

Enterprise Zones Credits & Incentives

What Are They? Where Are They?

How Can They Benefit Your Business?

An ADP Webcast

Wednesday, December 15
1 pm Eastern Time



Housekeeping Items

- This is one of a number of **complimentary webinars** that ADP offers to tax and finance professionals each year.
- Today's webinar will last for **60 minutes**, ending at 2pm Eastern time.
- The last 10 minutes of today's program have been reserved for **Q&A**.
- You can download a **PDF copy of today's slides right now**, in case you'd like to take notes.
- **CPE certificates** will be emailed to those who qualify within 30 days of today's broadcast.
- We will launch a **brief survey** at the conclusion of today's webinar.

About ADP

Experts in automating corporate business processes



The view from New York's Times Square in December, 2008, when ADP debuted on the NASDAQ.

- Listed on NASDAQ: ADP
- Fortune 300 company
- Experts in automating business processes such as payroll, HR benefits administration, and helping nearly 6000 companies maximize their capture of **tax credits and business incentives**
- 60 years of experience
- Revenues of \$9 Billion
- Solid Financials: AAA credit rating from both Moody's and Standard & Poor's

CPE Credit

- Are you planning to apply for CPE credit for attending today's webinar?
 - A. Yes
 - B. No
 - C. Not Applicable



NASBA (National Association of State Boards of Accountancy) requirements for receiving CPE Credit:

- Log in from same e-mail address that you used to register
- Stay for the full hour
- Answer 3 out of 4 polling questions

Agenda

- Introductions
- Enterprise Zone Overview
 - Definition
 - Locations
 - Why they are valuable to states and businesses
- California Enterprise Zone (CAEZ)
- Colorado Enterprise Zone (COEZ)
- Louisiana Enterprise Zone (LAEZ)
- Wrap-up
- Q&A



Today's Panel



LaRae Pieroni

ADP Tax Credit Services
Director, West Region
Practice Leader

LaRae is the West Region Practice Leader and manages a multi-million dollar practice, focusing on the delivery of credit and incentive packages, utilization maximization studies, audit support and legislative and government affairs for clients, with in-depth focus on the California Enterprise Zones. She has previously served as a Board Advisor to California Association of Enterprise Zones (“CAEZ”) and currently holds a Board of Directors seat for California Employers Opportunity Network (“CEON”).



Dan Breen

ADP Tax Credit Services
Economic Development
Services Leader

Dan leads ADP's Economic Development Services practice and is the Princeton Site Leader, with over 20 years of experience in tax and finance roles. Prior to joining ADP, Dan served as a Director and Practice Leader in State and Local Taxation, specifically Credits & Incentives, for a “Big 4” public accounting firm. A CPA, JD and LL.M - Taxation, Dan has a strong background in research, analysis and client counsel with respect to state and local income, property and sales taxation, workforce development, infrastructure and utility programs, project financing, and economic & fiscal impact.

Polling Question #1

- How familiar are you with Enterprise Zone programs in your state, or in another state that your company does business in?
 - A. Very familiar – we are actively working EZ credits & incentives
 - B. Somewhat familiar – have heard of them but not actively using
 - C. Not familiar with these credits & incentives

NASBA (National Association of State Boards of Accountancy) requirements for receiving CPE Credit:
Log in from same e-mail address that you used to register
Stay for the full hour
Answer 3 out of 4 polling questions



Enterprise Zones – What Are They?

- Enterprise zones are government defined areas that are in need of economic growth and development. In order to encourage that development, various tax incentives and/or business incentives are offered to companies who are eligible and meet the qualifications established for that zone.

Desired Benefits for Government

- Assist urban renewal
- Rural development
- Drive job growth
- Attract investment
- Develop a specific type of industry

Resulting Benefits for Companies

- Credits for capital investments
- Credits for hiring local workforce
- Additional green or other credits

Enterprise Zone - History

- Enterprise Zones go by different names, but the concept is used in countries around the world
 - Used in the U.S. on both the state and federal levels
 - Used extensively by Margaret Thatcher in the late 1970's and 1980's in the UK
- In the U.S. an early focus was urban renewal
 - Urban Employment Opportunities Development Act of 1967." (S. 2088) (113 Cong. Rec. 18443-18457, July 12, 1967) introduced by Robert F. Kennedy to provide tax credits in return for investment and job-creation in blighted urban areas, but was never passed and enacted
- In 1979, New York Reps. Jack Kemp and Robert Garcia teamed up to bring up new federal legislation
- In 1981, Louisiana was the first state to enact this legislation at a state level , with numerous other states enacting Enterprise Zones in the following few years

Some Larger EZ Opportunities

- California Enterprise Zone Hiring Credit*
- California Enterprise Zone Sales & Use Credit*
- Arizona Enterprise Zone Employment Credit
- Colorado Enterprise Zone Investment Tax Credit*
- Colorado Enterprise Zone Job Creation Credit*
- Idaho Investment Tax Credit*
- Texas Enterprise Zone Program
- Florida Enterprise Zone Job Creation Credit
- Georgia Retraining Tax Credit*
- Louisiana Inventory Tax Credit*
- Louisiana Job Creation Credit*
- Mississippi Inventory Tax Credit*
- Kansas Business Property Tax Credit*
- Kansas Business Job Development Tax Credit*
- Illinois Replacement Tax Credit*
- Illinois Enterprise Zone Investment Tax Credit*
- Michigan Compensation Tax Credit*
- Michigan Investment Tax Credit*
- Connecticut Enterprise Zone Tax Credit*
- Connecticut Enterprise Zone Prop. Tax Abatement
- New Jersey Urban Enterprise Zone Tax Credit*
- Maryland Enterprise Zone New Worker Credit*
- Maryland Enterprise Zone Property Tax Credit
- Pennsylvania Neighborhood Assistance Credit

***Retroactively Available**

Let's dive deeper into a few of the programs to get a better understanding of how they work and how they can benefit your company

Polling Question #2

- What are the key drivers for creating Enterprise Zones and who are the expected beneficiaries?
 - A. Governments drive them to try and increase economic activity
 - B. Businesses benefit financially from leveraging the zones
 - C. Local residents benefit from new jobs in their area
 - D. All of the above

NASBA (National Association of State Boards of Accountancy) requirements for receiving CPE Credit:
Log in from same e-mail address that you used to register
Stay for the full hour
Answer 3 out of 4 polling questions



California Enterprise Zone Program



California Enterprise Zone: Program Overview

- The California Enterprise Zone (“CAEZ”) program provides tax incentives to encourage businesses to locate and expand operations in economically distressed areas
 - Hiring Credit
 - Creates an incentive for businesses to hire individuals who are at a disadvantage when seeking employment (i.e. ex-offenders) or who merit preference in hiring (i.e. veterans)
 - Sales or Use Tax Credit
 - Encourages businesses to invest resources in these distressed areas
 - Other state and local incentives to promote business growth
- 42 Enterprise Zones – designations last 15 years

California Enterprise Zone: Map



California Enterprise Zone: Hiring Credit Basics

- Business must operate in an enterprise zone
- Business must hire a “qualified employee”
 - Food Stamps
 - Economically Disadvantaged
 - Veteran
 - Ex-offender
 - Dislocated Worker (Business Closure, Laid Off, Long-term Unemployed, etc.)
 - Work Opportunity Tax Credit Eligible
 - Etc.
- Hiring credit equals a percentage of “qualified wages” paid over 5 years
 - “Qualified Wages” are wages paid, capped at 150% of minimum wage
- Total credit can be worth over **\$37,000** per qualified employee
- Excess credit may be carried forward until exhausted

California Enterprise Zone: Sales or Use Tax Credit Basics

- Businesses operating in an enterprise zone may claim a credit for sales or use tax paid on “qualified property”
 - “Qualified property” includes machinery and equipment used for manufacturing and processing, as well as data-processing and communication equipment
- Property must be purchased and placed in service in the enterprise zone within the zone’s effective dates
- Property must be used exclusively within an enterprise zone
- Sales or use tax credit may only be claimed on \$20 million of qualified property (\$1 million for partnerships) in a taxable year
- Excess credit may be carried forward until exhausted



California Enterprise Zone: Process

- Identify Enterprise Zone Locations
 - Maps and street ranges in different formats and at varying levels of update, meaning different degrees of accuracy
- Qualify Employees for Credit
 - Identify qualification categories
 - Acquire supporting documentation for voucher application
 - Apply for voucher
 - Multiple jurisdictions means different contacts, different vouchering practices, different fees, and different timeframes
- Calculate Credit
- Apportionment to Determine Utilization
- Assignment
- Monitor CAEZ activity at the zones, in the legislature, and at the FTB



California Enterprise Zone: Program Scrutiny

- Political Pressure
 - Legislation to alter or eliminate qualification categories
 - Legislation that would impose a tight deadline for voucher applications
 - California \$20 billion budget deficit = risk of program elimination
- Public Pressure
 - California has one of the least friendly business environments in the US
 - CAEZ is California's primary incentive to attract and retain businesses
 - California foregoes tax revenue – a state that has a severe budget deficit
- Voucher Fees
 - State fee for voucher applications jumped from \$10 to \$15
 - Zones fees on top of the state fee – total voucher fees range from \$15 to \$132
- Timing
 - No current time restrictions, but application window would require a streamlined process for screening and documentation
 - Maximize credit now because CAEZ Program may change
- FTB/Audit
 - Categorical Focus

California Enterprise Zone: Opportunity

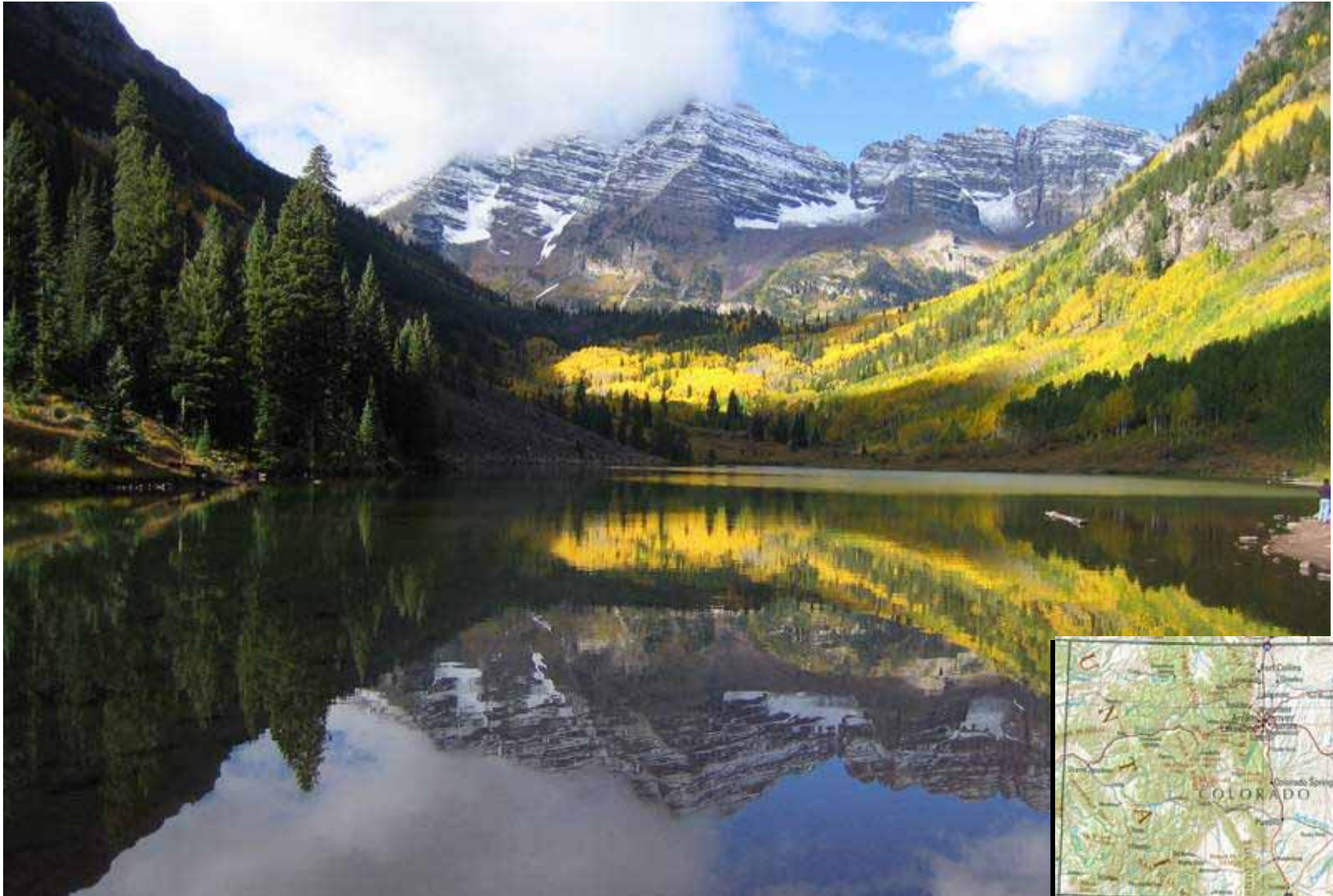
- Enterprise Zone Expansions
 - Enterprise zones can expand their boundaries up to 15% of their originally designated area
 - If your business is in a zone jurisdiction but not in the zone, request an expansion

- Retroactive Credit Work
 - No limitation on credit carry-forward
 - Generate credit in prior tax years to claim a refund (if you had liability) or carry the credit forward

- Don't Miss Out: Start Today
 - Earn tax savings for each qualified employee hired in an enterprise zone



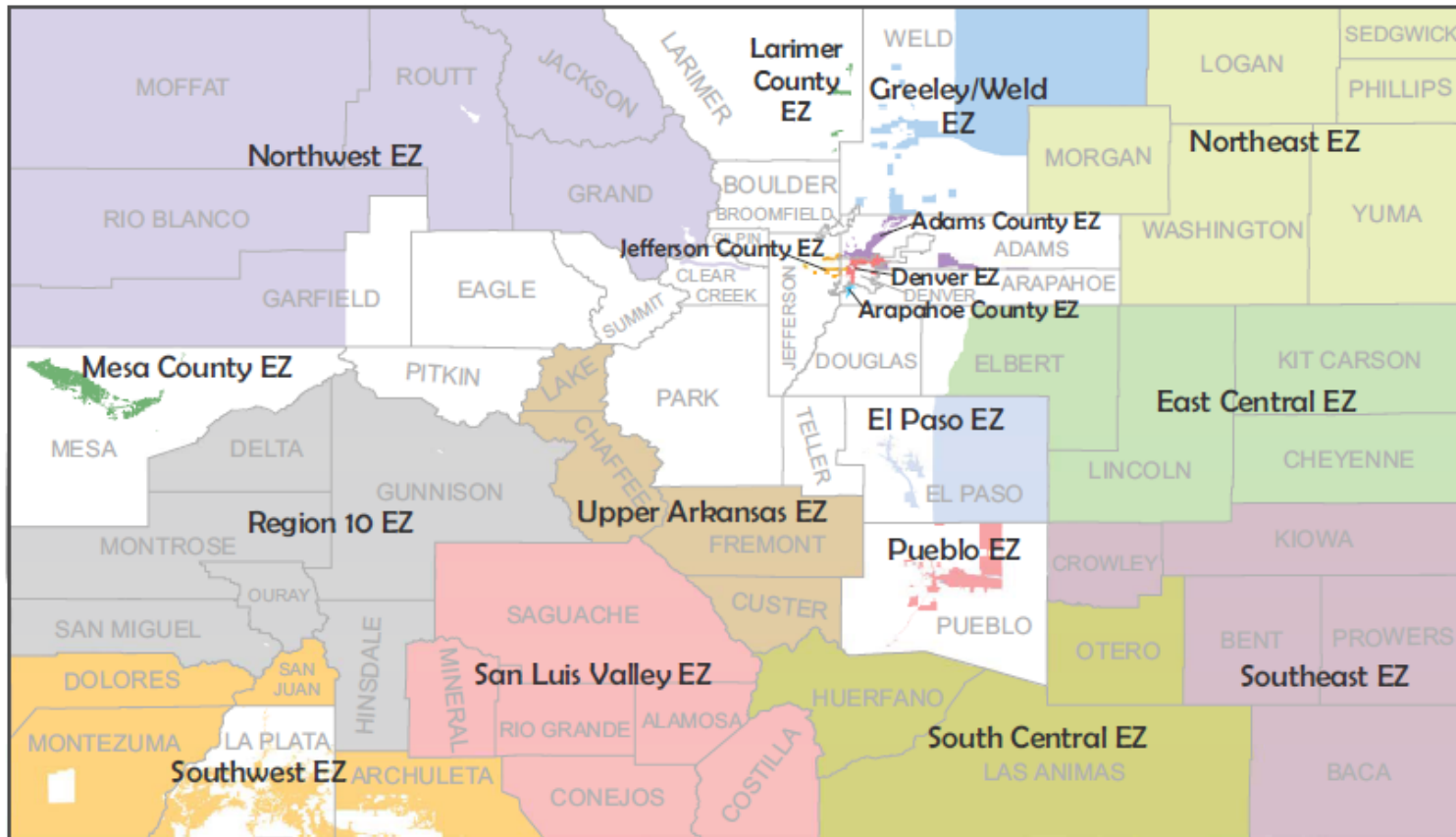
Colorado Enterprise Zone Program



Colorado Enterprise Zones: Program Overview

- The Colorado Enterprise Zone (“COEZ”) program provides tax incentives to encourage businesses to locate and expand in designated economically distressed areas of the state
- There are 16 Colorado Enterprise Zones and two sub-zones, covering the majority of the state’s territory
- The COEZ program provides a comprehensive package of tax credits and incentives to qualifying companies, including:
 - Investment Tax Credit
 - Job Training Tax Credit
 - R&D Increase Tax Credit
 - New Business Facility (“NBF”) Tax Credits for Employees (Jobs), Agricultural Processing Employees, Employer-Sponsored Health Insurance; Rural EZ Enhancements
 - Vacant Building Rehabilitation Tax Credit
 - Manufacturing / Mining Sales and Use Tax Exemption
 - Tax Credit for Contributions to Enterprise Zone Projects
 - Local Incentives

Colorado Enterprise Zones: Zone Map



Map obtained via screenshot from Colorado Office of Economic Development and International Trade (“OEDIT”) website on November 4, 2010. (URL: <http://www.colorado.gov/cs/Satellite/OEDIT/OEDIT/1167928216262>) The map is provided by OEDIT for informational purposes only and should not be used to confirm eligibility for COEZ benefits. Neither ADP nor OEDIT attest to the accuracy or currency of the map. Local COEZ Administrators can advise whether a location is within a Zone, or otherwise address questions concerning Zone boundaries.

Colorado Enterprise Zones: Tax Credits

- EZ Investment Tax Credit (“ITC”)
 - The Enterprise Zone investment tax credit is 3% of any qualified investment in I.R.C. Section 38 property (generally, tangible property that is depreciable or amortizable and has a useful life of three years or more)
 - The credit is allowed to the extent of the first \$5,000 of Colorado income tax liability, plus 50% of the liability in excess of \$5,000
 - Unused ITC can be carried back three (3) years and forward up to twelve (12) years

- EZ Job Training Tax Credit
 - Colorado taxpayers are allowed to claim a credit of 10% of their total current year investment in a “qualified job training program”
 - A “qualified job training program” is structured training or basic education designed to improve the job skills of company employees working predominantly within a COEZ
 - On-the-job training does not qualify!
 - Excess credits may be carried forward for up to twelve (12) years

- EZ Research and Development Tax Credit
 - The credit is 3% of the increased R&D expenditures in the current tax year compared with the average expenditures in the same Zone during the previous two years
 - The credit is claimed over four (4) years, with 25% allowed in each year, and may be carried forward until fully used

Colorado Enterprise Zones: New Business Facility Credits

There are three "new business facility" ("NBF") employee credits available to qualified businesses located in Colorado Enterprise Zones; additionally, an enhanced credit is available for NBFs located in an "enhanced rural Enterprise Zone"

A "new business facility" is one that is newly acquired, constructed, or leased by the taxpayer and in the operation of a "revenue-producing enterprise"



Colorado Enterprise Zones: New Business Facility Credits

■ Employee Credit (Jobs Credit)

- An NBF located in an Enterprise Zone can claim an income tax credit of \$500 for each “new business facility employee” working within the Zone, prorated according to the number of months employed during the year
 - A “new business facility employee” performs duties in connection with the operation of a NBF on a regular, full-time basis
 - Part-time and seasonal employees can qualify!
- The credits are also allowed in subsequent tax years for increases in the average number of NBF employees working in the Zone
- This credit can be carried forward for up to five (5) years

■ Agricultural Processing Employee Credit

- Taxpayers operating NBFs engaged in manufacturing or agricultural processing are allowed an additional credit of \$500 per NBF employee
- Credits are not refundable but the carry forward period is five (5) years

Colorado Enterprise Zones: New Business Facility Credits

- **Employer-Sponsored Health Insurance Credit**
 - For the first two full income tax years while located in an Enterprise Zone, taxpayers are allowed a credit of \$200 for each NBF employee insured under a health insurance plan or program for which the taxpayer pays at least 50% of the cost
 - Credits are not refundable but may be carried forward for up to five (5) years

- **Increased Credits – Enhanced Rural Enterprise Zones**
 - Any NBF located in an Enhanced Rural Enterprise Zone is eligible for:
 - An additional \$2,000 new business employee credit
 - An additional \$500 new business agricultural processing employee credit
 - 31 counties host Enhanced Rural Enterprise Zones; designations are reviewed every two years, most recently in 2008
 - The carry forward period on this credit is seven (7) years

Colorado Enterprise Zones: Additional Incentives

- Vacant Building Rehabilitation Tax Credit
 - Manufacturing / Mining Sales and Use Tax Exemption
 - Tax Credit for Contributions to Enterprise Zone Projects
 - Local Incentives
-
- Like many states, Colorado offers various incentives beyond the Enterprise Zone program for expanding in or relocating to the State – including job creation grants, property tax relief, infrastructure and training funds



Colorado Enterprise Zones: Program Changes

- **Pre-Certification Requirement**
 - Effective January 1, 2012, taxpayers can no longer claim COEZ credits unless they obtain an annual pre-certification from the local Zone Administrator
 - Pre-Certification Forms will be available in late 2011, and an electronic certification process will be implemented by 2013

- **Taxpayers' Ability to Claim the Enterprise Zone Investment Tax Credit is Temporarily Limited**
 - Effective January 1, 2011, businesses cannot claim an EZ ITC that exceeds \$500,000 in years 2011, 2012, and 2013
 - This includes credits carried forward from prior years

- **Information about additional (less material) program changes can be provided upon request**

Polling Question #3

- Is your company currently engaging in, or planning to engage in, activities that will enable it to claim Enterprise Zone benefits in these states?
 - A. California
 - B. Colorado
 - C. Louisiana
 - D. Other States
 - E. Two or more of the above
 - F. None of the above

NASBA (National Association of State Boards of Accountancy) requirements for receiving CPE Credit:
Log in from same e-mail address that you used to register
Stay for the full hour
Answer 3 out of 4 polling questions



Louisiana Enterprise Zone Program



Louisiana Program Overview

The Louisiana Enterprise Zone program provides incentives to businesses that create qualifying jobs in the State and hire at least 35% of their net new employees from targeted groups

- Incentives include:
 - **Job Credit:** Income/franchise job tax credit for creating net new jobs **AND**
 - **Investment Incentive:** A “monetizable” benefit through either (1) a sales and use tax rebate for qualified property, **OR** (2) a refundable investment tax credit on capitalized expenditures

Louisiana Program Overview

■ Key Program Features

- **Advance planning is required!** An “**Advance Notification**” form must be filed prior to the beginning of the project or before hiring has begun.
- **Companies must increase employment by 5 net new hires or 10%, and 35% of new hires must be individuals from one of the following four targeted groups:**
 - Qualified Residency (generally, residents of a state enterprise zone)
 - Receiving public assistance (unemployment does *not* qualify)
 - Lacking “basic skills” (i.e., persons below 9th grade proficiency in reading, writing or math)
 - Designated “challenged” groups – e.g., physically challenged, ex-felons, etc.
- **Eligible projects need NOT be located within a Louisiana Enterprise Zone, or involve capital expenditures**

LAEZ Program: Benefits and Limitations

Job Tax Credit (“JTC”)

- \$2,500 income and/or franchise tax credit for each net new hire (increased to \$5,000 for targeted industries – aerospace, aviation and rubber manufacturing)
- The JTC is claimed over a 60-month period, and may be carried forward for ten years from the year in which the JTC was earned
- The JTC may be “passed through” by LLCs and Subchapter S corporations to owners listed on the EZ contract

Investment Incentive (either of two alternatives)

1. Sales and Use Tax Rebate

- *Rebate* of 4% State sales & use tax on eligible purchases (materials, machinery, furniture or equipment) where Louisiana sales tax was incurred
- A rebate of the local portion of sales & use taxes is also available at the discretion of the local municipality – but requires advance approval
- Claim period starts with the filing of the “Advance Notification” and ends with the Project End Date (within 30 months of the start date). Only expenditures made within this time frame are eligible

2. Investment Tax Credit (“ITC”)

- *Refundable* credit equal to 1.5% of capitalized investment reported on the Federal Income Tax Return - excluding certain items and manufacturing equipment that are exempt from sales & use tax
- The ITC may not be claimed until the Project Completion Report is executed
- Expenditures made prior to the Advance Notification filing date can qualify as long as they are capitalized (e.g., engineering/architectural costs)

LAEZ Program: Application Process

1. Pre-Application

- Advance Notification (Fee: \$100)
- Endorsement Resolution (Local Sales Tax Rebate)
- Disclosure Authorization

2. Application, Approval & Contract

- Enterprise Zone Application (Fee Varies) and Approval
- Contract

3. Post-Approval Compliance

- Project Completion Report (“PCR”)
- Affidavit of Final Cost or Inspection/Audit Affidavit (Fee: \$100)
- Employee Certification Report (“ECR”)

LAEZ Program: Pending Administrative Changes

- BIS recently announced administrative changes to the program
- Changes (some of which are already effective) include:
 - Part-time employees will no longer count towards the net new employee qualification requirement
 - A company's creation of "net new jobs" at a project location, offset by job reductions at another LA site, will no longer qualify. Examples include:
 - Transfers from another location owned by the same business, unless backfilled
 - New jobs at a project site will be "netted" against job losses due to closures, downsizing, etc. at the company's other facilities in the State
 - Implications concerning affiliates, etc. are not yet known
 - Four month "lookback" period from start date to set employment baseline
- The Enterprise Zone program is just one of many attractive Louisiana economic development tools, and can be utilized in conjunction with or as an alternative to other incentives (e.g., payroll rebates, property tax abatements) for qualifying projects involving job creation and capital investment

Polling Question #4

- Is your company currently administering Enterprise Zone credits and incentives “in house,” or do you outsourced the work related to these programs?
 - A. We handle “in house” and intend to continue doing so
 - B. We handle “in house,” but are considering outsourcing
 - C. We outsource the work

NASBA (National Association of State Boards of Accountancy) requirements for receiving CPE Credit:
Log in from same e-mail address that you used to register
Stay for the full hour
Answer 3 out of 4 polling questions



Enterprise Zones: Wrap-Up

- Enterprise Zones may go by different names, but many states across the country offer this type of business incentive
- Review your current company locations - you may be in a zone and not realize that you could be capturing credits
- When considering expansion or investment, leverage enterprise zones to understand your potential opportunities
- ADP can assist you:
 - One of the largest proprietary credit & incentive databases
 - State-of-the art mapping software in the industry
 - Dedicated regional practice teams to assist in understanding the compliance requirements

Questions & Answers



LaRae Pieroni

ADP Tax Credit Services
Director, West Region Practice Leader



Dan Breen

ADP Tax Credit Services
Economic Development Services Leader



Thank You for Joining Us Today...

- For information on any of the **ADP products or services** referenced during today's webinar:
 - Phone 800-CALL-ADP or visit www.adp.com
- For a complete listing of **ADP webinars and webinar recordings** – go to:
 - adp.com | [tools & resources](#) | [events](#) | [webinars](#)



Webinar Program Survey

- How are we doing?
- We appreciate your feedback on our webinar which will be used as we plan future webinars in our Tax Credits & Business Incentives Legislative Updates series.

