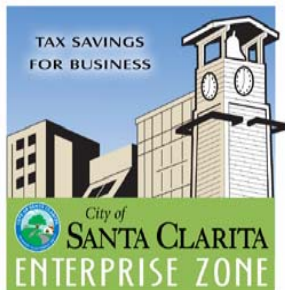


Santa Clarita Enterprise Zone Workshop

Presented by:
Nojan Bolorchi

September 3, 2008

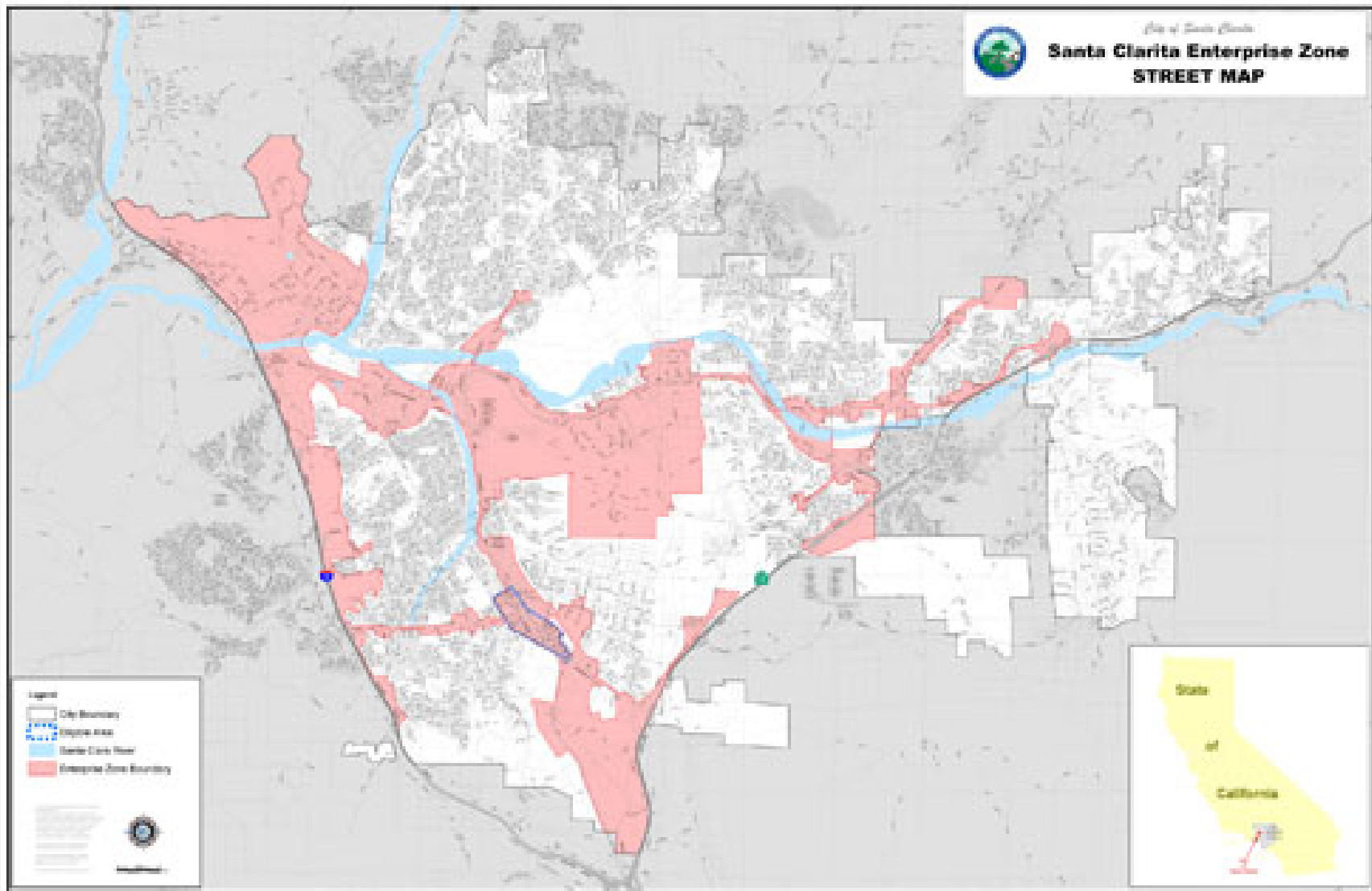


TAX INCENTIVE
SOLUTIONS

What is the Enterprise Zone Program?

The Enterprise Zone program was created to stimulate growth and development in select areas like Santa Clarita by providing businesses with significant tax incentives

Where is the Enterprise Zone?



Who Qualifies?

Any for-profit business with employees or assets located within any one of California's 42 Enterprise Zones

What are the Benefits of the Program?

- 1) Hiring Tax Credit
- 2) Sales or Use Tax Credit
- 3) Business Expense Deduction
- 4) Net Interest Deduction
- 5) Net Operating Loss ("NOL")

1) Hiring Tax Credit

- A business may reduce its state income tax by the amount of wages paid to one or more employees over a five-year period
- All employees regardless of wage amount can potentially qualify
- Each employee can potentially generate up to \$12,480 per year and up to \$37,440 over five years

Qualification Criteria

- Economically disadvantaged
- A qualified veteran
- Resident of a Targeted Employment Area (TEA)
- Disabled
- An ex-offender
- Qualified displaced worker
- Enrolled in WIA, Calworks, WOTC
- Received public assistance such as food stamps, welfare, etc.
- Native American Indian, Hawaiian, Samoan

Hiring Tax Credit Example (Existing Zone)

Case Study:

A transportation company based in the Long Beach Enterprise Zone with 39 employees never claimed any credits

Results:

Our study generated **\$786,000** of hiring tax credits over a 6 year span going back to the 2002 tax year

This business had one shareholder and he applied the credits against taxes paid in prior years to obtain multiple refunds. Ultimately the company used **\$414,365** of credits. The remaining credits of **\$371,635** did not go to waste and will be used in the future to offset any state income tax liability

2) Sales or Use Tax Credit

- The company can claim a credit equal to the sales tax paid on the purchases of equipment
- Tax credits can be claimed on the first \$20 million of purchases per year for C-Corporations

Sales or Use Tax Credit – Qualified Property

- Data processing and communication equipment including computers, office equipment, audio/video equipment, etc.
- Manufacturing equipment
- Air or water pollution control equipment
- Equipment used to generate renewable energy
- Motion picture production & post production equipment

Sales or Use Tax Credit Example (New Zone)

Case Study :

An entertainment company based in the Hollywood Enterprise Zone with 45 employees and \$700,000 of purchased equipment

Results:

As a result of the tax credit study, we generated \$117,000 of employee credits and \$21,000 of equipment credits for a total of \$138,000 of tax credits

Tax Matters

- Enterprise Zone credits offset state income tax only
- Credits are retroactive to the 2007 tax year so businesses may be eligible for refunds
- Unused credits can be carried forward indefinitely as long as the business does not leave the Enterprise Zone
- Credits can be allocated to owners
- S Corporations get additional benefits

3) Business Expense Deduction

- Businesses may claim additional depreciation by electing to expense up to \$40,000 of equipment that is used in the zone

Taxable Year of Designation	Maximum Deduction
1 st taxable year of/after designation	\$40,0000
2nd taxable year after designation	\$40,0000
3 rd taxable year after designation	\$30,0000
Each remaining year after designation	\$20,0000

4) Net Interest Deduction

Any interest earned by the lender from loans made to a business in the Enterprise Zone are exempt from state income tax (10.84%)

- Qualified Loans:
 - Business loans
 - Commercial mortgages
 - Loans from non-commercial sources

- Lender can not have an equity or other ownership interest in the business

5) Net Operating Loss Carryover

A business in an Enterprise Zone may elect to carry forward 100% of its losses for a total of 15 years from the date of the loss

Why Use A Tax Consultant?

- Highly experienced and knowledgeable consultants typically increase their clients' tax credits often by over 50%
- Quality tax consultants save you time and money by pulling the data and substantiating the credit for you
- Potential EEOC issues are avoided when the 3rd party tax consultants gather hiring credit information from employees

Questions & Answers



Contact Information

For additional information, contact:

Nojan Boloorchi

Tax Incentive Solutions, LLC

nojan@ezonecredit.com

(213) 489-0200