



PAY LESS TAX BY CLAIMING YOUR TAX CREDITS

Are you leaving money on the table by not claiming the tax credits you're entitled to? Law makers established the tax credit programs so that qualifying taxpayers can be awarded for certain activities that the governments promote. Location-based tax credits such as the Federal Empowerment Zone (EZ), Federal Renewal Community (RC), and California Enterprise Zone (CAEZ) reward taxpayers for job creation in certain geographical areas. A company should identify if it is located in any of these "zones" and should assess the potential tax savings it may qualify for. Federal Work Opportunity Credit (WOTC) is available to all taxpayers, regardless of the company's location, and also promotes job creation.

WHAT ARE TAX CREDITS AND INCENTIVES?

Tax credit reduces the amount of tax owed, generally on a "dollar-for-dollar" basis. A tax credit differs from a tax deduction, which only lowers the amount of taxable income. A tax credit brings significantly larger benefit than a tax deduction and therefore, should not be overlooked. Tax incentive is a general term that encompasses the tax credits, special tax deductions and other tax benefits provided to the taxpayers.

FEDERAL TAX CREDITS

Federal Work Opportunity Tax Credit (WOTC) program rewards taxpayers who are hiring from certain demographic groups. **Federal Empowerment Zone (EZ)/Renewal Community (RC)** programs promote business growth in certain economically-distressed areas of the country. Businesses located in the EZ or RC areas earn tax credits by hiring employees from the same federally-designated zone.

CALIFORNIA ENTERPRISE ZONE TAX CREDITS

Businesses located in one of the state's 42 Enterprise Zones can generate **Hiring Credit** and **Sales/Use Tax Credit**, which can significantly reduce their California income tax. **A single qualifying employee can generate over \$37,000 of Hiring Credit** for its employer. Also, sales tax paid for machinery, equipment, computers and other qualifying personal assets being used in the "zone" will generate credit. Examples of the zones are Sacramento, San Francisco, San Jose, Fresno, Oakland, Los Angeles, Pasadena, San Bernardino Valley, Santa Clarita, Long Beach, Santa Ana, and San Diego.

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