

General Questions and Answers about the San Francisco Enterprise Zone Payroll Expense Tax Credit

Because the state's Enterprise Zone hiring credit was repealed effective January 1, 2014, taxpayers can no longer qualify for San Francisco's Enterprise Zone Tax Credit with respect to employees hired on or after January 1, 2014.

For access to previously issued vouchers please login to your account at:

<http://ezhtc.sfintranet.firmstep.com/user>

A. What was the San Francisco Enterprise Zone Payroll Expense Tax Credit? The San Francisco Enterprise Zone Payroll Expense Tax Credit was a credit that could 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 was eligible for the Enterprise Zone Payroll Expense Tax Credit?

Any person who maintained 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 was allowed a credit to be applied towards the payroll expense tax. For employees hired on or after July 30, 2008, the amended ordinance did not require creation of a new job and had 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 included 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.

D. Who were qualified employees?

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), was a person who was newly hired for a newly created job, and either was:

- 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), was a person who was newly hired and a San Francisco resident. In addition, services performed by such employee had to 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 m be certified eligible under one the following California Enterprise Zone Hiring Tax Credit categories:

- 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” available through the Office of the Treasurer & Tax Collector.

F. More information about this tax credit

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

Office of Economic & Workforce Development

Email: owd@sfgov.org

Tel. (415) 554-6969

For access to previously issued vouchers please login to your account at:

<http://ezhtc.sfintranet.firmstep.com/user>

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

G. How did the City's transition to a Gross Receipts Tax impact my credit?

Businesses granted a San Francisco Enterprise Zone Tax Credit in a given tax year may credit against the sum of their Gross Receipts Tax and Payroll Expense Tax liability for that tax year the dollar amount by which that business would have been able to reduce its payroll expense tax liability under credit as if the payroll expense tax were in full force and effect and calculated at the rate of 1.5%. In no event shall such credit reduce a person’s combined Gross Receipts Tax and Payroll Expense Tax liability to less than zero. The credit may not be used by related entities or other members of a person’s combined group.

More questions regarding the status of the San Francisco Enterprise Zone Payroll Expense Tax Credit

1) Can I apply for the Local Enterprise Zone today?

No. The local Enterprise Zone payroll expense tax credit program expired on December 31, 2013 and is no longer available. No new applications for the credit are being accepted.

2) I have Enterprise Zone vouchers, how do I claim them?

For both the state Enterprise Zone hiring tax credit and the San Francisco Enterprise Zone Payroll Expense Tax Credit, you must claim your certified credits on the respective business tax filings. Instructions on how to claim the CA state hiring tax credits can be found in the California Franchise Tax Board’s Form 3805Z.

https://www.ftb.ca.gov/forms/search/index.aspx?WT.mc_id=Business_Forms_MoreButton.

To claim the local payroll expense tax credit, you must indicate on the Office of the Treasurer & Tax Collector’s online filing form that you have Enterprise Zone payroll expense tax credits to

claim when prompted. The online form will instruct you on how to calculate and claim your credits.

3) What happens if an Enterprise Zone employee leaves my company?

You may only claim certified credits for the length of time the employee is working at your company located in the Enterprise Zone. Once the credit expires, or the employee leaves, you may no longer claim the credit.

4) What happens if my business moves location?

You are only eligible for the credit as long as your business is located in the Enterprise Zone. If you move to a location that is still within the Enterprise Zone, you may continue to claim your certified credits. If you move to a location that falls outside of the Enterprise Zone map, you are no longer eligible to claim any remaining certified credits. When submitting business taxes you certify that the information you've included within, including any claims for Enterprise Zone credits, is true to the best of your knowledge.

5) How is my tax credit calculated?

For instructions on how to calculate your 5 year state Enterprise Zone hiring tax credits follow the instructions in the California Franchise Tax Board's Form 3805Z

(https://www.ftb.ca.gov/forms/search/index.aspx?WT.mc_id=Business_Forms_MoreButton).

Instructions on how to calculate your 10 year San Francisco payroll expense tax credits are included within the Office of the Treasurer & Tax Collector's online business tax filing system. (<http://sftreasurer.org/filing-and-payment-center>). The amount of the credit is determined as follows:

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.

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