



Enterprise Zone Program Questions & Answers

Q: How is a Targeted Employment Area (TEA) defined?

A: TEAs are low income communities with high rates of unemployment, poverty, and crime. Areas are designated as a TEA if over 50% of the residents of a given census tract have income levels below the County's median income rate. TEA boundaries must be updated within 180 days of new census data becoming available to confirm the area still qualifies for designation under the Enterprise Zone program.

Q: Why are TEAs used as vouchering criteria for hiring credits in the Enterprise Zone program?

A: TEAs ensure that jobs are being created locally and are filled by employees who come from disadvantaged backgrounds and face barriers to employment. By creating job opportunities and enabling employers to hire these individuals, the TEA is a fundamental tool for Enterprise Zones to reach their goals of reducing unemployment and decreasing poverty levels.

Q: How does a region become designated as an Enterprise Zone?

A: To be eligible as an Enterprise Zone, an area must show distress factors such as high unemployment, high poverty rates, a plant closure, gang activity, or substantial economic distress. Zones must go through a competitive application process, and must meet certain criteria to demonstrate that the community is economically-disadvantaged. All applications for a new Enterprise Zone designation are ranked based on their economic development strategy and implementation plan, including the extent to which the strategy addresses the economic needs of the community, its businesses and residents.

Q: Should the Enterprise Zone benefits be limited to the rural areas of the state?

A: Suggestions to narrow the EZ Program to rural areas are an attempt to reduce the program's effectiveness and undermine its ability to assist struggling communities and put people back to work. An area becomes eligible to become an Enterprise Zone based

on the demographic and economic conditions in residential areas. Zones are then established to include commercial and industrial areas which are accessible to these distressed residential areas. Economically-disadvantaged communities exist in all parts of California, not just in rural areas. With high unemployment rates across the state, there is simply no justification to cut back the state's best tool to encourage economic growth and job creation.

Q: Why are the Enterprise Zone benefits important for urban communities?

A: Economic distress and instability may take on a different, but no less detrimental appearance in urban areas. An area or business may look "stable", when in fact it may be quite distressed due to factors such as plant closures, buildings in disrepair, lack of infrastructure, or other issues particular to an area or industry. Like rural areas, residents who live in economically disadvantaged urban areas greatly benefit from jobs that are created locally.

Q: Why is retroactive vouchering needed?

A: The practice of retroactive vouchering enables businesses to claim the tax credits they've earned, and then turn those savings into new investments in hiring additional employees, paying higher wages and growing their business. There are many scenarios in which a taxpayer, especially a new or growing business, cannot use the tax credits at the time they are generated, making retroactive vouchering especially important.

Q: How many years can a company retroactively claim tax credits under the program?

A: Retroactive vouchering is limited to a company's ability to amend its tax returns from prior years. Therefore, per California's state tax law, a company can only go back four years to claim hiring credits for past hires.

Q: If the Enterprise Zone program is meant to be an incentive program, how does retroactive vouchering work to fulfill its goals of encouraging new job growth and new economic activity?

A: By allowing companies to collect hiring credits for past hires, employers are able to strengthen their businesses and positively impact their local economy. The tax credits gained through retroactive vouchering can be used to make new hires now and in the future, or provide the capital that a company needs to invest in new equipment or expanded business activity. In this way, retroactive vouchering enables the EZ program to revitalize distressed communities by facilitating increased economic activity and enabling companies to hire workers who face barriers to employment.