

Instructions for Form FTB 3553

Enterprise Zone Employee Credit

What's New

New Enterprise Zone Designation

The following Enterprise Zones (EZs) received final designation in 2009:

Enterprise Zone	Designated Date	Expiration Date
Arvin	09/30/2009	09/29/2024
Delano	12/17/2006	12/16/2021
Kings County	06/22/2008	06/21/2023
Los Angeles – East (formerly Eastside)	01/11/2008	01/10/2023
Merced	12/17/2006	12/16/2021
Oakland	09/28/2008	09/27/2023
Richmond	03/02/2007	03/01/2022
Sacramento – Northern (formerly Northgate)	10/15/2006	10/14/2021
Salinas Valley	01/30/2009	01/29/2024
San Bernardino (formerly Agua Mansa)	10/15/2006	10/14/2021
San Joaquin (formerly Stockton)	06/22/2008	06/21/2023
Santa Ana	06/08/2008	06/07/2023
Siskiyou County (formerly Shasta Valley)	06/22/2008	06/21/2023
Yuba Sutter	10/15/2006	10/14/2021

At the time this form was published, only the above EZs received final designation. Before filing form FTB 3553, Enterprise Zone Employee Credit, go to hcd.ca.gov and search for **eda** for updated information.

Expired Zones

The following EZs expired in 2009:

Enterprise Zone	Designated Date	Expiration Date
Los Angeles – Harbor Area	03/04/1989	03/03/2009
Madera	03/03/2004	03/03/2009
Sacramento – Florin Perkins	04/05/1989	04/04/2009
Sacramento – Army Depot	10/04/1994	10/03/2009

New Conditionally Designated Zones

The following zones received conditional designation in 2009:

Zone Name

Hesperia
Pittsburg
Sacramento
Taft
Tulare

At the time this form was published, only the above zones received conditional designation. Before filing form FTB 3553, go to hcd.ca.gov and search for **eda** to find Contacts for Economic Development Areas for assistance with conditional zone jurisdictions and designation dates.

Conditionally Designated Zones

Region and Zone Name	Zone Jurisdictions	Incentives start on	Expiration date
Central Valley			
Taft	City of Taft*, County of Kern*		
Tulare County	County of Tulare*, Cities of Dinuba*, Exeter*, Lindsay*, Porterville*, Tulare*, Visalia*, Woodlake*		
Greater Sacramento/Stockton			
Sacramento	City of Sacramento*, City of Rancho Cordova*, County of Sacramento*		
West Sacramento	City of West Sacramento	01/11/2008	01/10/2023
Los Angeles			
Hesperia	City of Hesperia*		
San Diego			
San Diego (formerly South Bay & Metro)	Cities of San Diego*, Chula Vista*, National City*		
Bay Area			
Pittsburg-Bay Point	City of Pittsburg*, County of Contra Costa*		
San Francisco	City and County of San Francisco	05/28/2007	05/27/2022

*Dates to be determined

General Information

Business tax credit limitation – For taxable years beginning on or after January 1, 2008, and before January 1, 2010, there is a limitation on the application of business tax credits for taxpayers whose net business income is \$500,000 or more. The limitation is equal to 50% of the net tax before the application of any credits.

Minimum Wage

The California minimum wage is \$8 per hour.

Enterprise Zone Designation

The following EZs received final designation in 2008:

Enterprise Zone	Designated Date	Expiration Date
Calexico	10/15/2006	10/14/2021
Eureka	10/15/2006	10/14/2021
Fresno City	10/15/2006	10/14/2021
Los Angeles – Hollywood	10/15/2006	10/14/2021
Southgate – Lynwood	10/15/2006	10/14/2021
Oroville	11/06/2006	11/05/2021
Shasta Metro (formerly Redding/Anderson)	11/06/2006	11/05/2021
Coachella Valley	11/11/2006	11/10/2021
San Jose	12/31/2006	12/30/2021
Long Beach	01/08/2007	01/07/2022
Pasadena	04/10/2007	04/10/2022

Conditional Designation

Beginning in 2006, legislation was enacted to allow zones, which received a conditional designation from the Department of Housing and Community Development (HCD), to offer tax incentives during a redesignation period. This is the gap between the expiration date of the old zone and the final designation of the new zone. Brand new zones are not in a redesignation period; therefore, incentives for these zones begin once the zone receives its final designation as an enterprise zone. Before filing form FTB 3553, go to hcd.ca.gov and search for **eda** to find Contacts for Economic Development Areas for assistance with conditional zone jurisdictions and designation dates, and to find out if your business is in a brand new zone.

Conditionally Designated Zones

The following zones received conditional designation in 2008:

Zone Name

Santa Ana
Kings County
San Joaquin (formerly Stockton)
Siskiyou County (formerly Shasta Valley)
Los Angeles – East (formerly Eastside)
Oakland
Salinas Valley
West Sacramento

Expired Zones

The following EZs expired in 2008:

Enterprise Zone	Designated Date	Expiration Date
Los Angeles – Eastside	01/11/1998	01/10/2008
Pittsburg	01/11/1988	01/10/2008
West Sacramento	01/11/1988	01/10/2008
Santa Ana	06/08/1993	06/07/2008
Kings County	06/22/1993	06/21/2008
Siskiyou County (formerly Shasta Valley)	06/22/1993	06/21/2008
Stockton	06/22/1993	06/21/2008
Oakland	09/28/1993	09/27/2008

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

Filing of Form FTB 3553

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

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

Round Cents to Dollars

Round cents to the nearest whole dollar. For example, round \$50.50 up to \$51 or round \$25.49 down to \$25. If you do not round, Franchise Tax Board (FTB) will disregard the cents.

Registered Domestic Partners (RDP)

RDPs under California law must file their California income tax returns using either the married/RDP filing jointly or married/RDP filing separately filing status. RDPs have the same legal benefits, protections, and responsibilities as married couples unless otherwise specified.

If you entered into in a same sex legal union in another state, other than a marriage, and that union has been determined to be substantially equivalent to a California registered domestic partnership, you are required to file a California income tax return using either the married/RDP filing jointly or married/RDP filing separately filing status. For more information on what states have legal unions that are considered substantially equivalent, go to ftb.ca.gov and search for **attorney general**.

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

A Purpose

Use form FTB 3553:

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

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

B Description

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

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

For business eligibility or zone related information, including questions regarding EZ geographic boundaries, contact the local zone program manager in which the business is located. Go to hcd.ca.gov and search for **eda** to find Contacts for Economic Development Areas.

For information that is not tax-specific or zone-specific, you may contact the HCD at:

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

Mailing address

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

Website: hcd.ca.gov

Telephone: 916.322.1554

FAX: 916.327.6660

C Qualifications

To qualify for this credit in 2009, you need to meet all of the following:

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

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

D Limitations

Zone Income Limitation

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

Income Limitations

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

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

Specific Line Instructions

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

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

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

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

Enterprise Zone Employee Credit Qualification Checklist

Purpose of Checklist

Use this checklist to see if you qualify to take the enterprise zone employee credit for 2009.

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

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

Qualification Checklist

1. Did you work in an enterprise zone during 2009? An enterprise zone is an area designated by the state of California. See General Information B, Description, on page 2 of the instructions for a list of the geographic areas designated as enterprise zones. Your employer can verify if the business operates in an enterprise zone.
 Yes. Go to question 2.
 No. STOP, you do not qualify for the credit.
2. Do you work for the United States government, the state of California, or a city or county government located in California?
 Yes. STOP, you do not qualify for the credit.
 No. Go to question 3.
3. Were 50% or more of the hours you worked for your employer performed at your employer's location in the enterprise zone? See Checklist Instructions below.
 Yes. Go to question 4.
 No. STOP, you do not qualify for the credit.
4. Were 90% or more of the hours you worked for your employer related to your employer's business activity located in the enterprise zone? See Checklist Instructions below.
 Yes. Go to question 5.
 No. STOP, you do not qualify for the credit.
5. Will you file your tax return using the filing status single, head of household, or qualifying widow(er)?
 Yes. Go to question 7.
 No. Go to question 6.
6. Did you and your spouse/RDP both work in an enterprise zone and qualify for the credit?
 Yes. Go to question 8.
 No. Go to question 7.
7. Is your California adjusted gross income (AGI) equal to or more than \$16,334? (If you have not already completed your California income tax return, you will need to complete at least part of it now. If you use Form 540, complete line 1 through line 17. If you use Long Form 540NR, complete Schedule CA (540NR), Part II, line 7, column E through line 35, column E.)
 Yes. STOP, you do not qualify for the credit.
 No. Go to form FTB 3553 and complete line 1 through line 14 to figure the credit. Use Form 540 or Long Form 540NR to claim the credit.
8. Is your California AGI equal to or more than \$32,667? (If you have not already completed your California income tax return, you will need to complete at least part of it now. If you use Form 540, complete line 1 through line 17. If you use Long Form 540NR, complete Schedule CA (540NR), Part II, line 7, column E through line 35, column E.)
 Yes. STOP, you do not qualify for the credit.
 No. Go to form FTB 3553 and complete line 1 through line 14 to figure the credit. Use Form 540 or Long Form 540NR to claim the credit.

Checklist Instructions

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

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

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

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

Additional Information

Where can I get more information?

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

Examples

Example 1: John Smith worked for the ABC Company in Fresno (located in an area designated as an enterprise zone) during 2009 and earned wages of \$12,600. John also paid alimony of \$3,000 during the year. John figured his California AGI using Form 540. California AGI is \$9,600 (wages of \$12,600 less alimony paid of \$3,000). John is single.

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

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

TAXABLE YEAR	EXAMPLE 1	CALIFORNIA FORM
2009	Enterprise Zone Employee Credit	3553
Attach to your California tax return.		
Name(s) as shown on return		SSN or ITIN
J O H N S M I T H		
Step 1: Complete the Enterprise Zone Employee Credit Qualification Checklist on page 3 of the instructions to see if you qualify to take this credit.		
Step 2: Complete the form below to figure your available credit.		
1	Enter the total amount of wages you earned working in an enterprise zone. Do not enter more than \$10,500.	10,500 00
2	If you file a joint return, enter the total amount of wages your spouse/RDP earned working in an enterprise zone. Do not enter more than \$10,500.	— 00
3	Add line 1 and line 2.	10,500 00
4	Multiply the amount on line 3 by 5% (.05).	525 00
5	Enter the amount from Form 540 or Long Form 540NR, line 17.	9,600 00
6	If the amount on line 5 is any of the following: • Equal to or less than the amount on line 3, enter -0- here and skip to line 10. • More than the amount on line 3, enter the amount from line 3.	0 00
7	Subtract line 6 from line 5.	— 00
8	Multiply line 7 by 9% (.09).	— 00
9	Subtract line 8 from line 4. If the result is zero or less, STOP . You do not qualify for this credit.	— 00
10	Enter the total amount of enterprise zone wages. See instructions.	12,600 00
11	Enter the total amount of employee business expenses that you paid relating to your work in the enterprise zone. See instructions.	0 00
12	Net enterprise zone wage income. Subtract line 11 from line 10.	12,600 00
13	Enter the amount of tax for the amount on line 12. See instructions.	213 00
14	Total available enterprise zone employee credit. Enter the smaller of line 9 or line 13. If you entered zero (0) on line 6 and skipped to line 10, enter the smaller of line 4 or line 13. Your credit may be limited. See the instructions for line 14.	213 00

Example 2: Bill and Maria Jones worked for the ABC Company in Fresno (located in an area designated as an enterprise zone) during 2009. Bill earned wages of \$13,860 and Maria earned wages of \$9,340. They had no other taxable income or expenses for the year. Bill and Maria are married or in a registered domestic partnership and file a joint return. They have figured their California AGI using Form 540. California AGI is \$23,200 (Bill's wages of \$13,860 plus Maria's wages of \$9,340).

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

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

TAXABLE YEAR	EXAMPLE 2	CALIFORNIA FORM
2009	Enterprise Zone Employee Credit	3553
Attach to your California tax return.		
Name(s) as shown on return		SSN or ITIN
B I L L & M A R I A J O N E S		
Step 1: Complete the Enterprise Zone Employee Credit Qualification Checklist on page 3 of the instructions to see if you qualify to take this credit.		
Step 2: Complete the form below to figure your available credit.		
1	Enter the total amount of wages you earned working in an enterprise zone. Do not enter more than \$10,500.	10,500 00
2	If you file a joint return, enter the total amount of wages your spouse/RDP earned working in an enterprise zone. Do not enter more than \$10,500.	9,340 00
3	Add line 1 and line 2.	19,840 00
4	Multiply the amount on line 3 by 5% (.05).	992 00
5	Enter the amount from Form 540 or Long Form 540NR, line 17.	23,200 00
6	If the amount on line 5 is any of the following: • Equal to or less than the amount on line 3, enter -0- here and skip to line 10. • More than the amount on line 3, enter the amount from line 3.	19,840 00
7	Subtract line 6 from line 5.	3,360 00
8	Multiply line 7 by 9% (.09).	302 00
9	Subtract line 8 from line 4. If the result is zero or less, STOP . You do not qualify for this credit.	690 00
10	Enter the total amount of enterprise zone wages. See instructions.	23,200 00
11	Enter the total amount of employee business expenses that you paid relating to your work in the enterprise zone. See instructions.	0 00
12	Net enterprise zone wage income. Subtract line 11 from line 10.	23,200 00
13	Enter the amount of tax for the amount on line 12. See instructions.	381 00
14	Total available enterprise zone employee credit. Enter the smaller of line 9 or line 13. If you entered zero (0) on line 6 and skipped to line 10, enter the smaller of line 4 or line 13. Your credit may be limited. See the instructions for line 14.	381 00