



**2015**

Enterprise Zone Business Booklet

**This booklet contains:**

**Form FTB 3805Z, Enterprise Zone Deduction and Credit Summary**

Members of the Franchise Tax Board

Betty T. Yee, Chair

Jerome E. Horton, Member

Michael Cohen, Member



State of California  
**Franchise Tax Board**

# 2015 Instructions for Form FTB 3805Z

## Enterprise Zone Businesses

References in these instructions are to the Internal Revenue Code (IRC) as of **January 1, 2015**, and to the California Revenue and Taxation Code (R&TC).

### Contents

What's New . . . . .	2
General Information . . . . .	2
How to Claim Deductions and Credits . . . . .	4
Part I – Credits and Recapture . . . . .	4
Hiring Credit . . . . .	4
Hiring Credit Recapture . . . . .	5
<b>Worksheet IA</b> , Hiring Credit and Recapture . . . . .	6
Sales or Use Tax Credit Carryover . . . . .	7
Part II – Business Expense Deduction Recapture . . . . .	7
Part III – Portion of Business Attributable to the Enterprise Zone . . . . .	7
<b>Worksheet II</b> , Business Expense Deduction Recapture . . . . .	8
<b>Worksheet III</b> , Income or Loss Apportionment . . . . .	10
Part IV – Net Operating Loss (NOL) Carryover and Deduction . . . . .	10
<b>Worksheet IV</b> , Computation of NOL Carryover and Carryover Limitations . . . . .	13
Instructions for Schedule Z – Computation of Credit Limitations . . . . .	14
<b>Form FTB 3805Z</b> , Enterprise Zone Deduction and Credit Summary . . . . .	17
<b>Schedule Z</b> , Computation of Credit Limitations . . . . .	18
Standard Industrial Classification Manual 1987 Edition (Partial Listing) . . . . .	19
Principal Business Activity Codes . . . . .	20
How to Get California Tax Information . . . . .	23

### What's New

#### Enterprise Zone (EZ) Sales or Use Tax Credit

For taxable years beginning on or after January 1, 2015, taxpayers cannot generate the EZ Sales or Use Tax Credit. However, taxpayers can claim the EZ Sales or Use Tax Credit carryover from previous years.

### General Information

In general, for taxable years beginning on or after January 1, 2015, California law conforms to the Internal Revenue Code (IRC) as of January 1, 2015. 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](http://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 California Revenue and Taxation Code (R&TC) in the tax booklets. Taxpayers should not consider the tax booklets as authoritative law.

#### NASSCO AMT Reduction

The Board of Equalization ruled in the *Appeal of NASSCO Holdings, Inc.*, 2010-SBE-001, November 17, 2010, that a corporate taxpayer may use EZ credits and/or the Manufacturing Investment Credit (MIC) to reduce corporate alternative minimum tax (AMT). Go to [ftb.ca.gov](http://ftb.ca.gov) and search for **notice 2011-02** for additional information.

#### Minimum Wage

The California minimum wage was \$9.00 per hour from July 1, 2014 through December 31, 2015. Beginning on and after January 1, 2016, the minimum wage will be \$10.00 per hour.

#### Pass-Through Entities

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

#### EZ Incentives Repealed

For taxable years beginning on or after January 1, 2014, taxpayers cannot generate the following EZ incentives:

- Business Expense Deduction
- Net Interest Deduction
- Net Operating Loss

For taxable years beginning on or after January 1, 2014, taxpayers cannot generate any EZ Hiring Credit **except for**:

- Qualified employees who are hired on or before December 31, 2013, by the qualified taxpayer within the EZ and the taxpayer who paid or incurred qualified wages during the 60-month period immediately following the hire date, shall continue to qualify for the credit under this section for taxable years beginning on or after January 1, 2014.

#### EZ Credits Carryover Period

The portion of any EZ sales or use tax credit or hiring credit remaining for carryover to taxable years beginning on January 1, 2014, shall be carried over only to the succeeding 10 taxable years if necessary, or until the credit is exhausted, whichever occurs first. Any hiring credits generated in the current taxable year for employees hired on or before December 31, 2013, and unusable in the current taxable year, may be carried over to the succeeding 10 taxable years.

#### Repeal of Geographically Targeted Economic Development Area Tax Incentives

The California legislature repealed and made changes to all of the Geographically Targeted Economic Development Area (G-TEDA) Tax Incentives. EZs and Local Agency Military Base Recovery Areas (LAMBRA) were repealed on January 1, 2014. The Targeted Tax Areas (TTA) and Manufacturing Enhancement Areas (MEA) both expired on December 31, 2012. For more information, go to [ftb.ca.gov](http://ftb.ca.gov) and search for **repeal tax incentives**.

#### Single-Sales Factor Formula

For taxable years beginning on or after January 1, 2013, R&TC Section 25128.7 requires all business income of an apportioning trade or business, other than an apportioning trade or business under R&TC Section 25128(b), to apportion its business income to California using the single-sales factor formula. For more information, get Schedule R, Apportionment and Allocation of Income, or go to [ftb.ca.gov](http://ftb.ca.gov) and search for **single sales factor**. However, business income apportioned to the EZ continues to be apportioned based on the property and payroll factors.

#### EZ Incentives

Generally, no further EZ incentives can be generated after the expiration or repeal 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. For employers engaged in a trade or business in a former EZ, the hiring credit can be taken for qualified employees hired on or before the date of expiration or repeal of the EZ for the full five-year period of the hiring credit. However, the hiring credit may not be taken for any employees hired after the date of expiration or repeal of the EZ.

#### Assignment of Credit

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 claimed by the affiliated corporation against its tax liability. For more information, see Schedule Z, Computation of Credit Limitations, on page 12, Assignment of Credit; or get form FTB 3544, Election to Assign Credit Within Combined Reporting Group; or form FTB 3544A, List of Assigned Credit Received and/or Claimed by Assignee; or go to [ftb.ca.gov](http://ftb.ca.gov) and search for **credit assignment**.

## Introduction

### Economic Development Area (EDA) Tax Incentives

California established four types of EDAs that have related tax incentives. These incentives have been established to stimulate growth and development in selected areas that were economically depressed. EDA tax incentives applied only to certain business transactions that were undertaken **after** an EDA had received final designation from the Housing and Community Development (HCD). Final designation was when the HCD designated an area to be an EDA. Tax incentives were available to individuals and businesses operating or investing within the geographic boundaries of the following EDAs:

- Enterprise Zones (repealed on January 1, 2014)
- Local Agency Military Base Recovery Areas (repealed on January 1, 2014)
- Manufacturing Enhancement Areas (designation expired on December 31, 2012)
- Targeted Tax Areas (designation expired on December 31, 2012)

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

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

References in this booklet to the “EZ” are interpreted as “the boundaries of the former EZ as it existed on December 31, 2013.”

### 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 in which EDAs the businesses are claiming the tax incentives.

Complete items A through I on Side 1 of form FTB 3805Z, Enterprise Zone Deduction and 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 EZ tax incentives. Taxpayers operating or investing in a trade or business located within a designated EZ may be eligible for the following credit and/or claim the following credit carryover and carryover deduction:

- Hiring Credit
- Sales or Use Tax Credit Carryover
- NOL Carryover Deduction

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

### Enterprise Zone Designation

EZs were established in California to provide tax incentives to businesses and allow private sector market forces to revive the local economy. The program offers special tax incentives to entities and individuals located in selected EZ areas and engaged in trades or businesses within the selected Standard Industrial Codes listed on page 19 of this booklet.

The areas listed below are the areas that have been officially designated as EZs.

**Note:** All EZs are repealed as of January 1, 2014.

#### Repealed zones

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

#### Expired zones

Altadena/Pasadena	Madera
Antelope Valley	Pittsburg
Bakersfield/Kern	Porterville
(formerly SE Bakersfield)	Sacramento – Army Depot
Lindsay	Sacramento – Florin Perkins
Los Angeles – Central City	San Diego – South Bay
Los Angeles – Harbor Area	San Diego – Metro
Los Angeles – Mid-Alameda	San Francisco
Corridor	Shafter
City of Lynwood	Watsonville
Los Angeles – Northeast	
Valley	

For business eligibility or zone related information, including questions regarding EZ geographic boundaries and designation period dates, contact the HCD at [hcd.ca.gov](http://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. See page 23 for the HCD contact information.

## Important Considerations

In general, EZ tax incentives applied **only** to investments and business activities undertaken within the EZ **after** the zone received final designation and before the designation expired or was repealed. The taxpayer could also claim the incentives when the zone received conditional designation.

### Who Can Claim the EZ Tax Incentives?

The EZ credits and deductions are available to individuals, sole proprietors, corporations, estates, trusts, and partnerships operating or investing in a trade or business located within a designated EZ.

### Forms List

The titles of forms referred to in this booklet are:

Form 100	California Corporation Franchise or Income Tax Return
Form 100S	California S Corporation Franchise or Income Tax Return
Form 100W	California Corporation Franchise or Income Tax Return – Water’s-Edge Filers
Form 109	California Exempt Organization Business Income Tax Return
Form 540	California Resident Income Tax Return
Long Form 540NR	California Nonresident or Part-Year Resident Income Tax Return
Form 541	California Fiduciary Income Tax Return
Form 565	Partnership Return of Income
Form 568	Limited Liability Company Return of Income
Schedule CA (540)	California Adjustments – Residents
Schedule CA (540NR)	California Adjustments – Nonresidents or Part-Year Residents
Schedule P (540)	Alternative Minimum Tax and Credit Limitations – Residents
Schedule P (540NR)	Alternative Minimum Tax and Credit Limitations – Nonresidents and Part-Year Residents
Schedule R	Apportionment and Allocation of Income
FTB Pub. 1061	Guidelines for Corporations Filing a Combined Report
Schedule C (100S)	S Corporation Tax Credits
Schedule K-1 (100S)	Shareholder’s Share of Income, 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.
FTB 3544	Election to Assign Credit Within Combined Reporting Group
FTB 3544A	List of Assigned Credit Received and/or Claimed by Assignee

## How to Claim Deductions and Credits

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

Attach a separate form FTB 3805Z for each EZ business operating or investing within a designated EZ and for each EZ in which the business operates. Also complete the following schedule and/or worksheets:

- Corporations complete Schedule Z and all the worksheets, except for Worksheet III, Section B.
- Sole proprietors complete Schedule Z and all the worksheets.
- Trusts, estates, and partnerships, complete Worksheet IA through Worksheet II and Worksheet III, Section A.
- Individual investors receiving pass-through EZ **credits**, complete Worksheet III, Section B and Schedule Z. All other investors complete Worksheet III, Section A and Schedule Z.
- Individual investors receiving a pass-through **loss**, and having an overall **NOL**, complete Worksheet III, Section B and Worksheet IV. All other investors complete Worksheet IV.

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

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

**Form 540 filers:** Claim EZ tax incentives on Form 540, line 43 through line 45, as applicable.

**Long Form 540NR filers:** Claim EZ tax incentives on Long Form 540NR, line 58 through line 60, as applicable.

**Form 100 filers:** Claim EZ tax incentives on Form 100, line 20, line 26, and line 27, as applicable.

**Form 100S filers:** Claim EZ tax incentives on Form 100S, line 18, line 24, and line 25, as applicable.

**Form 100W filers:** Claim EZ tax incentives on Form 100W, line 20, line 26, and line 27, as applicable.

**Form 109 filers:** Check the "Yes" box for Question I at the top of Form 109, Side 1.

Keep all completed worksheets and supporting documents for your records.

## Form FTB 3805Z – Instructions for Items A through I

For corporations, estates, trusts, exempt organizations, and sole proprietors, who operate a business in the EZ, complete items A through I.

Investors of pass-through entities, complete items A through D.

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

For taxable years beginning on or after January 1, 1998, the PBA codes are based on the North American Industry Classification System published by the United States Office of Management and Budget. The PBA codes are listed on page 20 through page 22. Enter the PBA code of your principal activities on form FTB 3805Z, Side 1.

For purposes of qualifying for the Long Beach EZ hiring credit, use the SIC codes listed on page 19. For the Long Beach EZ, enter the SIC code of the establishment that qualifies you to take this credit on form FTB 3805Z, Side 1. If your trade or 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.

## Part I – Credits and Recapture Line 1a – Hiring Credit

**Note:** All EZs are repealed as of January 1, 2014.

For employers engaged in a trade or business in a former (expired) or repealed EZ, the hiring credit can be taken for qualified employees hired on or before December 31, 2013, for the full 60-month period of the hiring credit. The hiring credit may not be taken for any employees hired on or after January 1, 2014. Hiring credits and carryovers may still be claimed to the extent of business income apportioned to the former expired or repealed EZ. The portion of any credit remaining for carryover to taxable years beginning on or after January 1, 2014, shall be carried over only to the succeeding 10 taxable years if necessary, or until the credit is exhausted, whichever occurs first. Any hiring credits generated in the current taxable year for employees hired on or before December 31, 2013, and unusable in the current taxable year, may be carried over to the succeeding 10 taxable years.

Employers hiring qualified employees, were required to obtain VoucherCert 10-07 from the local agency responsible for verifying employee eligibility on or before December 31, 2014. Do not file VoucherCert 10-07 with your tax return. Keep the voucher for your records. For vouchering deadline questions, go to [hcd.ca.gov](http://hcd.ca.gov) and search for **vouchering**.

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

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

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

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

Wages that qualify for the hiring credit are those wages paid to a qualified employee for the consecutive 60-month period beginning on the first date the employee commenced employment with the employer.



For this purpose, commencement of employment or the hire date is the first day of employment for which the individual receives wages/compensation. 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 EZ hiring credit.

The minimum wage prior to July 1, 2014, was \$8.00 per hour. For purposes of computing the EZ hiring credit, 150% of the minimum wage was \$12.00 per hour. Beginning on or after July 1, 2014, the minimum wage was \$9.00. For purposes of computing the EZ hiring credit, 150% of the minimum wage was \$13.50 per hour.

**Example:**

John Anderson was hired on January 1, 2013. John's hourly rate for the first month was the minimum wage of \$8.00. At the beginning of the second month, his hourly rate increased to \$9.00. In the third month, John's hourly rate increased to \$13.00. 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	Hourly rate allowed	Qualified wages per month
1	175	\$ 8.00	\$1,400.00
2	170	\$ 9.00	\$1,530.00
3	170	\$12.00	\$2,040.00

**Long Beach Enterprise Zone**

For taxable years beginning on or after January 1, 1996, the percentage of wages on which the hiring credit is based increased for taxpayers engaged in aircraft manufacturing activities (described in Codes 3721, 3724, 3728, and 3812 of the Standard Industrial Classification Manual, 1987 Edition, published by the United States Office of Management and Budget). See page 19 for a list of qualified SIC codes. Qualified wages for purposes of the hiring credit for such aircraft manufacturers located in the Long Beach EZ, for up to a maximum of 1,350 qualified employees, are based on the smaller of the following:

- The actual hourly rate paid or incurred by the employer for work performed by the employee during the taxable year.

- The rates (based on the time qualified wages are paid or incurred) which represent 202% of the minimum hourly wage.

For purposes of computing the EZ hiring credit, 202% of the minimum wage was \$16.16 per hour prior to July 1, 2014. Beginning on or after July 1, 2014, 202% of the minimum wage was \$18.18 per hour.

**Example:**

John Anderson was hired on January 1, 2013. John's hourly rate for the first month was \$9.00. At the beginning of the second month, his hourly rate increased to \$11.00. In the third month, John's hourly rate increased to \$16.50. The hourly rate that qualifies for the credit is limited to 202% of the minimum wage, or \$16.16 per hour. The amount of qualified wages is computed as follows:

Month(s)	Hours per month	Hourly rate allowed	Qualified wages per month
1	175	\$ 9.00	\$1,575.00
2	170	\$11.00	\$1,870.00
3	170	\$16.16	\$2,747.20

**Record Keeping**

Retain a copy of Form VoucherCert 10-07 and the documentation given to the vouchering agency. In addition, for each qualified employee, keep a schedule for the first 60 months of employment showing (at least):

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

**Line 1b – Hiring Credit Recapture**

Recapture the amount of credit attributable to an employee's wages if the employer terminates the employee at any time during the longer of either 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 these 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).

The employer adds 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 as defined in Cal. Code Regs., tit. 22, sections 1256-30 to 1256-43.
- 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 IA – Hiring Credit and Recapture**

**Section A – Credit Computation**

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

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

**Example:** If you are a 2014 calendar year taxpayer and you hired an employee on June 1, 2013, enter the total qualified wages paid to the employee for the period beginning January 1, 2014, and ending May 31, 2014, in column (b). You would enter the total qualified wages paid to the employee for the period beginning June 1, 2014, and ending December 31, 2014, in column (c).

(a) Employee name	(b) 1st 12 months	(c) 2nd 12 months
John Doe	Amount of qualified wages earned from 1/1/14 to 5/31/14.	Amount of qualified wages earned from 6/1/14 through 12/31/14.

The qualified wages from June 1, 2013 to December 31, 2013, were put in column (b) on the 2013 worksheet.

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

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

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

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

Credit	Amount
1 LAMBRA Hiring Credit . . . . .	<b>1</b> _____
2 Enter the amount here if for the 2015 taxable year you claimed the Federal Work Opportunity Tax Credit for employees hired on or after January 1, 2010, and before August 31, 2011 (excluding unemployed veterans and disconnected youths as described in IRC Section 51(d)(14)). . . . .	<b>2</b> _____
3 Total: Add line 1 and line 2. Enter on Worksheet IA, Section A, line 5 . . . . .	<b>3</b> _____

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

**Line 6**

A. For partnerships, enter the amount from line 6 on form FTB 3805Z, Side 1, Part I, line 1a. Include the current year hiring amount on Forms 565 and 568, Schedule K, line 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).

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

- Part II, line 8B, column (b) for corporations, individuals, estates, and trusts.
- Part III, line 10, column (b) for S corporations.
- Part IV, line 12, 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**

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

**Example:** In 2015, an S corporation qualified for a \$3,000 EZ hiring credit. S corporations can claim only 1/3 of the credit ( $\$3,000 \times 1/3 = \$1,000$ ). Therefore, the S corporation must reduce its wage deduction by \$1,000. On Form 100S, Schedule K, line 1, column (c), the S corporation would add \$3,000 to its ordinary income or loss to reflect the credit passed through to the shareholder(s).

- The amount of hiring credit claimed may not exceed the amount of tax on the EZ business income in any year. Use Schedule Z to compute the credit limitation.
- In the case where the wage expense qualifies the business to take the EZ hiring credit as well as the LAMBRA, MEA, or TTA hiring credit, the business may claim only one credit.
- The portion of any credit remaining for carryover to taxable years beginning on or after January 1, 2014, shall be carried over only to the succeeding 10 taxable years if necessary, or until the credit is exhausted, whichever occurs first. 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 additional information about the treatment of credits for S corporations, see instructions for Schedule Z.

**Worksheet IA Hiring Credit and Recapture – Enterprise Zones**

**Section A Credit Computation.** You cannot take the EZ hiring credit and another credit for the same wage expense.

	Qualified wages paid or incurred for year of employment					
	(a) Employee's name	(b) 1st year	(c) 2nd year	(d) 3rd year	(e) 4th year	(f) 5th year
<b>1</b>						
<b>2</b> Total. See instructions . . . . .						
<b>3</b> Multiply line 2 by the percentage for each column. See instructions . . . . .		.50	.40	.30	.20	.10
<b>4</b> Add the amounts on line 3, column (b) through column (f) . . . . .						<b>4</b>
<b>5</b> Enter the total amount of 2015 California and federal jobs tax credits allowed. See instructions . . . . .						<b>5</b>
<b>6</b> Subtract the amount on line 5 from the amount on line 4 and enter the result here. See instructions. . . . .						<b>6</b>

**Section B Credit Recapture**

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

## Section B – Credit Recapture

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

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

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

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

- Form 100, Schedule J, 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 37 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 3805Z**” in the space provided or next to the line on the schedule or form.

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

S corporation shareholders recapture the portion of credit that was previously claimed, based on the terminated employee’s wages. In addition, 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.

### Line 1c – Sales or Use Tax Credit Carryover

All EZs are repealed as of January 1, 2014. For taxable years beginning on or after January 1, 2015, taxpayers cannot generate any sales or use tax credit. However, taxpayers can claim the EZ sales or use tax credit carryover from previous years to the extent of the amount of tax on the business income apportioned to the former EZ. The portion of any credit remaining for carryover to taxable years beginning on or after January 1, 2014 shall be carried over only to the succeeding 10 taxable years if necessary, or until the credit is exhausted, whichever occurs first.

## Part II – Business Expense Deduction Recapture

All EZs are repealed as of January 1, 2014. For taxable years beginning on or after January 1, 2014, taxpayers can no longer generate any EZ business expense deduction.

## Instructions for Worksheet II – Business Expense Deduction Recapture

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

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

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

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

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

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

- Form 100, line 8.
- Form 100S, line 7, Form 100S, Schedule K, line 10b and Schedule K-1 (100S), line 10b.
- Form 100W, line 8.
- Form 109, Part I, line 12.
- Schedule CA (540), column C, on the applicable line for your business activity.
- Schedule CA (540NR), column C, on the applicable line for your business activity.
- Form 565, Schedule K, line 11b and Schedule K-1 (565), line 11b.
- Form 568, Schedule K, line 11b and Schedule K-1 (568), line 11b.

### Example:

XYZ Inc. purchased a property on June 1, 2013, that qualified the corporation to take the EZ business expense deduction. The property was purchased for \$10,000 and had a useful life of five years. XYZ Inc.’s taxable year ends December 31 of each year. The corporation had a business expense deduction of \$4,000 for the taxable year ending December 31, 2013, on the property.

Assume the corporation disposes of the property or no longer uses the property in the EZ on August 6, 2015. The property was placed in service in 2013. The first year after the property was placed in service was the 2014 taxable year. The second year after the property was placed in service was the 2015 taxable year. Since the property was disposed of or no longer used in the EZ before the end of the second year (December 31, 2015) after the year the property was placed in service, the

business expense deduction (\$4,000) must be added to income in the 2015 taxable year. If the property was disposed of or no longer used in the EZ after December 31, 2015, there is no recapture.

### Situation 1

Assume on August 6, 2015, the corporation sells the asset. To compute the gain or loss on the sale, the basis of the asset is increased by the recapture amount of \$4,000.

### Situation 2

Assume on August 6, 2015, the corporation discontinues using the property in the EZ, but does not sell the asset. To compute depreciation on the asset, the recapture amount is added to the remaining basis of the asset, and depreciation is then computed over the remainder of the useful life of the asset.

Assuming straight line depreciation is used, the corporation will recognize \$2,833 (\$8,500/3) in depreciation expense in 2015. The \$8,500 is arrived at by adding the \$4,000 recapture amount to the \$4,500 remaining basis as of December 31, 2014.

## Part III – Portion of Business Attributable to the Enterprise Zone

EZ tax credits are limited to the tax on business income attributable to operations within the EZ. EZ deductions are limited to business income attributable to operations within the EZ. If the business is located within and outside an EZ, or in more than one EZ, determine the portion of total business operations that are attributable to each EZ. Each taxpayer must complete one form FTB 3805Z for each zone, and therefore, must also compute the income limitation for each one.

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

### Business Income vs. Nonbusiness Income

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

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 corporations and entities doing business in and outside of the enterprise zone,** use Worksheet III, Section A, to determine the EZ apportionment factor to determine the amount of business income attributable to the Enterprise Zone.

**Worksheet II Business Expense Deduction Recapture – Enterprise Zones**

	(a) Property description	(b) Recapture amount
1		
2	Total recapture amount. Add the amounts in column (b). See instructions . . . . .	2

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

1. The distributive (or pro-rata for S corporations) share of the business income apportioned to the EZ.
2. The distributive (or pro-rata for S corporations) share of the business capital gains and losses apportioned to the EZ included in item 1.
3. The distributive (or pro-rata for S corporation) share of the EZ property and payroll to corporate partners, members, shareholders, beneficiaries.

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

**For an individual**, use Worksheet III, Section B to determine business income attributable to the EZ. 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 claim part or all of your current year disaster loss under IRC Section 165(i)(1) on prior year's tax return, do not include the amount of the loss that was claimed on prior year's tax return in your current year business income from the EZ.

**Apportionment**

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

**Property Factor**

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

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

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

**Payroll Factor**

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

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

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

**Compensation Within the Enterprise Zone**

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

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

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

3. If the employee's services are performed within and outside the EZ, the employee's compensation is attributed to the EZ if any of the following items are met:

- A. The employee's base of operations is within the EZ.
- B. There is no base of operations in any other part of the state in which some part of the service is performed, and the place from which the service is directed or controlled is within the EZ.
- C. The base of operations or the place from which the service is directed or controlled is not in any other part of the state in which some part of the service is performed and the employee's residence is within the EZ.

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

**Corporations Filing a Combined Report**

When determining the income attributable to the EZ, the business income of each corporation doing business in the EZ is the business income apportioned to California as determined under combined report mechanics. For more information on combined reports, get FTB Pub. 1061. Each corporation computes the income attributable to the EZ by multiplying California business by EZ apportionment factor computed in Worksheet III, Section A. The EZ property and payroll factors used to determine the EZ income includes only the taxpayer's California amounts in the denominator. Each corporation doing business in the EZ compute the business income attributable to the EZ according to their own apportioned California business income and interstate apportionment factors.

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

Parent corporation A has two subsidiaries, B and C. Corporations A and B operate within



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

Business income apportioned to the EZ was determined as follows:

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

## Instructions for Worksheet III – Income or Loss Apportionment

### Section A – Income Apportionment

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

If the business operates solely within a single EZ and all its property and payroll are solely within that single EZ, enter 100% (1.00) on Section A, line 4, column (c). Do not complete the rest of Worksheet III. The apportioned EZ business income determines the amount of the tax incentives that can be used. A taxpayer's EZ business income is its California business income multiplied by the specific EZ apportionment percentage computed in Worksheet III, Section A.

#### Property Factor

When determining the income apportioned to the EZ, the numerator of the property factor is the average value of the real and tangible personal property owned or rented by the business and used within the EZ during the taxable year to produce EZ business income. See Worksheet III, Section A, column (b). The denominator of the property factor is the total average value of all the taxpayer's real and tangible personal property owned or rented and used during the taxable year within California. See Worksheet III, Section A, column (a).

#### Payroll Factor

When determining income apportioned to the EZ, the numerator of the payroll factor is the taxpayer's total compensation paid to the employees for working within the EZ during the taxable year. See Worksheet III, Section A, column (b). The denominator of the payroll factor is the taxpayer's total compensation paid to **employees working in California**. See Worksheet III, Section A, column (a).

The average apportionment percentage shown on line 4 represents the portion of the taxpayer's total business that is attributable to activities conducted within the EZ. Factors with zero balances in the totals of column (a) will not be included in the computation of the average apportionment percentage. For example, if the taxpayer does not have any payroll within or outside the EZ, 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 Apportionment

Form 540 and Long Form 540NR filers, use Worksheet III, Section B to determine the amount to enter on the following:

- Worksheet IV, line 1 and line 6
- Schedule Z, Part I, line 1 and line 3

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

Only California source business income is apportioned to the EZ. A taxpayer's EZ business income is its California apportioned business income computed using Schedule R, multiplied by the specific EZ apportionment percentage computed using Worksheet III, Section A.

Determine which portion of the taxpayer's net income is "business income" and which portion is "nonbusiness income." Only business income is apportioned to the EZ. See Part III, Portion of Business Attributable to the Enterprise Zone instructions, for a complete discussion of business and nonbusiness income.

### Part I – Individual Income and Expense Items

#### Wages

Taxpayers with wages from a company located within and outside an EZ determine the EZ wage income by entering the percentage of the time that they worked within the EZ in column (b). The percentage of time should be for the same period for which the wages entered on line 1 were earned. Determine this percentage 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

### Individuals with a K-1

The individual partner, member, or shareholder completes Worksheet III, Section B, Part II, Pass-Through Income or Loss, and Schedule Z, Computation of Credit Limitation.

### Multiple Pass-Through Entities

If you are a shareholder, beneficiary, partner, or member of multiple pass-through entities located in the same enterprise zone, see the example for computing your enterprise zone business income.

#### Example:

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

## 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 California Schedule D-1 (or federal Form 4797, if California Schedule D-1 is not needed) as adjusted on Schedule CA (540 or 540NR).

#### Income Computation

#### Located Entirely Within the Enterprise Zone

**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 EZ, enter the income or loss from this activity in column (a), and enter 1.00 in column (b).

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

#### Located Entirely Within California

**Line 6 – Line 9:** If your business operation reported on federal Form 1040 Schedule C, C-EZ, E, 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 III, Section A. Enter the percentage from Worksheet III, Section A, line 4, column (c) on Worksheet III, 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 III, Section A. Enter the percentage from Worksheet III, Section A, line 4, column (c) on Worksheet III, Section B, column (b).

**Located Within and Outside the Enterprise Zone and California**

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

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

Nonresidents that have an apportioning business that operates within the EZ should have already computed Schedule R, and can use those amounts when that schedule is

referenced. Residents complete a Schedule R in order to determine their California source business income for purposes of the EZ credit computation.

**Line 11 and Line 12:** If the gain or loss reported on Schedule D or Schedule D-1 as adjusted on Schedule CA (540 or 540NR) was attributed to an asset used in an activity conducted within and outside the EZ and California, get Schedule R and complete Schedule R-1. Multiply the gain or loss reported by the percentage on Schedule R-1, Part A, line 2 or Part B, line 5 and enter the result in column (a). To determine the apportionment percentage in column (b), complete Worksheet III, Section A. Enter the percentage from Worksheet III, Section A, line 4, column (c) on Worksheet III, Section B, column (b).

**Line 14 –** If you are computing the EZ business income and the result on the Worksheet III, Section B, line 14, column (c) is a **positive** amount and:

- You have EZ NOL carryovers, enter the amount on Worksheet IV, line 1 and line 6 (skip line 2 through line 5).
- You have EZ credit or credit carryovers, enter the amount on Schedule Z, Part I, line 1 and line 3 (skip line 2).

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

**Part IV – Net Operating Loss (NOL) Carryover and Deduction**

All EZs are repealed as of January 1, 2014. Taxpayers can no longer generate any EZ NOL beginning on or after January 1, 2014. However, taxpayers can claim an NOL carryover deduction from prior years.

For NOLs incurred in taxable years beginning on or after January 1, 2008, California has extended the NOL carryover period to 20 taxable years following the year of the loss. A business that operates or invests within an EZ that generated an NOL in a taxable year beginning before January 1, 2008, can carry the NOL forward 15 years. In addition, up to 100% of the NOL generated in an EZ can be carried forward.

For taxable years beginning in 2002 and 2003, California had suspended the NOL carryover deduction. Taxpayers continued to carryover an NOL during the suspension period. The carryover period for suspended losses was extended by two years for losses incurred before January 1, 2002, and by one year for losses incurred on or after January 1, 2002, and before January 1, 2003. The deduction for disaster losses was not affected by the NOL suspension rules. See instructions for Worksheet IV, on page 12 for more information on the suspension of the NOL carryover deduction for taxable years beginning in 2008 through 2011.

**Worksheet III Income or Loss Apportionment – Enterprise Zones**

**Section A Income Apportionment**

Use Worksheet III, Section A, if your business has net income from sources within and outside an EZ.	(a) Total within California	(b) Total within an EZ	(c) Percentage within an EZ column (b) ÷ column (a)
<b>PROPERTY FACTOR</b>			
<b>1</b> 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 . . .			
<b>Total property values</b> . . . . .			
<b>PAYROLL FACTOR</b>			
<b>2</b> Employees' wages, salaries, commissions, and other compensation related to business income included in the tax return.			
<b>Total payroll</b> . . . . .			
<b>3</b> Total percentage – sum of the percentages in column (c) . .			
<b>4</b> Average apportionment percentage – 1/2 of line 3. Enter here and on form FTB 3805Z, Side 1, line 3 . . . . .			

**Worksheet III Income or Loss Apportionment – Enterprise Zones (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 EZ	(c) Apportioned amount (a) x (b)
1 Wages . . . . .			
2 Employee business expenses . . . . .			
3 Total. Combine 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 EZ 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 EZ	(c) Apportioned income or loss (a) x (b)
6 Schedule C or C-EZ . . . . .			
7 Schedule E (Rentals) . . . . .			
8 Schedule F . . . . .			
9 Other business income or loss . . . . .			
10 Total. Add line 6 through line 9, column (c) . . . . .			
	(a) Business gain or loss	(b) Apportionment percentage for the EZ	(c) Apportioned gain or loss (a) x (b)
11 Schedule D . . . . .			
12 Schedule D-1 . . . . .			
13 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) . . . . .			

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

**Limitation**

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

**Election**

If you elected and designated the carryover category (general or specific, EZ, LAMBRA, or Pierce’s disease NOL) on the original tax return for the year of a loss, you should file form FTB 3805Z for each year in which an EZ NOL deduction is being taken. The election is **irrevocable**.

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

**Alternative Minimum Tax**

For taxpayers claiming an EZ NOL carryover deduction, use Schedule P (100, 100W, 540, 540NR, or 541) to compute the NOL for alternative minimum tax purposes.

**S Corporations**

EZ NOLs incurred prior to becoming an S corporation cannot be used against S corporation income. See IRC Section 1371(b).  
However, an S corporation is allowed to deduct an EZ NOL incurred after the “S” election is made. An S corporation may use the NOL carryover as a deduction against income

subject to the 1.5% entity-level tax (3.5% for financial S corporations). The expenses (and income) giving rise to the loss are also passed through to the shareholders in the year the loss is incurred.

**Combined Report**

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

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

## Water's-Edge Taxpayer

For any water's-edge taxpayer, R&TC Section 24416.20(c) imposes a limitation on the NOL deduction if the NOL is generated during a non-water's edge tax year. The NOL carryover is limited to the lesser of the NOL or the re-computed NOL. The re-computed NOL carryover is determined by computing the income and factors of the original worldwide combined reporting group, as if the water's-edge election had been in force for the year of the loss. R&TC Section 24416.20(c) serves as a limitation. If this section applies, the NOL carryover for each corporation may only be decreased, not increased.

## Instructions for Worksheet IV – Computation of NOL Carryover and Carryover Limitations

Individuals, exempt trusts, and corporations with current year income and prior year EZ NOL carryover complete Worksheet IV.

For taxable years beginning in 2010 and 2011, California suspended the NOL carryover deduction. Taxpayers continued to compute and carryover NOLs during the suspension period. **However**, taxpayers with net income after state adjustments (pre-apportioned income) (corporations) or with modified adjusted gross income (individuals) of less than \$300,000, **or** with disaster loss carryovers are not affected by the NOL suspension rules.

**Corporations** use line 17 of Forms 100 and 100W, or line 14 less line 16 of Form 100S to determine net income after state adjustments (pre-apportioned income).

**Individuals** use the amount shown on your federal tax return for the same taxable year without regard to the federal NOL deduction (Form 540/540NR, line 13, plus the federal NOL deduction listed on Schedule CA (540/540NR) column C, line 21c).

The carryover periods for any NOL or NOL carryover, for which a deduction is disallowed because of the 2008 - 2011 suspension, are extended by:

- One year for losses incurred in taxable years beginning on or after January 1, 2010, and before January 1, 2011.
- Two years for losses incurred in taxable years beginning before January 1, 2010.
- Three years for losses incurred in taxable years beginning before January 1, 2009.
- Four years for losses incurred in taxable years beginning before January 1, 2008.

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

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

### Form 540 and Form 540NR filers:

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

**Exception:** If you elected to claim part or all of your current year disaster loss under IRC Section 165(i)(1) on prior year's tax return, do not include the amount of loss that was claimed on prior year's tax return in your current year business income for the EZ.

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

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

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

**Line 7** – Enter the amount from line 6 in line 7, column (d). If this amount is zero or negative, transfer the amounts from line 8 through line 27, column (b) to column (e), and go to line 28.

**Line 8 through Line 27** – Enter the amounts on line 8 through line 27 as positive numbers.

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

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

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

### Example:

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

**Line 28** – Total the amounts in column (b) and column (e). Enter the totals from line 28, columns (b), and (e) on form FTB 3805Z, Side 1, line 4a and line 4c, accordingly.

Your EZ NOL carryover deduction for 2015 is the total of column (c). Enter this amount on your California tax return or schedule as follows:

- Form 100, line 20
- Form 100S, line 18
- Form 100W, line 20
- Form 109, line 6
- Schedule CA (540), line 21(e), column B
- Schedule CA (540NR), line 21(e), column B

## Schedule Z – Computation of Credit Limitations

### Credit Limitations

The amount of EZ credits you can claim on your California tax return is limited by the amount of tax attributable to EZ business income. The amount of tax attributable to the EZ business income is computed in this schedule. For corporations and other entities doing business in the enterprise zone, the EZ business income is computed in this schedule using the EZ apportionment factor formula computed on Worksheet III, Section A. For individuals, the EZ business income is computed on Worksheet III, Section B. Use Schedule Z to compute this limitation.

### Assignment of Credit

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 claimed by the affiliated corporation against its tax liability.

The eligible assignee shall be treated as if it originally generated the assigned credit. Any credit limitations or restrictions that applied to the assignor will also apply to the eligible assignee. The amount of EZ credits you may claim on your California tax return is limited to the tax attributable to a specific EZ. For zone credits assigned, the assignee must have a tax liability as a result of income generated in the same zone that the original credit was generated. For example, if the original credit was generated in the Fresno City EZ of the assignor, the assignee must have a tax liability on the income attributable to the Fresno City EZ in order to use the assigned credit. For more information on credit assignment, get form FTB 3544, or form FTB 3544A or go to [ftb.ca.gov](http://ftb.ca.gov) and search for **credit assignment**.

### Other Limitations

If a taxpayer owns an interest in a disregarded business entity, the amount of the credit that can be utilized is limited to the difference between the taxpayer's regular tax computed with the income of the disregarded entity, and the taxpayer's regular tax computed without the income of the disregarded entity. Partnerships allocate the credit among the partners according to the partner's distributive share as determined in a written partnership agreement. See R&TC Section 17039(e)(2).

Credits you are otherwise eligible to claim may be limited. Do not apply credits against the minimum franchise tax (corporations and S corporations), the annual tax (partnerships and QSub), the alternative minimum tax (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.



**Worksheet IV** Computation of NOL Carryover and Carryover Limitations – Enterprise Zones. See instructions.

<b>1</b> Enter the amount from Form 100, line 17; Form 100W, line 17; Form 100S, combined amounts of line 14 and line 16; or Form 109, line 1 or line 4. Form 540 or Long Form 540NR filers, enter the total from Worksheet III, Section B, line 14, column (c) on line 1 and line 6 (skip line 2 through line 5). See instructions. Corporations filing a combined report, enter the taxpayer's business income assigned to California. See instructions for Part IV . . . . .	<b>1</b>		
<b>2 a</b> Form 100, Form 100W, Form 100S, and Form 109 filers: Enter any nonbusiness income included in line 1 as a negative number. Form 540 and Long Form 540NR filers leave blank . . . . .	<b>2a</b>		
<b>b</b> Form 100, 100W, 100S, and 109 filers: Enter any nonbusiness loss included in line 1 as a positive number. Form 540 and Long Form 540NR filers leave blank . . . . .	<b>2b</b>		
<b>c</b> Combine line 2a and line 2b . . . . .	<b>2c</b>		
<b>3</b> Form 100 and Form 100W filers: Enter the amount from Form 100, line 21 or Form 100W, line 21. Form 100S filers: Enter the total of the amounts from Form 100S, line 16 and line 19. Form 540, Long Form 540NR, and Form 109 filers: Enter -0-. Enter this amount as a negative number . . . . .	<b>3</b>		
<b>4</b> Combine line 1, line 2c, and line 3. If zero or less, enter -0- on line 6 . . . . .	<b>4</b>		
<b>5</b> Enter the average apportionment percentage from Worksheet III, Section A, line 4 . . . . .	<b>5</b>		
<b>6</b> Modified taxable income. Multiply line 4 by line 5. See instructions . . . . .	<b>6</b>		

(a) Description	(b) Carryover from prior year	(c) Amount deducted this year	(d) Balance available to offset losses	(e) EZ NOL carryover to future years.
<b>7</b> Modified taxable income from line 6 . . . . .				
<b>8</b> EZ NOL carryover beginning in 1994 . . . . .				
<b>9</b> EZ NOL carryover beginning in 1995 . . . . .				
<b>10</b> EZ NOL carryover beginning in 1996 . . . . .				
<b>11</b> EZ NOL carryover beginning in 1997 . . . . .				
<b>12</b> EZ NOL carryover beginning in 1998 . . . . .				
<b>13</b> EZ NOL carryover beginning in 1999 . . . . .				
<b>14</b> EZ NOL carryover beginning in 2000 . . . . .				
<b>15</b> EZ NOL carryover beginning in 2001 . . . . .				
<b>16</b> EZ NOL carryover beginning in 2002 . . . . .				
<b>17</b> EZ NOL carryover beginning in 2003 . . . . .				
<b>18</b> EZ NOL carryover beginning in 2004 . . . . .				
<b>19</b> EZ NOL carryover beginning in 2005 . . . . .				
<b>20</b> EZ NOL carryover beginning in 2006 . . . . .				
<b>21</b> EZ NOL carryover beginning in 2007 . . . . .				
<b>22</b> EZ NOL carryover beginning in 2008 . . . . .				
<b>23</b> EZ NOL carryover beginning in 2009 . . . . .				
<b>24</b> EZ NOL carryover beginning in 2010 . . . . .				
<b>25</b> EZ NOL carryover beginning in 2011 . . . . .				
<b>26</b> EZ NOL carryover beginning in 2012 . . . . .				
<b>27</b> EZ NOL carryover beginning in 2013 . . . . .				
<b>28</b> Total the amounts in column (b), (c) and column (e). See instructions . . . . .				

## S Corporations and the Application of Enterprise Zone Credits

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

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

**Example:** In 2015, an S corporation qualified for a \$3,000 EZ hiring credit. The S corporation will be able to use  $\frac{1}{3}$  of the credit ( $\$3,000 \times \frac{1}{3} = \$1,000$ ), to offset the tax on the S corporation's EZ business income.

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

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

Shareholders should attach Schedule(s) K-1 (100S).

### Carryover

If the amount of EZ credit available this year exceeds your tax, you may carry over any excess credit to future years. The portion of any credit remaining for carryover to taxable years beginning on or after January 1, 2014, shall be carried over only to the succeeding 10 taxable years if necessary, or until the credit is exhausted, whichever occurs first. Apply the carryover to the earliest taxable year possible. In no event can the credit be carried back and applied against a prior year's tax. 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  $\frac{1}{3}$  credit that is in excess of the 1.5% entity-level tax (3.5% for financial S corporations) in the current year may also be carried forward and used in future years to offset the S corporation entity-level tax. See the instructions for Schedule Z, Part III for more information.

If a C corporation had unused credit carryovers when it elected S corporation status, the carryovers were reduced to  $\frac{1}{3}$  and transferred to the S corporation. The remaining  $\frac{2}{3}$  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

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

## Instructions for Schedule Z – Computation of Credit Limitations

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

- Partnerships and LLCs treated as partnerships do not complete Schedule Z. The partners and members of these types of entities should compute their EZ income from all sources by completing the Schedule Z to determine the amount of EZ credits that they may claim on their California tax return. For individual partners, report the distributive share of all the business income apportioned to the EZ. For corporate partners, report the distributive share of the EZ property and payroll. Report these items as other information on Schedule K-1 (565).
- S corporations and their shareholders complete Schedule Z.
- Report to shareholders, beneficiaries, partners, and members, the distributive or pro-rata share of business income, loss, and deductions apportioned to the zone.
- Separately state any distributive or pro-rata share of business capital gains and losses apportioned to the zone included in the amount above.

### S Corporations

Complete only Part 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

For filers with NOL carryovers.

- Complete Worksheet IV first if you have an NOL carryover.
- Then complete Schedule Z if you have any EZ credits.

If you do not have any NOL carryovers:

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

Only business income is apportioned to the EZ 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.

For corporations filing a combined report, the business income of each corporation doing business in the EZ is the business income apportioned to California as determined under combined report mechanics. Get FTB Pub. 1061 for more information on combined reports and entity income apportionment.

**Line 1** – Enter all trade or business income. See form FTB 3805Z, Part III instructions for the definition of business income.

If a C corporation has net loss for regular tax purposes but has positive Alternative Minimum Taxable Income (AMTI), enter the taxpayer's apportioned AMTI.

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

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

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

### Individuals

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

### Exempt organizations

Use the applicable tax rate in your tax booklet.

### Corporations and S Corporations

Use the applicable tax rate.

If the amount on line 6a is the minimum franchise tax (\$800), you cannot use your EZ credits this year. Complete Part IV of Schedule Z to compute the amount of credit carryover.

If a C corporation has net loss for regular tax purposes and you entered apportioned AMTI on line 1, use the applicable AMT rate. The result is the limitation based on EZ business income. Enter this amount on Part II, Line 8A, column (f).

### Example: Determination of EZ Income for Shareholders, Partners, or Members of Pass-Through Entities

John Anderson is vice president of ABC, Inc., an S corporation that has two locations: one in an EZ and one outside an EZ. Eighty percent (80%) of the S corporation's business is attributable to the EZ.

This percentage was determined by ABC, Inc. using form FTB 3805Z, Worksheet III, 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 EZ.

John and Jackie Anderson have the following 2015 items of California income and expense:

John's salary from ABC, Inc . . . . . \$100,000  
Jackie's salary from ABC, Inc . . . . . 75,000  
Interest on savings account . . . . . 1,000  
Dividends . . . . . 3,000  
Schedule K-1 (100S) from ABC, Inc.:

Ordinary income . . . . . 40,000  
John's unreimbursed employee expenses from federal Schedule A . (2,000)

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

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

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

John and Jackie compute the tax (to be entered on Schedule Z, Part I, line 6a) on the total EZ business income of \$156,000 (as if it represents all of their income).

#### **Line 6b – Corporations and S corporations**

If the amount on line 6b is the minimum franchise tax (\$800), you cannot use your EZ credits this year. Complete Part IV of Schedule Z to compute the amount of credit carryover.

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

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

Individuals that received a Schedule K-1, complete Schedule Z, Part II, using the information from the Schedule K-1.

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

**Line 8A, 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 8A, column (f) or the amount computed on line 8B, column (e). Enter this amount on form FTB 3805Z, Side 1, line 1a.

**Line 8B, column (b)** – Enter the amount of the current year credit that was computed on Worksheet IA, Section A, line 6. Individuals enter the current year hiring credit from the Schedule K-1.

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

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

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

**Line 8B, column (h)** – Subtract the amount on line 8B, column (f) from the amount on line 8B, column (e). Enter the result on line 8B, 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 EZ business income.

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

**Line 9A, 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 9A, column (f) or the amount computed on line 9B, column (e). Enter this amount on form FTB 3805Z, Side 1, line 1c.

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

**Line 9B, 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 9B, column (e)** – Subtract the amount on line 9B, column (d), if any, from the total prior year carryover on line 9B, column (c).

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

**Line 9B, column (h)** – Subtract the amount on line 9B, column (f) from the amount on line 9B, column (e). Enter the result on line 9B, 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 EZ business income.

### **Part III – Limitation of Credits for S Corporations Only**

Use Part III of Schedule Z only if you are an S corporation. Adjust Schedule C (100S) to reflect the EZ business tax limitation (Part I, line 7) after completing this worksheet.

**Line 10, column (b)** – Enter the amount of current year credit that was computed on Worksheet IA in column (b) for line 10. Also include this amount on Form 100S, Schedule K, line 13d.

**Line 10, column (c)** – Multiply the amount on line 10, 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).

Also include this amount on Schedule C, Form 100S.

**Line 10 and Line 11, column (d)** – Enter the amounts of total prior year credit carryover. These are the amounts of credit that were previously computed on prior year Worksheet IA and Worksheet IB, minus the amounts that were allowed to be taken on the prior year tax return.

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

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

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

**Part IV – 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 12, column (b)** – Enter the amount of current year credit that was computed on Worksheet IA. S corporations may enter only 1/3 of the amount from Worksheet IA on line 12, column (b).

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

**Line 12 and Line 13, 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 12 and Line 13, column (e)** – Add the amounts in column (b), as applicable, and column (c) for line 12 and line 13, then subtract the amounts in column (d), if any, for line 12 and line 13. These are the credit amounts that can be carried over to future years.

**Example: Part II**

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

The business has the following credits:

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

Schedule Z, Part II would be computed as follows:

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

	(a) Credit name	(b) Credit amount	(c) Total prior year carryover	(d) Total credit assigned from form FTB 3544, col. (g)	(e) Total credit sum of col. (b) plus col. (c), minus col. (d)	(f) Limitation based on EZ 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)
8	Hiring credit	A				7,000	800	
		B	500	300	–0–	800		–0–
9	Sales or use tax credit carryover	A				6,200	6,200	
		B		9,000	–0–	9,000	6,200	2,800



Enterprise Zone Deduction and Credit Summary

Attach to your California tax return..

Name(s) as shown on your California tax return

SSN or ITIN CA Corporation no. FEIN

California Secretary of State file number

A. Check the appropriate box for your entity type:

- Individual Estate Trust C corporation S corporation Partnership Exempt organization Limited liability company Limited liability partnership

B. Enter the name of the Enterprise Zone (EZ) business:

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

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

E. Enter the Principal Business Activity Code of the EZ Business. For Long Beach EZ, enter SIC code, see instructions.

F. Total number of employees in the EZ

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

H. Gross annual receipts of the business

I. Total asset value of the business

Part I Credits and Recapture (Complete Schedule Z on Side 2 before you complete this part.)

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

- 1a Hiring credit from Schedule Z, line 8A, column (g) or line 10, column (f)
1b Hiring credit recapture from Worksheet IA, Section B, line 2, column (b)
1c Sales or use tax credit carryover from Schedule Z, line 9A, column (g) or line 11, column (f)
1d Add line 1a and line 1c.

Part II Business Expense Deduction Recapture

2 Business expense deduction recapture from Worksheet II, line 2, column (b)

Part III Portion of Business Attributable to the Enterprise Zone. See instructions.

3 Enter the average apportionment percentage of your EZ business from Worksheet III, Section A, line 4.

Part IV Net Operating Loss (NOL) Carryover and Deduction. See instructions.

- 4a Enter the EZ NOL carryover from prior years from Worksheet IV, line 28, column (b)
4b Enter the total EZ NOL deduction used in the current year from Worksheet IV, line 28, column (c). Enter this amount on Schedule CA (540 or 540NR), line 21e, column B; Form 100, line 20; Form 100W, line 20; Form 100S, line 18; or Form 109, line 6
4c Enter the EZ NOL carryover to future years from Worksheet IV, line 28, column (e)

**Schedule Z Computation of Credit Limitations – Enterprise Zones**

**Part I Computation of Credit Limitations.** See instructions.

<b>1</b> Trade or business income. <b>Individuals:</b> Enter the amount from the Worksheet III, Section B, line 14, column (c) on this line and on line 3 (skip line 2). See instructions. Corporations filing a combined report, enter the taxpayer's business income apportioned to California. See instructions for form FTB 3805Z, Part III . . . . . <input checked="" type="radio"/>	<b>1</b>	
<b>2</b> <b>Corporations:</b> Enter the average apportionment percentage from Worksheet III, Section A, line 4. See instructions. . . . .	<b>2</b>	
<b>3</b> Multiply line 1 by line 2. . . . .	<b>3</b>	
<b>4</b> Enter the EZ NOL deduction from Worksheet IV, line 28, column (c) . . . . .	<b>4</b>	
<b>5</b> EZ taxable income. Subtract line 4 from line 3 . . . . . <input checked="" type="radio"/>	<b>5</b>	
<b>6 a</b> Compute the amount of tax due using the amount on line 5. See instructions . . . . . <input checked="" type="radio"/>	<b>6a</b>	
<b>b</b> Enter the amount of tax from Form 540, line 35; Long Form 540NR, line 42; Form 541, line 21; Form 100, line 23; Form 100W, line 23; Form 100S, line 21; or Form 109, line 10. Corporations and S corporations, see instructions. . . . . <input checked="" type="radio"/>	<b>6b</b>	
<b>7</b> Enter the smaller of line 6a or line 6b. This is the limitation based on the EZ business income. Go to Part II, Part III, or Part IV. See instructions . . . . . <input checked="" type="radio"/>	<b>7</b>	

**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 EZ 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)
<b>8</b> Hiring credit	A					<input checked="" type="radio"/>	<input checked="" type="radio"/>	
	B	<input checked="" type="radio"/>	<input checked="" type="radio"/>	<input checked="" type="radio"/>	<input checked="" type="radio"/>	<input checked="" type="radio"/>		<input checked="" type="radio"/>
<b>9</b> Sales or use tax credit carryover	A					<input checked="" type="radio"/>	<input checked="" type="radio"/>	
	B		<input checked="" type="radio"/>	<input checked="" type="radio"/>	<input checked="" type="radio"/>	<input checked="" type="radio"/>		<input checked="" type="radio"/>

**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)
<b>10</b> Hiring credit		<input checked="" type="radio"/>	<input checked="" type="radio"/>	<input checked="" type="radio"/>	<input checked="" type="radio"/>	<input checked="" type="radio"/>	<input checked="" type="radio"/>
<b>11</b> Sales or use tax credit carryover				<input checked="" type="radio"/>	<input checked="" type="radio"/>	<input checked="" type="radio"/>	<input checked="" type="radio"/>

**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)
<b>12</b> Hiring credit		<input checked="" type="radio"/>	<input checked="" type="radio"/>	<input checked="" type="radio"/>	<input checked="" type="radio"/>
<b>13</b> Sales or use tax credit carryover			<input checked="" type="radio"/>	<input checked="" type="radio"/>	<input checked="" type="radio"/>

Refer to page 4 for information on how to claim deductions and credits.

# 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.
- (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 3721, 3724, 3728, and 3812 are listed since only Long Beach taxpayers with establishments in these industry codes qualify for the EZ hiring credit.

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

NATIONAL TECHNICAL INFORMATION SERVICE  
5301 SHAWNEE ROAD  
ALEXANDRIA, VIRGINIA 22312  
Order No. PB 87-100012

Or to view the manual, go to [osha.gov](http://osha.gov) and search for **SIC code**.

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

- 3721 Research and Development on Aircraft
- 3724 Aircraft Engines and Engine Parts
- 3728 Aircraft Parts and Auxiliary Equipment, not elsewhere classified
- 3812 Search and Navigation Equipment

# FTB 3805Z

## 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 (R&TC). 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.

For purposes of qualifying for the Long Beach EZ hiring credit, refer to the Standard Industrial Classification Manual (SIC). A partial listing of the SIC codes is located on page 19 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 & Dry Pasta 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
- 315240 Women's, Girls' and Infants' Cut & Sew Apparel Mfg
- 315280 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 Household Appliances and 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



<b>Code</b>	
<b>Merchant Wholesalers, Nondurable Goods</b>	
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
<b>Wholesale Electronic Markets and Agents and Brokers</b>	
425110	Business to Business Electronic Markets
425120	Wholesale Trade Agents & Brokers
<b>Retail Trade</b>	
<b>Motor Vehicle and Parts Dealers</b>	
441110	New Car Dealers
441120	Used Car Dealers
441210	Recreational Vehicle Dealers
441222	Boat Dealers
441228	Motorcycle, ATV, and All Other Motor Vehicle Dealers
441300	Automotive Parts, Accessories, & Tire Stores
<b>Furniture and Home Furnishings Stores</b>	
442110	Furniture Stores
442210	Floor Covering Stores
442291	Window Treatment Stores
442299	All Other Home Furnishings Stores
<b>Electronics and Appliance Stores</b>	
443141	Household Appliance Stores
443142	Electronics Stores (including Audio, Video, Computer, and Camera Stores)
<b>Building Material and Garden Equipment and Supplies Dealers</b>	
444110	Home Centers
444120	Paint & Wallpaper Stores
444130	Hardware Stores
444190	Other Building Material Dealers
444200	Lawn & Garden Equipment & Supplies Stores
<b>Food and Beverage Stores</b>	
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
<b>Health and Personal Care Stores</b>	
446110	Pharmacies & Drug Stores
446120	Cosmetics, Beauty Supplies, & Perfume Stores
446130	Optical Goods Stores
446190	Other Health & Personal Care Stores
<b>Gasoline Stations</b>	
447100	Gasoline Stations (including convenience stores with gas)

<b>Code</b>	
<b>Clothing and Clothing Accessories Stores</b>	
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
<b>Sporting Goods, Hobby, Book, and Music Stores</b>	
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
<b>General Merchandise Stores</b>	
452110	Department stores
452900	Other General Merchandise Stores
<b>Miscellaneous Store Retailers</b>	
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)
<b>Nonstore Retailers</b>	
454110	Electronic Shopping & Mail-Order Houses
454210	Vending Machine Operators
454310	Fuel Dealers (including Heating Oil and Liquefied Petroleum)
454390	Other Direct Selling Establishments (including door-to-door retailing, frozen food plan providers, party plan merchandisers, & coffee-break service providers)
<b>Transportation and Warehousing</b>	
<b>Air, Rail, and Water Transportation</b>	
481000	Air Transportation
482110	Rail Transportation
483000	Water Transportation
<b>Truck Transportation</b>	
484110	General Freight Trucking, Local
484120	General Freight Trucking, Long-distance
484200	Specialized Freight Trucking
<b>Transit and Ground Passenger Transportation</b>	
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
<b>Pipeline Transportation</b>	
486000	Pipeline Transportation
<b>Scenic &amp; Sightseeing Transportation</b>	
487000	Scenic & Sightseeing Transportation

<b>Code</b>	
<b>Support Activities for Transportation</b>	
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
<b>Couriers and Messengers</b>	
492110	Couriers
492210	Local Messengers & Local Delivery
<b>Warehousing and Storage</b>	
493100	Warehousing & Storage (except lessors of miniwarehouses & self-storage units)
<b>Information</b>	
<b>Publishing Industries (except Internet)</b>	
511110	Newspaper Publishers
511120	Periodical Publishers
511130	Book Publishers
511140	Directory & Mailing List Publishers
511190	Other Publishers
512100	Software Publishers
<b>Motion Picture and Sound Recording Industries</b>	
512100	Motion Picture & Video Industries (except video rental)
512200	Sound Recording Industries
<b>Broadcasting (except Internet)</b>	
515100	Radio & Television Broadcasting
515210	Cable & Other Subscription Programming
<b>Telecommunications</b>	
517000	Telecommunications (including paging, cellular, satellite, cable & other program distribution, resellers, other telecommunications, & internet service providers)
<b>Data Processing Services</b>	
518210	Data Processing, Hosting, & Related Services
<b>Other Information Services</b>	
519100	Other Information Services (including news syndicates, libraries, internet publishing & broadcasting)
<b>Finance and Insurance</b>	
<b>Depository Credit Intermediation</b>	
522110	Commercial Banking
522120	Savings Institutions
522130	Credit Unions
522190	Other Depository Credit Intermediation
<b>Nondepository Credit Intermediation</b>	
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
<b>Activities Related to Credit Intermediation</b>	
522300	Activities Related to Credit Intermediation (including loan brokers, check clearing, & money transmitting)
<b>Securities, Commodity Contracts, and Other Financial Investments and Related Activities</b>	
523110	Investment Banking & Securities Dealing
523120	Securities Brokerage
523130	Commodity Contracts Dealing

<b>Code</b>	
523140	Commodity Contracts Brokerage
523210	Securities & Commodity Exchanges
523900	Other Financial Investment Activities (including portfolio management & investment advice)
<b>Insurance Carriers and Related Activities</b>	
524130	Reinsurance Carriers
524140	Direct Life, Health, & Medical Insurance Carriers
524150	Direct Insurance (except Life, Health, & Medical) Carriers
524210	Insurance Agencies & Brokerages
524290	Other Insurance Related Activities (including third-party administration of insurance and pension funds)
<b>Funds, Trusts, and Other Financial Vehicles</b>	
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 <b>Management of Companies (Holding Companies)</b> on next page.	
<b>Real Estate and Rental and Leasing</b>	
<b>Real Estate</b>	
531110	Lessors of Residential Buildings & Dwellings (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
<b>Rental and Leasing Services</b>	
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
<b>Lessors of Nonfinancial Intangible Assets (except copyrighted works)</b>	
533110	Lessors of Nonfinancial Intangible Assets (except copyrighted works)
<b>Professional, Scientific, and Technical Services</b>	
<b>Legal Services</b>	
541110	Offices of Lawyers
541190	Other Legal Services

Code

**Accounting, Tax Preparation, Bookkeeping, and Payroll Services**

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

**Architectural, Engineering, and Related Services**

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

**Specialized Design Services**

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

**Computer Systems Design and Related Services**

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

**Other Professional, Scientific, and Technical Services**

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

**Management of Companies (Holding Companies)**

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

**Administrative and Support and Waste Management and Remediation Services**

**Administrative and Support Services**

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

Code

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

**Waste Management and Remediation Services**

- 562000 Waste Management & Remediation Services

**Educational Services**

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

**Health Care and Social Assistance**

**Offices of Physicians and Dentists**

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

**Offices of Other Health Practitioners**

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

**Outpatient Care Centers**

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

**Medical and Diagnostic Laboratories**

- 621510 Medical & Diagnostic Laboratories

**Home Health Care Services**

- 621610 Home Health Care Services

Code

**Other Ambulatory Health Care Services**

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

**Hospitals**

- 622000 Hospitals

**Nursing and Residential Care Facilities**

- 623000 Nursing & Residential Care Facilities

**Social Assistance**

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

**Arts, Entertainment, and Recreation**

**Performing Arts, Spectator Sports, and Related Industries**

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

**Museums, Historical Sites, and Similar Institutions**

- 712100 Museums, Historical Sites, & Similar Institutions

**Amusement, Gambling, and Recreation Industries**

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

**Accommodation and Food Services**

**Accommodation**

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

Code

**Food Services and Drinking Places**

- 722300 Special Food Services (including food service contractors & caterers)
- 722410 Drinking Places (Alcoholic Beverages)
- 722511 Full Service Restaurants
- 722513 Limited Service Restaurants
- 722514 Cafeterias and Buffets
- 722515 Snack and Non-alcoholic Beverage Bars

**Other Services**

**Repair and Maintenance**

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

**Personal and Laundry Services**

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

**Religious, Grantmaking, Civic, Professional, and Similar Organizations**

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

## 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 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](http://ftb.ca.gov).

Access other state agencies' websites at [ca.gov](http://ca.gov).

**By phone** – To order current year 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 for the form you want to order.
- Call 800.338.0505 and follow the instructions.

Allow two weeks to receive your order. If you live outside California, 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 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), California 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 F283  
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](http://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 durante todo el año desde las 7 a.m. hasta las 5 p.m. de lunes a viernes, excepto días feriados. Las horas están sujetas a cambios.

Sitio web: [ftb.ca.gov](http://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  
para personas con discapacidades  
auditivas o del habla

## EZ Contact Information

For business eligibility or zone related information, including questions regarding EZ geographic boundaries and designation period dates, contact the HCD at [hcd.ca.gov](http://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, contact the HCD at:

DEPARTMENT OF HOUSING &  
COMMUNITY DEVELOPMENT  
DIVISION OF FINANCIAL ASSISTANCE  
ENTERPRISE ZONE PROGRAMS  
2020 WEST EL CAMINO AVENUE SUITE 650  
SACRAMENTO, CA 95833

### Mailing address

PO BOX 952054  
SACRAMENTO CA 94252-2054

Website: [hcd.ca.gov](http://hcd.ca.gov)  
Telephone: 916.263.2945  
Fax: 916.263.2765

or for tax-specific information contact:

FRANCHISE TAX BOARD  
Website: [ftb.ca.gov](http://ftb.ca.gov)  
Telephone: 916.845.3464