

GENERAL QUESTIONS AND ANSWERS ABOUT THE SAN FRANCISCO ENTERPRISE ZONE PAYROLL EXPENSE TAX CREDIT

A. What is the San Francisco Enterprise Zone Payroll Expense Tax Credit?

The San Francisco Enterprise Zone Payroll Expense Tax Credit is a credit that can be applied towards the San Francisco Payroll Expense Tax for new jobs created on or after January 1, 1992, pursuant to the Payroll Expense Tax Ordinance of the San Francisco Municipal Code, Part III, Article 12-A, Section 906A. Amendments to this ordinance took effect on July 30, 2008, and are not retroactive.

B. Who is eligible for the Enterprise Zone Payroll Expense Tax Credit?

Any person who maintains a fixed place of business within the Enterprise Zone (EZ) areas, creates new jobs and hires qualified employees between January 1, 1992 and July 29, 2008 is allowed a credit that can be applied towards the payroll expense tax. For employees hired on or after July 30, 2008, the amended ordinance does not require creation of a new job and has expanded the qualifications of the employees to match the state Enterprise Zone Hiring Tax Credit program as summarized below.

C. Where are the Enterprise Zone areas located?

The San Francisco Enterprise Zone areas include the following districts: Bay View Hunters Point/ South Bayshore; Chinatown; the Mission; Mission Bay Project Area; Potrero Hill; south of Market; the Tenderloin; and the Western Addition. After the July 30, 2008 amendment, the EZ areas expanded to include some portion of North Beach and Financial District. To determine if your business is located within the Enterprise Zone, please visit the Office of Economic and Workforce Development (OEWD) website at <http://www.oewd.org/> and click the tab labeled "Business Assistance".

D. Who is a qualified employee?

Part A: If hired between January 1, 1992 and July 29, 2008, a qualified employee, as defined under the Business and Tax Regulations Code, Section 906A(b), is a person who is newly hired for a newly created job, and either is:

- receiving subsidized employment training or services under the terms of the Workforce Investment Act (WIA) (formerly the Federal Job Training Partnership Act)
- registered in the California Work Opportunity Tax Credit (WOTC) (formerly the Greater Avenue for Independence (GAIN) Program)
- certified by the Employment Development Department as eligible for the Federal Work Opportunity Credit Program or
- A participant in the County Adult Assistance Program (CAAP) (formerly General Assistance).

Part B: If hired on or after July 30, 2008, a qualified employee, as defined under the Business and Tax Regulations Code, Section 906A(b), is a person who is newly hired and a San Francisco resident. In addition, services performed by such employee must be at least 90% directly related to the taxpayer's trade or business within the EZ area, and at least 50% performed within the EZ area. Further, the employee must be certified eligible under one the following California Enterprise Zone Hiring Tax Credit categories:

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- Workforce Investment Act (WIA) (formerly the Federal Job Training Partnership Act) participant;
- California Work Opportunity Tax Credit (WOTC) (formerly the Greater Avenues for Independence (GAIN) Program) certified;
- Recipient of CalWORKS, Federal Supplemental Security Income benefits, food stamps or General Assistance;
- Economically disadvantaged and at least 14 years of age;
- Dislocated worker;
- Disabled, recently discharged or Vietnam era veteran;
- Ex-offender; or
- Native American descent

E. How much is the amount of the Enterprise Zone Tax Credit?

The tax credit, for each qualified employee, shall be a varying percentage of the additional tax that would be incurred as a result of additional wages paid for work performed within the Enterprise Zone area. The dollar amount of such tax credit shall depend both upon the duration of employment as of the day payroll taxes are due (see below) and eligible wages paid.

| Duration of Employment | Credit Allowed on Payroll Tax Liability |
|-------------------------------|--|
| First 24 months | 100% |
| Second 24 months | 50% |
| Third 24 months | 25% |
| Fourth 24 months | 15% |
| Fifth 24 months | 10% |

In no event shall the tax credit reduce a business' tax liability to less than zero. For an example of how the Enterprise Zone Tax Credit is calculated, read the "Instructions for Completing the Enterprise Zone Tax Credit Worksheet."

F. How to apply for the Enterprise Zone Payroll Expense Tax Credit

Step 1. In order to claim the tax credit for eligible employees hired on July 30, 2008 and after, you must have already applied for and received a Voucher Certificate for each qualified employee under the California Enterprise Zone Hiring Tax Credit program (Targeted Employment Area is not an eligible category for this credit). The process to apply for and obtain a Voucher Certificate takes approximately 6-8 weeks. For more information on the California Enterprise Zone Hiring Tax Credit program please contact OEWD at 415-554-6130, email Enterprise.Zone@sfgov.org, or visit our website at: <http://www.oewd.org/Enterprise-Zone.aspx>.

Step 2. Instructions for claiming the Enterprise Zone Payroll Expense Tax Credit can be found on the Office of the Treasurer & Tax Collector's website at www.sftreasurer.org. Under "Business Resource Center," click on "Business Form Central," then look under "Tax Credit" or contact Monica Lau at (415) 554-7354.

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Step 3. File your payroll expense tax online by going to:

www.sftreasurer.org/etaxstatement.

G. More information about this tax credit

If you have questions about the California Enterprise Zone Hiring Tax Credit or the San Francisco Enterprise Zone Payroll Expense Tax Credit, please contact:

Office of Economic & Workforce Development
Enterprise Zone Program
Email: Enterprise.Zone@sfgov.org
Tel. (415) 554-6130

If you need help completing the online payroll expense worksheets or forms, please contact:

Monica Lau: (415) 554-7354

For general information about the City and County of San Francisco Office of the Treasurer & Tax Collector please visit <http://www.sftreasurer.org/>.