



STATE OF CALIFORNIA  
FRANCHISE TAX BOARD

# FTB Publication 1157

## 2001 Guidelines for Targeted Tax Area Tax Incentives



## Contents

What's New .....	1
General Information .....	2
TTA Designation Date and Geographic Boundaries ...	2
Important Considerations .....	2
Hiring Credit .....	3
Sales or Use Tax Credit .....	4
Business Expense Deduction .....	5
Net Operating Loss Carryover .....	6
Determination of TTA Income or TTA Tax .....	6
Standard Industrial Classification Manual, 1987 Edition (Partial Listing) .....	7
Related FTB Forms and Publications .....	10
Where to Get Tax Forms and Publications .....	10
Economic Development Area Information .....	10
General Toll-Free Phone Service .....	10

## What's New

### Forms

For the 2001 tax year, a new form is available for nonresidents and part-year residents: Short Form 540NR, California Nonresident or Part-Year Resident Income Tax Return. The Short Form 540NR is for nonresident and part-year resident taxpayers who have limited income sources and deductions. The Form 540NR name has been changed to Long Form 540NR, California Nonresident or Part-Year Resident Income Tax Return.

For taxable years beginning on or after January 1, 2001 and before January 1, 2003, farmers are allowed a deduction for losses sustained due to Pierce's Disease and its vectors. This loss may create an NOL, which is allowed to be carried forward for nine years at 100%. The NOL may be deducted only from income apportioned to the area affected by Pierce's Disease using a two-factor formula. For more information, see form FTB 3805D.

### Bank and Corporation Tax Law vs. Corporation Tax Law

For taxable years beginning on or after January 1, 2001, The "Bank and Corporation Tax Law" (B&CTL) has been renamed as the "Corporation Tax Law" (CTL). The term "Bank" in the title is no longer needed because banks are included in the definition of a corporation.

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## Basis Adjustment

For purposes of recapturing the business expense deduction, Title 18 Cal. Code Reg. Sections 17267.2 and 24356.7 were adopted January 1, 2001. These regulations provide that as of the first day of the taxable year in which a recapture event occurs, the basis of the qualified property shall be increased by the recapture amount. The increase in basis is depreciated over the remaining useful life of the qualified property.

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## General Information

The Targeted Tax Area (TTA) has been established in California to stimulate development in selected economically-depressed areas. A business may qualify for special deductions and credits if the business operates or invests in a trade or business located within the geographic boundaries of the TTA.

The TTA program provides four business-related tax incentives:

1. Credit for hiring qualified employees;
2. Credit for sales or use tax paid or incurred on certain property;
3. Business expense deduction for the cost of certain property; and
4. Net operating loss (NOL) carryover.

This guide briefly explains these four business-related tax incentives to help investors and business operators understand the potential financial impact and requirements of each incentive.

The TTA tax incentives apply only to certain business transactions that are undertaken **after** the area received final designation and before the designation expires.

Detailed information about the methods used to compute allowable tax savings is provided in FTB 3809, Targeted Tax Area Business Booklet.

**Federal/State Conformity.** In general, California law conforms to the Internal Revenue Code (IRC) as of January 1, 1998. However, there are continuing differences between California and federal law. California has not conformed to most of the changes made to the IRC by the federal Internal Revenue Service Restructuring and Reform Act of 1998 (Public Law 105-206) and the Ticket to Work and Work Incentives Improvement Act of 1999 (Public Law 106-170). California has not conformed to any of the changes made by the Tax and Trade Relief Extension Act of 1998 (Public Law 105-277), the Miscellaneous Trade and Technical Corrections Act of 1999 (Public Law 106-36), the FSC Repeal and Extraterritorial Income Exclusion Act of 2000 (Public Law 106-519), the Consolidated Appropriations Act of 2001 (Public Law 106-554), and the Economic Growth and Tax Relief Reconciliation Act of 2001 (Public Law 107-16).

## TTA Designation Date and Geographic Boundaries

All of the incorporated cities in Tulare County and portions of the unincorporated areas of Tulare County received final designation as the TTA effective November 1, 1998. The eight incorporated cities in Tulare County are:

Dinuba	Porterville
Exeter	Tulare
Farmersville	Visalia
Lindsay	Woodlake

Further information about geographic boundaries of the TTA is available from:

ENTERPRISE ZONE PROGRAMS  
CALIFORNIA TECHNOLOGY, TRADE AND  
COMMERCE AGENCY  
801 K STREET SUITE 1700  
SACRAMENTO CA 95814  
Telephone: (916) 324-8211  
Fax: (916) 322-7214  
Website: [www.commerce.ca.gov](http://www.commerce.ca.gov)

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## Important Considerations

The TTA tax incentives only apply to:

- Qualified assets purchased and placed in service on or after November 1, 1998;
- Qualified employees hired after November 1, 1998; and/or
- NOLs for taxable years beginning on or after November 1, 1998.

### Eligibility

To take advantage of the hiring credit, employers hiring qualified employees **must** get a completed Form TCA EZ1, Targeted Tax Area Hiring Voucher, from the local agency responsible for verifying employees' eligibility. Contact the local TTA coordinator for more information on the local agency and verification process. You may reach them at the California Technology, Trade and Commerce Agency (TTCA) at the previously listed address. Do not file Form TCA EZ1 with your return.

A taxpayer must meet both of the following requirements to qualify for any of the TTA tax incentives.

- Be engaged in a trade or business within the TTA; and
- Be engaged in a line of business described in Standard Industrial Classification (SIC) codes 2000 to 2099, inclusive; 2200 to 3999, inclusive; 4200 to 4299, inclusive; 4500 to 4599, inclusive; and 4700 to 5199, inclusive, of the Standard Industrial Classification Manual published by the United States Office of Management and Budget, 1987 Edition. See pages 7 through 9 of this publication for a list of qualified SIC codes.

**Note:** The FTB implemented the new Principal Business Activity (PBA) code chart that is based on the North American Industry Classification System (NAICS), 1997 Edition. However, for purposes of qualifying for the TTA hiring credit, refer to a list of qualified Standard Industrial Classification (SIC) codes on pages 7 through 9 codes to determine whether the line of business qualifies for the TTA business tax incentives. Accordingly, the PBA and NAICS codes **cannot** be used for purposes of determining whether the line of business qualifies for the TTA business tax incentives. Do not enter the PBA code from your state or federal tax return. The PBA codes are listed on pages 24 through 26 of form FTB 3809.

In the case of any pass-through entity, the determination of whether a taxpayer is a qualified taxpayer for the business expense deduction, hiring credit, and sales or use tax credit is made at the entity level.

## Hiring Credit

Eligible employers conducting a trade or business within the TTA may claim the hiring credit for a new employee who:

- Was hired after November 1, 1998;
- Spends at least 90% of his or her work time (for the qualified employer) on activities directly related to the conduct of a trade or business located within the TTA;
- Performs at least 50% of the work (for the qualified employer) within the boundaries of the TTA; **and**
- Was 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 (GAIN) Act of 1985 or its successor;
  3. A member of a targeted group as defined in the federal Work Opportunity Tax Credit (WOTC) or its successor;
  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:
    - Federal Supplemental Security Income (SSI) benefits;
    - Aid to Families with Dependent Children (AFDC);
    - Food stamps; or
    - State and local general assistance;
  12. A Native American; or
  13. A resident of the TTA.

The percentage of wages used to compute the credit depends on the number of years the employee works for the employer in the TTA. 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.

Period of employment	Credit allowed on qualified wages paid
First 12 months	50%
Second 12 months	40%
Third 12 months	30%
Fourth 12 months	20%
Fifth 12 months	10%
After 60 months	0%

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 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; or
- 150% of the minimum hourly wage established by the California 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 TTA hiring credit. Effective January 1, 2001, the established minimum wage is \$6.25 per hour. For purposes of computing the TTA hiring credit, 150% of the minimum wage is \$9.37 per hour.

### Credit Limitations

- The amount of TTA credits (sales or use tax credit, hiring credit, and credit carryovers from prior years) claimed for any year may not exceed the amount of tax that would be imposed on the income earned solely from your business activities in the TTA.
- In the case where the business is qualified to take the TTA hiring credit as well as another credit for the same wage expense, the business may claim only one credit for that wage expense.
- The credit cannot reduce the minimum franchise tax, (corporations and S corporations), the annual tax (partnerships, LLCs classified as partnerships, and QSubs), the alternative minimum tax (corporations, exempt organizations, individuals, fiduciaries), the built-in gains tax (S corporations), or the excess net passive income tax (S corporations). However, the credit can reduce the regular tax below tentative minimum tax.

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## Credit Carryover

If the amount of the hiring credit is greater than the tax attributable to the TTA business income in any year, the excess credit can be carried over to future years to offset tax on TTA business income until exhausted.

## Record Keeping

Retain a copy of Form TCA EZ1 to substantiate an individual's eligibility as a "qualified employee." In addition, for each qualified employee, keep a schedule of the first 60 months of employment showing (at least):

- Employee name;
- Date the employee was hired;
- Number of hours the employee worked each month;
- Smaller of the hourly rate of pay for each month or 150% 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; and
- Total qualified wages per month for each month of employment.

## Credit Recapture

The employer must recapture the amount of credit attributable to an employee's wages if the employer terminates the employee at any time during the longer of:

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

Employers of seasonal employees must recapture the amount of credit attributable to a seasonal employee's wages if the employer terminates employment before the completion of 270 days of employment during the 60-month period beginning the day the employee commences employment with the employer.

A "day of employment" means any day for which the employee receives wage compensation (including a paid sick day, holiday, or vacation day).

The employer must add to the current year's tax the amount of credit claimed in the year of termination and all prior years in which the credit was claimed for the terminated employee.

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

- Voluntary on the part of the employee;
- Due to employee misconduct;
- Caused by the employee becoming disabled (unless the employee was able to return to work and the employer did not offer to reemploy the individual);
- Carried out so that other qualified individuals could be hired, creating a net increase in both the number of qualified employees and the number of hours worked; or
- Due to a substantial reduction in the employer's trade or business operations.

## Sales or Use Tax Credit

**Individuals, estates or trusts, partnerships, and limited liability companies (LLCs) classified as partnerships** may claim an annual credit equal to the sales or use tax paid or incurred to purchase up to \$1 million of qualified property per taxable year.

**Corporations** may claim a credit equal to the sales or use tax paid or incurred to purchase up to \$20 million of qualified property per taxable year. Individuals who are S corporation shareholders may claim their pro-rata share of pass-through credit to the extent the S corporation paid or incurred sales or use tax to purchase up to \$1 million of qualified property per taxable year.

Qualified property is the machinery or machinery parts used to:

- Manufacture, process, fabricate, or otherwise assemble a product;
- Produce renewable energy resources; or
- Control air or water pollution.

In addition, qualified property is:

- Data processing and communications equipment including, but not limited to, computers, computer-automated drafting systems, copy machines, telephone systems, and fax machines; and
- Motion picture manufacturing equipment central to production and postproduction including, but not limited to, cameras, audio recorders, and digital image and sound processing equipment.

The business must use the qualified property **exclusively** within the boundaries of the TTA. Also, the qualified property must be purchased and placed in service before the TTA expires.

If you purchase property manufactured outside of California and claim the credit for the use tax paid, you will be allowed the credit only if property of a comparable quality and price was not available for timely purchase and delivery from a California manufacturer.

## Leased Property

The sales tax paid or incurred on qualified property being purchased using a financial (conditional sales) contract qualifies for the sales or use tax credit.

## Credit Limitations

- The amount of TTA credits (sales or use tax credit, hiring credit, and credit carryovers from prior years) claimed for any year may not exceed the amount of tax that would be imposed on the income earned solely from your business activities in the TTA.
- In the case where the business is qualified to take the TTA sales or use tax credit as well as another credit (e.g., enterprise zone sales or use tax credit, manufacturers' investment credit, or Local Agency Military Base Recovery Area (LAMBRA) sales or use tax credit) for the same piece of property, then the business may claim only one credit for that property.
- Any taxpayer that claims this credit cannot increase the basis of the qualified property with respect to the

sales or use tax paid or incurred in connection with the purchase of qualified property.

- The credit cannot reduce the minimum franchise tax, (corporations and S corporations), the annual tax (partnerships, LLCs classified as partnerships, and QSubs), the alternative minimum tax (corporations, exempt organizations, individuals, fiduciaries), the built-in gains tax (S corporations), or the excess net passive income tax (S corporations). However, the credit can reduce the regular tax below the tentative minimum tax.

### Credit Carryover

If the amount of the sales or use tax credit is greater than the tax attributable to the TTA business income in any taxable year, the excess credit can be carried over to future years, to offset tax on TTA business income until exhausted.

**Example 1:** \$50,000 is spent to purchase machinery used to manufacture wooden toys. The sales tax paid for the purchase is \$3,000. You may reduce the tax imposed on TTA business income by up to \$3,000. If you cannot claim the full \$3,000 in a single taxable year, the remaining amount may be carried over to reduce next year's tax imposed on TTA income.

### Record Keeping

To support the sales or use tax credit claimed, keep all records that document the purchase of the qualified property, such as the sales receipt and proof of payment. Additionally, keep all records that identify or describe:

- The property purchased (such as serial numbers, etc.);
- The amount of sales or use tax paid or incurred on its purchase;
- The location where it was used; and
- If purchased from a manufacturer located outside California, records to substantiate that property of comparable quality and price was not timely available for purchase in California.

## Business Expense Deduction

The cost of qualified property purchased for exclusive use in the TTA may be deducted as a business expense in the first year the property is placed in service.

The type of property that qualifies for this special treatment is tangible personal property (not real estate) that is used for business purposes and is eligible for depreciation or amortization. This includes most equipment and furnishings purchased for exclusive use in the TTA, but not office supplies or other small items that are normally ineligible for depreciation.

The maximum business expense deduction for all qualified property is the smaller of 40% of the cost of the qualified property or the following amounts, based on when the property was placed in service.

	Maximum Deduction
Taxable year of designation . . . . .	\$40,000
First taxable year after designation . .	\$40,000
Second taxable year after designation . . . . .	\$30,000
Third taxable year after designation . .	\$30,000
Each remaining taxable year after designation . . . . .	\$20,000

**Note:** The TTA received final designation on November 1, 1998.

An election to treat the cost of qualified property as a business expense must be made in the year the property is first placed in service. An election is made by using form FTB 3809 (filed with the California return) and claiming the deduction on the original return for the year the property is placed in service. The election is revocable only upon the written consent of the FTB.

However, this deduction is not allowed if the property was:

- Transferred between members of an affiliated group;
- Acquired as a gift or inherited;
- Traded for other property; or
- Received from a personal or business relation.

### Depreciation

- The basis (cost for depreciation purposes) of the property must be reduced by the amount allowed as a deduction.
- The remaining basis may be depreciated in the years **following** the year the qualified property was placed in service.
- The deduction allowed by IRC Section 179, relating to an election to expense certain depreciable business assets, cannot be claimed if the taxpayer elects the business expense deduction.
- Corporations may not claim additional first-year depreciation for these assets.

**Example 2:** Three months after the TTA was designated, a baking oven was purchased that costs \$20,000. The oven is depreciated over a ten-year period using the straight-line method.

The TTA business expense deduction claimed is \$8,000 (\$20,000 x 40%). The normal depreciation **next** year is: (\$20,000 - \$8,000) ÷ 9 years = \$1,333.

### Deduction Recapture

The full amount of the deduction must be recaptured and included in income if the property ceases to be used in the TTA for the remainder of the taxable year the property was placed in service **and** in the two subsequent taxable years immediately thereafter.

**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 in the year of recapture and then depreciated over the remaining life of the qualified property.

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## Record Keeping

Information should be maintained that will allow a taxpayer to substantiate the claim for the first-year business expense deduction. The records for each item should show (at least):

- A description and purchase price of the property;
- The date the property was first placed in service in the TTA; and
- The location where the property is used.

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## Net Operating Loss Carryover

NOLs of individuals or corporations doing business in the TTA may be carried over to future years to reduce the amount of taxable TTA income for those years. The NOL carryover is determined by computing the business loss that results strictly from business activity in the TTA. The TTA property and payroll factors used to determine the apportioned business net operating loss include worldwide amounts in the denominator. A taxpayer may carry over 100% of the business loss from the TTA for up to 15 years, or until the NOL is exhausted, whichever occurs first.

### Election

Taxpayers must elect and designate the carryover category (general or specific Enterprise Zone, LAMBRA, Pierce's disease, or TTA NOL) on the original return for the year of a loss and file form FTB 3809 for each year a TTA NOL deduction is taken. The election is irrevocable.

To determine which type of NOL will provide the greatest benefit, businesses should estimate future income and complete Worksheet V in form FTB 3809.

For more information regarding the other types of NOLs, see the following forms or worksheets:

- FTB 3805V, Net Operating Loss (NOL) Computation and NOL and Disaster Loss Limitations — Individuals, Estates, and Trusts;
- FTB 3805Q, Net Operating Loss (NOL) Computation and NOL and Disaster Loss Limitations — Corporations;
- FTB 3805D, Net Operating Loss (NOL) Computation and Limitation — Pierce's Disease;
- FTB 3805Z, Enterprise Zone Business Booklet, Worksheet VI; and
- FTB 3807, Local Agency Military Base Recovery Area Business Booklet, Worksheet V.

### Limitations

- TTA NOL carryovers are allowed only for losses occurring in a year beginning after the date the area was designated as the TTA. The TTA received final designation on November 1, 1998.
- A TTA NOL may not be applied to years prior to the year in which the TTA NOL occurred (no carrybacks).

**Example 3:** For the 2000 taxable year, your business activities in the TTA showed a \$5,000 NOL that was incurred after the final designation of the TTA and was

the exclusive result of your TTA activities. Because of the loss, you owed no tax on TTA income. For the 2001 taxable year, your business shows taxable income of \$8,000 as an exclusive result of your TTA activities. You may carry over the 2000 \$5,000 NOL to reduce your 2001 TTA taxable income from \$8,000 to \$3,000.

## Record Keeping

To support a claim of the TTA NOL carryover on a taxpayer's California tax return, the taxpayer should maintain (at least):

- Records showing the date the business activities began in the TTA;
- Accounting records showing that the loss was as a result of business activity in the TTA; and
- Financial data indicating that the income offset by the NOL carryover is the product of business activities in the TTA.

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## Determination of TTA Income or TTA Tax

For businesses operating within and outside the TTA, the amount of credit and NOL deduction a taxpayer may claim on their California tax return is limited by the amount of tax or income attributable to business operations within the TTA. The formula used to determine the amount of tax or income attributable to business operations within the TTA is a formula based on the total property and payroll of the business located within the TTA compared to the total property and payroll of the business located within California.

Here are examples of doing business within and outside the TTA:

**Example 4:** You have a factory located within the TTA and you also have a factory located outside the TTA. In this situation, you would be required to use the formula.

**Example 5:** You have employees who perform substantial services within the TTA, and you have other employees who perform substantial services outside the TTA. In this situation, you would be required to use the formula.

If you are doing business within and outside the TTA, get FTB 3809. Refer to Part IV, Doing Business Totally Within the TTA or Within and Outside the TTA, for more information about the formula.

# Standard Industrial Classification Manual, 1987 Edition (Partial Listing)

The Standard Industrial Classification (SIC) Manual is organized using a hierarchical structure, first by division, then 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.

Classification of business activities is based upon establishments, which are defined in the SIC Manual as an economic unit, generally at a single physical location, where business is conducted, or where services or industrial operations are performed. A taxpayer's enterprise may consist of more than one establishment. The SIC Manual provides the following examples of establishments: A factory, mill, store, hotel, movie theater, mine, farm, ranch, bank, railroad depot, airline terminal, sales office, warehouse, or central administrative office. Where distinct and separate economic activities are performed at a single physical location (such as construction activities operated out of the same physical location as a lumber yard), each activity should be treated as a separate establishment where: (1) No one industry description in the SIC Manual includes such combined activities; (2) The employment in each economic activity

is significant; and (3) Separate reports are prepared on the number of employees, their wages and salaries, sales or receipts, property and equipment, and other types of financial data, such as financial statements, job costing, and profit center accounting.

For purposes of this publication, the following SIC codes are listed since only taxpayers with establishments in these industry codes qualify for the TTA tax incentives:

- SIC Codes 2000 through 2099;
- SIC Codes 2200 through 3999;
- SIC Codes 4200 through 4299;
- SIC Codes 4500 through 4599; and
- SIC Codes 4700 through 5199.

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

NATIONAL TECHNICAL INFORMATION SERVICE  
5285 PORT ROYAL ROAD  
SPRINGFIELD VIRGINIA 22161  
Order No. PB 87-100012

The manual is also available on the Internet at:  
[www.osha.gov/oshstats/sicser.html](http://www.osha.gov/oshstats/sicser.html)

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

3291 Abrasive products	2221 Broadwoven fabric mills, manmade	2052 Cookies & crackers	2677 Envelopes
2891 Adhesives & sealants	2231 Broadwoven fabric mills, wool	3351 Copper rolling & drawing	3822 Environmental controls
2879 Agricultural chemicals, nec	3991 Brooms & brushes	3366 Copper foundries	2892 Explosives
3563 Air & gas compressors	3995 Burial caskets	2298 Cordage & twine	2381 Fabric dress & work gloves
3728 Aircraft parts & equipment, nec	3578 Calculating & accounting equipment	2653 Corrugated & solid fiber boxes	3499 Fabricated metal products, nec
3724 Aircraft engines & engine parts		3961 Costume jewelry	3443 Fabricated plate work (boiler shops)
3721 Aircraft	2064 Candy & other confectionery products	2074 Cottonseed oil	
2812 Alkalies & chlorine		2021 Creamery butter	3498 Fabricated pipe & fittings
3354 Aluminum extruded products	2062 Cane sugar refining	3466 Crowns & closures	3069 Fabricated rubber products, nec
3355 Aluminum rolling & drawing, nec	2033 Canned fruits & vegetables	3643 Current-carrying wiring devices	3441 Fabricated structural metal
3365 Aluminum foundries	2091 Canned & cured fish & seafood	2391 Curtains & draperies	2399 Fabricated textile products, nec
3353 Aluminum sheet, plate, & foil	2032 Canned specialties	3087 Custom compound purchased resins	3523 Farm machinery & equipment
3363 Aluminum die-casting	2394 Canvas & related products		3965 Fasteners, buttons, needles, & pins
3483 Ammunition, except for small arms, nec	3955 Carbon paper & inked ribbons	3281 Cut stone & stone products	2875 Fertilizers, mixing only
	2895 Carbon black	3421 Cutlery	2655 Fiber cans, drums, & similar products
3826 Analytical instruments	3624 Carbon & graphite products	2865 Cyclic crudes & intermediates	
2077 Animal & marine fats & oils	3592 Carburetors, pistons, rings, & valves	2034 Dehydrated fruits, vegetables, & soups	2262 Finishing plants, manmade
2387 Apparel belts			2261 Finishing plants, cotton
2389 Apparel & accessories, nec	2273 Carpets & rugs	3843 Dental equipment & supplies	2269 Finishing plants, nec
3446 Architectural metal work	2823 Cellulosic manmade fiber	2835 Diagnostic substances	3211 Flat glass
3292 Asbestos products	3241 Cement, hydraulic	2675 Die-cut paper products	2087 Flavoring extracts & syrups, nec
2952 Asphalt felts & coatings	3253 Ceramic wall & floor tile	2085 Distilled & blended liquors	2041 Flour & other grain mill products
2951 Asphalt paving mixtures & blocks	2043 Cereal breakfast foods	2047 Dog & cat food	3824 Fluid meters & counting devices
3581 Automatic vending machines	2022 Cheese, natural & processed	3942 Dolls & stuffed toys	3492 Fluid power valves & hose fittings
2396 Automotive & apparel trimmings	2899 Chemical preparations, nec	2591 Drapery hardware & blinds & shades	2026 Fluid milk
3465 Automotive stampings	2067 Chewing gum		3594 Fluid power pumps & motors
2673 Bags: plastic, laminated, & coated	2066 Chocolate & cocoa products	2023 Dry, condensed, & evaporated dairy products	3593 Fluid power cylinders & actuators
2674 Bags: uncoated paper & multiwall	3255 Clay refractories		2657 Folding paperboard boxes
3562 Ball & roller bearings	2295 Coated fabrics, not rubberized	2079 Edible fats & oils, nec	2099 Food preparations, nec
2063 Beet sugar	3316 Cold finishing of steel shapes	3641 Electric lamps	3556 Food products machinery
2836 Biological products except diagnostic	2754 Commercial printing, gravure	3634 Electric housewares & fans	3131 Footwear cut stock
	2752 Commercial printing, lithographic	3699 Electrical equipment & supplies, nec	3149 Footwear, except rubber, nec
2782 Blankbooks & looseleaf binders	2759 Commercial printing, nec		2092 Fresh/frozen prepared fish/seafood
3312 Blast furnace & steel mills	3582 Commercial laundry equipment	3629 Electrical industrial apparatus, nec	2053 Frozen bakery products, except bread
3564 Blowers & fans	3646 Commercial lighting fixtures	3845 Electromedical equipment	
3732 Boat building & repairing	3669 Communication equipment	3313 Electrometallurgical products	2038 Frozen specialties, nec
3452 Bolts, nuts, rivets, & washers	3577 Computer peripheral equipment, nec	3679 Electronic components, nec	2037 Frozen fruits & vegetables
2731 Book publishing		3678 Electronic connectors	2371 Fur goods
2732 Book printing	3575 Computer terminals	3671 Electron tubes	2599 Furniture & fixtures, nec
2789 Bookbinding & related work	3572 Computer storage devices	3675 Electronic capacitors	3944 Games, toys, & children's vehicles
2086 Bottled & canned soft drinks	3271 Concrete block & brick	3676 Electronic resistors	3053 Gaskets, packing, & sealing devices
2342 Bras, girdles, & allied garments	3272 Concrete products, nec	3677 Electronic coils & transformers	3569 General industrial machinery, nec
2051 Bread, cake, & related products	3531 Construction machinery	3571 Electronic computers	2369 Girls' & children's outerwear, nec
3251 Brick & structural clay tile	2679 Converted paper products, nec	3534 Elevators & moving stairways	2361 Girls' & children's dresses, blouses
2211 Broadwoven fabric mills, cotton	3535 Conveyors & conveying equipment	3694 Engine electrical equipment	3221 Glass containers

(continued on next page)

3321	Gray & ductile iron foundries	2011	Meat packing plants	3086	Plastic foam products	3559	Special industry machinery, nec
2771	Greeting cards	3061	Mechanical rubber goods	2821	Plastic materials & resins	3566	Speed changers, drives, & gears
3764	Guided missile & space vehicle parts	2833	Medicinal & botanicals	3084	Plastic pipe	3949	Sporting & athletic goods, nec
3761	Guided missile & space vehicle	2325	Men's & boys' trousers & slacks	3088	Plastic plumbing fixtures	2678	Stationery products
3769	Guided missiles & space vehicles parts, nec	3143	Men's footwear, except athletic	3089	Plastic products, nec	3493	Steel springs, except wire
2861	Gum & wood chemicals	2323	Men's & boys' neckwear	2796	Platemaking service	3315	Steel wire & related products
3275	Gypsum products	2329	Men's & boys' clothing, nec	3471	Plating & polishing	3317	Steel pipe & tubes
3423	Hand & edge tools, nec	2321	Men's & boys' shirts	2395	Pleating & stitching	3325	Steel foundries, nec
3996	Hardsurface floor coverings, nec	2322	Men's & boys' underwear & nightwear	3432	Plumbing fixture fittings & trim	3324	Steel investment foundries
2429	Hardware, nec	2326	Men's & boys' work clothing	2842	Polishes & sanitation goods	3691	Storage batteries
2426	Hardwood dimensions & flooring mills	2311	Men's & boys' suits & coats	3264	Porcelain electrical supplies	3259	Structural clay products, nec
2435	Hardwood veneer & plywood	2514	Metal household furniture	2096	Potato chips & similar snacks	2439	Structural wood members, nec
2353	Hats, caps, & millinery	3549	Metalworking machinery, nec	3269	Pottery products, nec	2843	Surface active agents
3433	Heating equip, except electric	3398	Metal heat treating	2015	Poultry slaughtering & processing	3841	Surgical & medical instruments
3536	Hoists, cranes, & monorails	3411	Metal cans	3568	Power transmission equipment, nec	3842	Surgical appliances & supplies
2252	Hosiery, nec	3412	Metal barrels, drums, & pails	3546	Power-driven handtools	3613	Switchgear & switchboard apparatus
2392	House furnishings, nec	3431	Metal sanitary ware	3448	Prefabricated metal buildings	2822	Synthetic rubber
3142	House slippers	3497	Metal foil & leaf	2452	Prefabricated wood buildings	3795	Tanks & tank components
3651	Household audio & video equipment	3479	Metal coating & allied services	2045	Prepared flour mixes & doughs	3661	Telephone & telegraph apparatus
3635	Household vacuum cleaners	3469	Metal stampings, nec	2048	Prepared feeds, nec	3552	Textile machinery
3631	Household cooking appliances	3442	Metal door, sash, & trim	3652	Prerecorded records & tapes	2293	Textile bags
3633	Household laundry equipment	2431	Millwork	3229	Pressed & blown glass, nec	2299	Textile goods, nec
3639	Household appliances, nec	3296	Mineral wool	3399	Primary metal products, nec	2284	Thread mills
2519	Household furniture, nec	3295	Minerals, ground or treated	3339	Primary nonferrous metals, nec	2282	Throwing & winding mills
3632	Household refrigerators & freezers	3532	Mining machinery	3334	Primary aluminum	2296	Tire cord & fabrics
2024	Ice cream & frozen desserts	2741	Misc publishing	3331	Primary copper	3011	Tires & inner tubes
3491	Industrial valves	3449	Misc metal work	3692	Primary batteries, dry & wet	2844	Toilet preparations
2819	Industrial inorganic chem, nec	3496	Misc fabricated wire products	3672	Printed circuit boards	3612	Transformers, except electronic
3599	Industrial machinery, nec	2451	Mobile homes	2893	Printing ink	3799	Transportation equipment, nec
2869	Industrial organic chem, nec	3716	Motor homes	3555	Printing trades machinery	3792	Travel trailers & campers
3537	Industrial trucks & tractors	3711	Motor vehicles & car bodies	3823	Process control instruments	3713	Truck & bus bodies
2813	Industrial gases	3621	Motor & generators	3231	Products of purchased glass	3715	Truck trailers
3543	Industrial patterns	3714	Motor vehicle parts & accessories	2531	Public building & related furniture	3511	Turbines & turbines generator sets
3567	Industrial furnaces & ovens	3751	Motorcycles, bicycles, & parts	2611	Pulp mills	2791	Typesetting
2816	Inorganic pigments	3931	Musical instruments	3561	Pumps & pumping equipment	3082	Unsupported plastic profile shapes
3825	Instruments to measure electricity	2441	Nailed wood boxes & shook	3663	Radio & TV communication equipment	3081	Unsupported plastic film & sheet
3519	Internal combustion engines, nec	2241	Narrow fabric mills	3743	Railroad equipment	2512	Upholstered household furniture
2835	In vitro & in vivo diagnostic substances	2711	Newspapers	2061	Raw sugar cane	3494	Valves & pipe fittings, nec
3462	Iron & steel forging	2873	Nitrogenous fertilizers	3273	Ready-mixed concrete	2076	Vegetable oil mills, nec
3915	Jewelers' materials & lapidary work	3297	Nonclay refractories	2493	Reconstituted wood products	3647	Vehicular lighting equipment
3911	Jewelry, precious metal	3644	Noncurrent-carrying wiring devices	3585	Refrigeration & heating equipment	3261	Vitreous plumbing fixtures
2253	Knit outerwear mills	3369	Nonferrous foundries, nec	3625	Relays & industrial controls	3262	Vitreous china table & kitchenware
2254	Knit underwear mills	3364	Nonferrous die-casting, except aluminum	3645	Residential lighting fixtures	3873	Watches, clocks, & parts
2259	Knitting mills, nec	3357	Nonferrous wiredrawing & insulating	2044	Rice milling	2385	Waterproof outerwear
3821	Laboratory apparatus & furniture	3356	Nonferrous rolling & drawing, nec	2095	Roasted coffee	2257	Wet knit fabric mills
2258	Lace & warp knit fabric mills	3341	Nonferrous metals	2384	Robes & dressing gowns	3548	Welding apparatus
3083	Laminated plastic plate & sheet	3463	Nonferrous forging	3547	Rolling mill machinery	2046	Wet corn milling
3524	Lawn & garden equipment	3299	Nonmetallic mineral products, nec	3052	Rubber & plastic hose & belting	2084	Wines, brandy, & brandy spirits
3952	Lead pencils & art goods	3297	Nonwoven fabrics	3021	Rubber & plastic footwear	3495	Wire springs
3199	Leather goods, nec	3579	Office machines, nec	2068	Salted & roasted nuts & seeds	2337	Women's & misses' suits & coats
2386	Leather & sheep-lined clothing	2522	Office furniture, except wood	2656	Sanitary food containers	2335	Women's, juniors', & misses' dresses
3111	Leather tanning & finishing	3533	Oil & gas field machinery	2676	Sanitary paper products	2341	Women's & children's underwear
3151	Leather gloves & mittens	3851	Ophthalmic goods	2013	Sausages & other prepared meats	2251	Women's hosiery, except socks
3648	Lighting equipment	3827	Optical instruments & lenses	3425	Saw blades & handsaws	2339	Women's & misses' outerwear, nec
3274	Lime	3489	Ordnance & accessories, nec	2421	Sawmills & planing mills, general	2331	Women's & misses' blouses & shirts
2411	Logging	2824	Organic fibers, noncellulosic	3596	Scales & balances, except laboratory	3171	Women's handbags and purses
2992	Lubricating oils & greases	3565	Packaging machinery	2397	Schiffli machine embroideries	3144	Women's footwear, except athletic
3161	Luggage	2851	Paints & allied products	3451	Screw machine products	2491	Wood preserving
2098	Macaroni, spaghetti, & noodles	3554	Paper industries machinery	3812	Search & navigation equipment	2499	Wood products, nec
3541	Machine tools, metal cutting types	2621	Paper mills	3674	Semiconductors & related devices	2434	Wood kitchen cabinets
3545	Machine tool accessories	2671	Paper coated & laminated, packaging	3263	Semivitreous table & kitchenware	2541	Wood partitions & fixtures
3542	Machine tools, metal forming type	2672	Paper coated & laminated, nec	3589	Service industry machinery, nec	2521	Wood office furniture
3695	Magnetic & optical recording media	2631	Paperboard mills	2652	Setup paperboard boxes	2517	Wood TV & radio cabinets
3322	Malleable iron foundries	2542	Partitions & fixtures, except wood	3444	Sheet metal work	2449	Wood containers, nec
2083	Malt	3951	Pens & mechanical pencils	3731	Ship building & repairing	2511	Wood household furniture
2082	Malt beverages	2721	Periodicals	3993	Signs & advertising specialties	2448	Wood pallets & skids
2761	Manifold business forms	3172	Personal leather goods, nec	3914	Silverware and plate ware	3553	Woodworking machinery
2097	Manufactured ice	2911	Petroleum refining	3484	Small arms	3844	X-ray apparatus & tubes
3999	Manufacturing industries, nec	2999	Petroleum & coal products, nec	3482	Small arms ammunition	2281	Yarn spinning mills
3953	Marking devices	2834	Pharmaceutical preparations	2841	Soap & other detergents		
2515	Mattresses & bedsprings	2874	Phosphatic fertilizers	2436	Softwood veneer & plywood		
3586	Measuring & dispensing pumps	3861	Photographic equipment & supplies	2075	Soybean oil mills		
3829	Measuring & controlling devices, nec	2035	Pickles, sauces, & salad dressing	3769	Space vehicle equipment & parts		
		3085	Plastic bottles	3764	Space propulsion units & parts		
				2429	Special product sawmills, nec		
				3544	Special dies, tools, jigs, & fixtures		

(continued on next page)

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

4513 Air courier services	4922 Natural gas transmission
4522 Air transportation, nonscheduled	4923 Natural gas transmission & distribution
4512 Air transportation, scheduled	4783 Packing & crating
4581 Airports, flying fields, & airport terminal services	4832 Radio broadcasting stations
4729 Arrangement of passenger transportation, nec	4812 Radiotelephone communications
4730 Arrangement of transportation of freight & cargo	4222 Refrigerated warehousing & storage
4841 Cable & other pay television services	4953 Refuse systems
4939 Combination utilities, nec	4741 Rental of railroad cars
4899 Communications services, nec	4959 Sanitary services, nec
4215 Courier services, except by air	4952 Sewerage systems
4931 Electric & other services combined	4225 Special warehousing & storage
4911 Electric services	4226 Special warehousing & storage, nec
4221 Farm product warehousing & storage	4960 Steam & air-conditioning supply
4785 Fixed facilities & inspection & weighing services for motor vehicle transportation	4822 Telegraph & other message communications
4932 Gas & other services combined	4813 Telephone communications, except radiotelephone
4971 Irrigation systems	4833 Television broadcasting stations
4214 Local trucking with storage	4231 Terminal & joint terminal maintenance facilities for motor freight
4212 Local trucking without storage	4725 Tour operators
4925 Mixed, manufactured, or liquefied petroleum gas production	4789 Transportation services, nec
4924 Natural gas distribution	4724 Travel agencies
4213 Trucking, except local	
4940 Water supply	

**The four-digit industry codes within Division F of the SIC**

**Manual are:** (*nec* means “not elsewhere classified”)

5012 Automobiles & other motor vehicles	5022 Home furnishings
5181 Beer & ale	5113 Industrial & personal service paper
5192 Books, periodicals, & newspapers	5084 Industrial machinery & equipment
5032 Brick, stone, and related construction materials	5085 Industrial supplies
5169 Chemicals & allied products, nec	5094 Jewelry, watches, precious stones, & precious metals
5052 Coal & other minerals & ores	5154 Livestock
5046 Commercial equipment, nec	5031 Lumber, plywood, millwork, and wood panels
5045 Computers & computer peripheral equipment & software	5147 Meat & meat products
5145 Confectionery	5047 Medical, dental, & hospital equipment & supplies
5082 Construction & mining (except petroleum) machinery & equipment	5136 Men's & boy's clothing & furnishings
5039 Construction materials, nec	5051 Metals service centers & offices
5143 Dairy products, except dried or canned	5015 Motor vehicle parts, used
5122 Drugs, drug proprietaries, & druggist' sundries	5013 Motor vehicle supplies & new parts
5099 Durable goods, nec	5199 Nondurable goods, nec
5063 Electrical apparatus & equipment, wiring supplies, & construction materials	5044 Office equipment
5064 Electrical appliances, television, & radio sets	5048 Ophthalmic goods
5065 Electronic parts & equipment, nec	5142 Packaged frozen foods
5083 Farm & garden machinery & equipment	5198 Paints, varnishes, & supplies
5191 Farm supplies	5172 Petroleum & petroleum products wholesalers, except bulk stations
5159 Farm-product raw materials, nec	5171 Petroleum bulk stations & terminals
5146 Fish & seafoods	5043 Photographic equipment & sales
5193 Flowers, nursery stock, & florists' supplies	5131 Piece goods, notions, & other dry goods
5138 Footwear	5162 Plastics materials & basic forms & shapes
5148 Fresh fruits & vegetables	5074 Plumbing & heating equipment & supplies (hydronics)
5021 Furniture	5144 Poultry & poultry products
5153 Grain & field beans	5111 Printing & writing paper
5149 Groceries & related products, nec	5049 Professional equipment & supplies, nec
5141 Groceries, general line	5078 Refrigeration equipment & supplies
5072 Hardware	5033 Roofing, siding, and insulation materials
	5093 Scrap & waste materials
	5087 Service establishment equipment & supplies
	5091 Sporting & recreational goods & supplies
	5112 Stationery & office supplies
	5014 Tires & tubes
	5194 Tobacco & tobacco products

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## Related FTB Forms and Publications

FTB 3805Z FTB 3806	Enterprise Zone Business Booklet Los Angeles Revitalization Zone Business Booklet
FTB 3807	Local Agency Military Base Recovery Area Business Booklet
FTB 3808	Manufacturing Enhancement Area Business Booklet
FTB 3809 FTB 3535 FTB Pub. 1047	Targeted Tax Area Business Booklet Manufacturers' Investment Credit Guidelines for Enterprise Zone Tax Incentives
FTB Pub. 1102	Guidelines for Local Agency Military Base Recovery Area Tax Incentives
FTB Pub. 1145	Guidelines for the Manufacturing Enhancement Area Tax Incentive
FTB 1113	Frequently Asked Questions About the Manufacturers' Investment Credit
FTB 1118	Frequently Asked Questions About the Local Agency Military Base Recovery Area (LAMBRA) Tax Incentives
FTB 1126	Frequently Asked Questions About the Enterprise Zone Tax Incentives

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## Where to Get Tax Forms and Publications

**By Internet** – You can download, view, and print California tax forms and publications. Go to our Website at: [www.ftb.ca.gov](http://www.ftb.ca.gov)

Other state agencies' information can be accessed through the State Agency Index located on the California State Website at: [www.ca.gov](http://www.ca.gov)

**By phone** – Use our Automated Taxpayer Assistance toll-free phone service to order form FTB 3809. Call (800) 338-0505, select personal income tax, then select order forms, and enter code **968** when you are instructed to do so. Use our general toll-free phone service to order all other forms and publications previously listed.

Please allow two weeks to receive your order. If you live outside California, please allow three weeks to receive your order.

**In person** – Many libraries, post offices, and banks provide free California personal income tax booklets during the filing season. Most libraries and some quick print businesses have forms and schedules to photocopy (a nominal fee may apply). **Note:** Employees at libraries, post offices, banks, and quick print businesses cannot provide tax information or assistance.

**By mail** – Write to:

TAX FORMS REQUEST UNIT  
FRANCHISE TAX BOARD  
PO BOX 307  
RANCHO CORDOVA CA 95741-0307

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## Economic Development Area Information

Further information about the TTA tax incentives is available from the Franchise Tax Board:

Telephone: (916) 845-3464  
Fax: (916) 845-6791  
Website: [www.ftb.ca.gov](http://www.ftb.ca.gov)

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## General Toll-Free Phone Service

Our general toll-free phone service is available:

- Monday – Friday, 7 a.m. until 8 p.m.; and
- Saturdays, 8 a.m. until 5 p.m.

**Note:** We may modify these hours without notice to meet operational needs.

From within the United States . . . . . (800) 852-5711

From outside the United States . . . . . (916) 845-6500  
(not toll-free)

### Assistance for persons with disabilities:

The FTB complies with the Americans with Disabilities Act. Persons with hearing or speech impairment, call:

From voice phone . . . . . (800) 735-2922  
(California Relay Service)

From TTY/TDD . . . . . (800) 822-6268  
(Direct line to FTB customer service)

For all other assistance or special accommodations, call (800) 852-5711.

### Asistencia bilingüe en español:

Para obtener servicios en español y asistencia para completar su declaración de impuestos/formularios, llame al número de teléfono (anotado arriba) que le corresponde.