

# Instructions for Form FTB 3553

## Enterprise Zone Employee Credit

### What's New

#### Enterprise Zone

The authority to issue voucher certificates for the Enterprise Zone (EZ) hiring credit has been extended to the local government administering the EZ credit.

### General Information

#### A Purpose

Use this form:

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

You must use Form 540, California Resident Income Tax Return, or the Long Form 540NR, California Nonresident or Part-Year Resident Income Tax Return, 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:

- Altadena/Pasadena
- Antelope Valley
- Bakersfield/Kern (SE Bakersfield)
- Calexico
- Coachella Valley
- Delano
- Eureka
- Fresno
- Kings County
- Lindsay
- Long Beach
- Los Angeles – Central City
- Los Angeles – Eastside
- Los Angeles – Harbor Area
- Los Angeles – Mid-Alameda Corridor  
(**Note:** The city of Lynwood has expired)
- Los Angeles – NE Valley (formerly Pacoima)
- Madera
- Merced/Atwater
- Oakland
- Oroville
- Pittsburg
- Porterville
- Redding/Anderson (Shasta Metro)
- Richmond
- Sacramento – Army Depot
- Sacramento – Florin Perkins
- Sacramento – Northgate/Norwood
- San Bernardino/Riverside (Agua Mansa)
- San Diego – South Bay
- San Diego – Metro
- San Francisco
- San Jose
- Santa Ana
- Shafter
- Siskiyou County (Shasta Valley)
- Stockton
- Watsonville
- West Sacramento
- Yuba/Sutter

For business eligibility or zone related information, including questions regarding EZ geographic boundaries, contact the zone manager of the local zone in which the business is located. Local Zone managers are listed in the State's official Zone Website at [www.hcd.ca.gov/ca/cdbg/ez](http://www.hcd.ca.gov/ca/cdbg/ez).

For information that is not tax-specific or zone-specific, you may contact the Department of Housing and Community Development at:

DEPARTMENT OF HOUSING AND  
COMMUNITY DEVELOPMENT  
1800 THIRD STREET, SUITE 390  
SACRAMENTO CA 95814

Tele: (916) 263-0485

Website: [www.hcd.ca.gov](http://www.hcd.ca.gov)

#### C Qualifications

To qualify for this credit in 2004, you:

- 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; and
- Did not work for any federal, California state, or local government.

Complete the Qualification Checklist on page 2 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 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. You must reduce this credit by 9% (9 cents for each dollar of income you received that is more than your qualified enterprise zone wages).

This credit cannot reduce regular tax below the tentative minimum tax. See Schedule P (540 or 540NR) 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 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, Chapter 21, 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. You must use code number **169** when you claim this credit.

# Enterprise Zone Employee Credit Qualification Checklist

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## Purpose of Checklist

Use this checklist to see if you qualify to take the enterprise zone employee credit for 2004.

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

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

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## Qualification Checklist

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1. Did you work in an enterprise zone during 2004? An enterprise zone is an area designated by the state of California. See General Information B, Description, on page 1 of the instructions for a list of the geographic areas designated as enterprise zones. **Note:** 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 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 the Long Form 540NR, complete Schedule CA (540NR), Part II, line 7, column E through line 34, 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 the 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 the Long Form 540NR, complete Schedule CA (540NR), Part II, line 7, column E through line 34, 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 the Long Form 540NR to claim the credit.
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## Checklist Instructions

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### 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.

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## Additional Information

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### Where can I get more information?

See the examples on page 3 or call the Franchise Tax Board at (916) 845-3464.

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## Examples

**Example 1:** John Smith worked for the ABC Company in Fresno (located in an area designated as an enterprise zone) during 2004 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. **Note:** 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.

YEAR	<b>EXAMPLE 1</b>	CALIFORNIA FORM
<b>2004</b>	<b>Enterprise Zone Employee Credit</b>	<b>3553</b>
Attach to your California tax return.		
Name(s) as shown on return		Social security number
J O H N S M I T H		
<p><b>Step 1: Complete the Enterprise Zone Employee Credit Qualification Checklist on page 2 of the instructions to see if you qualify to take this credit.</b></p> <p><b>Step 2: Complete the form below to figure your available credit.</b></p>		
1 Enter the total amount of wages you earned working in an enterprise zone. Do not enter more than \$10,500	1	10,500
2 If you file a joint return, enter the total amount of wages your spouse earned working in an enterprise zone. Do not enter more than \$10,500	2	—
3 Add line 1 and line 2	3	10,500
4 Multiply the amount on line 3 by 5% (.05)	4	525
5 Enter the amount from Form 540 or Long Form 540NR, line 17	5	9,600
6 If the amount on line 5 is:		
• Equal to or less than the amount on line 3, enter -0- here and skip to line 10; or		
• More than the amount on line 3, enter the amount from line 3	6	0
7 Subtract line 6 from line 5	7	
8 Multiply line 7 by 9% (.09)	8	
9 Subtract line 8 from line 4. If the result is zero or less, <b>STOP</b> . You do not qualify for this credit	9	
10 Enter the total amount of enterprise zone wages. See instructions	10	12,600
11 Enter the total amount of employee business expenses that you paid relating to your work in the enterprise zone. See instructions	11	0
12 Net enterprise zone wage income. Subtract line 11 from line 10	12	12,600
13 Enter the amount of tax for the amount on line 12. See instructions	13	191
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.	14	191
<b>Caution:</b> Your credit may be limited. See the instructions for line 14.		

**Example 2:** Bill and Maria Jones worked for the ABC Company in Fresno (located in an area designated as an enterprise zone) during 2004. 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 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. **Note:** 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.

YEAR	<b>EXAMPLE 2</b>	CALIFORNIA FORM
<b>2004</b>	<b>Enterprise Zone Employee Credit</b>	<b>3553</b>
Attach to your California tax return.		
Name(s) as shown on return		Social security number
B I L L & M A R I A J O N E S		
<p><b>Step 1: Complete the Enterprise Zone Employee Credit Qualification Checklist on page 2 of the instructions to see if you qualify to take this credit.</b></p> <p><b>Step 2: Complete the form below to figure your available credit.</b></p>		
1 Enter the total amount of wages you earned working in an enterprise zone. Do not enter more than \$10,500	1	10,500
2 If you file a joint return, enter the total amount of wages your spouse earned working in an enterprise zone. Do not enter more than \$10,500	2	9,340
3 Add line 1 and line 2	3	19,840
4 Multiply the amount on line 3 by 5% (.05)	4	992
5 Enter the amount from Form 540 or Long Form 540NR, line 17	5	23,200
6 If the amount on line 5 is:		
• Equal to or less than the amount on line 3, enter -0- here and skip to line 10; or		
• More than the amount on line 3, enter the amount from line 3	6	19,840
7 Subtract line 6 from line 5	7	3,360
8 Multiply line 7 by 9% (.09)	8	302
9 Subtract line 8 from line 4. If the result is zero or less, <b>STOP</b> . You do not qualify for this credit	9	690
10 Enter the total amount of enterprise zone wages. See instructions	10	23,200
11 Enter the total amount of employee business expenses that you paid relating to your work in the enterprise zone. See instructions	11	0
12 Net enterprise zone wage income. Subtract line 11 from line 10	12	23,200
13 Enter the amount of tax for the amount on line 12. See instructions	13	341
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.	14	341
<b>Caution:</b> Your credit may be limited. See the instructions for line 14.		