$10,500.	— 00
3	Add line 1 and line 2.	10,500 00
4	Multiply the amount on line 3 by 5% (.05).	525 00
5	Enter the amount from Form 540 or Long Form 540NR, line 17.	9,600 00
6	If the amount on line 5 is any of the following: • Equal to or less than the amount on line 3, enter -0- here and skip to line 10. • More than the amount on line 3, enter the amount from line 3.	0 00
7	Subtract line 6 from line 5.	— 00
8	Multiply line 7 by 9% (.09).	— 00
9	Subtract line 8 from line 4. If the result is zero or less, STOP . You do not qualify for this credit.	— 00
10	Enter the total amount of enterprise zone wages. See instructions.	12,600 00
11	Enter the total amount of employee business expenses that you paid relating to your work in the enterprise zone. See instructions.	0 00
12	Net enterprise zone wage income. Subtract line 11 from line 10.	12,600 00
13	Enter the amount of tax for the amount on line 12. See instructions.	179 00
14	Total available enterprise zone employee credit. Enter the smaller of line 9 or line 13. If you entered zero -0- on line 6 and skipped to line 10, enter the smaller of line 4 or line 13. Your credit may be limited. See the instructions for line 14.	179 00

Example 2: Bill and Maria Jones worked for the ABC Company in Fresno (located in an area designated as an enterprise zone) during 2011. Bill earned wages of \$13,860 and Maria earned wages of \$9,340. They had no other taxable income or expenses for the year. Bill and Maria are married or in a registered domestic partnership and file a joint return. They have figured their California AGI using Form 540. California AGI is \$23,200 (Bill's wages of \$13,860 plus Maria's wages of \$9,340).

Bill and Maria have met all the requirements to qualify for the credit and are now ready to figure the credit.

The sample form FTB 3553 below shows how Bill and Maria figured their credit. The amount of the credit Bill and Maria can claim on Form 540 may be limited further. They should also refer to the credit instructions in the 540/540A Personal Income Tax Booklet for more information on additional credit limitations.

TAXABLE YEAR	EXAMPLE 2	CALIFORNIA FORM
2011	Enterprise Zone Employee Credit	3553
Attach to your California tax return.		
Name(s) as shown on return		SSN or ITIN
B I L L & M A R I A J O N E S		T T
Step 1: Complete the Enterprise Zone Employee Credit Qualification Checklist on page 3 of the instructions to see if you qualify to claim this credit. Step 2: Complete the form below to figure your available credit.		
1	Enter the total amount of wages you earned working in an enterprise zone. Do not enter more than \$10,500.	10,500 00
2	If you file a joint return, enter the total amount of wages your spouse/RDP earned working in an enterprise zone. Do not enter more than \$10,500.	9,340 00
3	Add line 1 and line 2.	19,840 00
4	Multiply the amount on line 3 by 5% (.05).	992 00
5	Enter the amount from Form 540 or Long Form 540NR, line 17.	23,200 00
6	If the amount on line 5 is any of the following: • Equal to or less than the amount on line 3, enter -0- here and skip to line 10. • More than the amount on line 3, enter the amount from line 3.	19,840 00
7	Subtract line 6 from line 5.	3,360 00
8	Multiply line 7 by 9% (.09).	302 00
9	Subtract line 8 from line 4. If the result is zero or less, STOP . You do not qualify for this credit.	690 00
10	Enter the total amount of enterprise zone wages. See instructions.	23,200 00
11	Enter the total amount of employee business expenses that you paid relating to your work in the enterprise zone. See instructions.	0 00
12	Net enterprise zone wage income. Subtract line 11 from line 10.	23,200 00
13	Enter the amount of tax for the amount on line 12. See instructions.	318 00
14	Total available enterprise zone employee credit. Enter the smaller of line 9 or line 13. If you entered zero -0- on line 6 and skipped to line 10, enter the smaller of line 4 or line 13. Your credit may be limited. See the instructions for line 14.	318 00