

AMENDED IN ASSEMBLY APRIL 5, 2010

CALIFORNIA LEGISLATURE—2009–10 REGULAR SESSION

**ASSEMBLY BILL**

**No. 2044**

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**Introduced by Assembly Member Caballero**

February 17, 2010

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*An act relating to enterprise zones to amend Sections 17053.70, 17053.74, 17053.75, 23612.2, and 23622.7 of the Revenue and Taxation Code, relating to taxation, to take effect immediately, tax levy.*

LEGISLATIVE COUNSEL'S DIGEST

AB 2044, as amended, Caballero. ~~Enterprise zones. Income tax: credits: enterprise zones.~~

The Enterprise Zone Act provides for the designation of enterprise zones by the Department of Community Housing and Development, based on the department's approval of applications from a city, county, or city and county with a geographic area meeting certain criteria. Existing law provides that specified entities within a designated enterprise zone may receive regulatory, tax, and other incentives for private investment and employment.

~~This bill would state the intent of the Legislature to enact legislation to require the Business, Transportation and Housing Agency to evaluate and rank enterprise zones. The bill also state the intent of the Legislature that any cost savings that may subsequently result from any legislative action taken based on that evaluation and ranking be used to fund approved infrastructure projects not being funded by existing bonds.~~

*The Personal Income Tax Law and the Corporation Tax Law allow a taxpayer to claim certain tax incentives for activities conducted in an enterprise zone, including: (1) a credit in the amount equal to the sales or use tax paid or incurred during the taxable year in connection with*

the taxpayer's purchase of qualified property used in an enterprise zone; (2) a credit in an amount equal to the specified percentage of wages paid during the taxable year to a qualified employee, as defined, who is employed by the taxpayer during the taxable year in an enterprise zone; and (3) a credit in the amount equal to 5% of the qualified wages received by the taxpayer during the taxable year for services performed in an enterprise zone.

This bill would limit the aggregate amount of credits that may be allocated in any fiscal year, beginning in the 2010-11 fiscal year, to \$250,000,000 per year.

The Personal Income Tax Law and the Corporation Tax Law with regard to the enterprise zone credit based on "qualified wages," provides that, except as specified, the credit amount is that portion of wages paid or incurred by the taxpayer during the taxable year to qualified employees that does not exceed 150% of the minimum wage, subject to specified requirements.

This bill would revise the definition of "qualified wages" for purposes of the credit to provide that qualified wages include that portion of wages paid or incurred by the taxpayer that do not exceed 250% of the minimum wage.

This bill would take effect immediately as a tax levy.

Vote: majority. Appropriation: no. Fiscal committee: ~~no~~-yes.  
State-mandated local program: no.

*The people of the State of California do enact as follows:*

- 1     SECTION 1. Section 17053.70 of the Revenue and Taxation
- 2     Code is amended to read:
- 3     17053.70. (a) There shall be allowed as a credit against the
- 4     "net tax" (as defined in Section 17039) for the taxable year an
- 5     amount equal to the sales or use tax paid or incurred during the
- 6     taxable year by the taxpayer in connection with the taxpayer's
- 7     purchase of qualified property.
- 8     (b) For purposes of this section:
- 9     (1) "Taxpayer" means a person or entity engaged in a trade or
- 10    business within an enterprise zone.
- 11    (2) "Qualified property" means:
- 12    (A) Any of the following:
- 13    (i) Machinery and machinery parts used for fabricating,
- 14    processing, assembling, and manufacturing.

1 (ii) Machinery and machinery parts used for the production of  
2 renewable energy resources.

3 (iii) Machinery and machinery parts used for either of the  
4 following:

5 (I) Air pollution control mechanisms.

6 (II) Water pollution control mechanisms.

7 (iv) Data processing and communications equipment, including,  
8 but not limited, to computers, computer-automated drafting  
9 systems, copy machines, telephone systems, and faxes.

10 (v) Motion picture manufacturing equipment central to  
11 production and postproduction, including, but not limited to,  
12 cameras, audio recorders, and digital image and sound processing  
13 equipment.

14 (B) The total cost of qualified property purchased and placed  
15 in service in any taxable year that may be taken into account by  
16 any taxpayer for purposes of claiming this credit shall not exceed  
17 one million dollars (\$1,000,000).

18 (C) The qualified property is used by the taxpayer exclusively  
19 in an enterprise zone.

20 (D) The qualified property is purchased and placed in service  
21 before the date the enterprise zone designation expires, is no longer  
22 binding, or becomes inoperative.

23 (3) "Enterprise zone" means the area designated as an enterprise  
24 zone pursuant to Chapter 12.8 (commencing with Section 7070)  
25 of Division 7 of Title 1 of the Government Code.

26 (c) If the taxpayer has purchased property upon which a use tax  
27 has been paid or incurred, the credit provided by this section shall  
28 be allowed only if qualified property of a comparable quality and  
29 price is not timely available for purchase in this state.

30 (d) In the case where the credit otherwise allowed under this  
31 section exceeds the "net tax" for the taxable year, that portion of  
32 the credit that exceeds the "net tax" may be carried over and added  
33 to the credit, if any, in succeeding taxable years, until the credit is  
34 exhausted. The credit shall be applied first to the earliest taxable  
35 years possible.

36 (e) Any taxpayer who elects to be subject to this section shall  
37 not be entitled to increase the basis of the qualified property as  
38 otherwise required by Section 164(a) of the Internal Revenue Code  
39 with respect to sales or use tax paid or incurred in connection with  
40 the taxpayer's purchase of qualified property.

(f) (1) The amount of the credit otherwise allowed under this section and Section 17053.74, including any credit carryover from prior years, that may reduce the “net tax” for the taxable year shall not exceed the amount of tax that would be imposed on the taxpayer’s business income attributable to the enterprise zone determined as if that attributable income represented all of the income of the taxpayer subject to tax under this part.

(2) Attributable income shall be that portion of the taxpayer’s California source business income that is apportioned to the enterprise zone. For that purpose, the taxpayer’s business income attributable to sources in this state first shall be determined in accordance with Chapter 17 (commencing with Section 25101) of Part 11. That business income shall be further apportioned to the enterprise zone in accordance with Article 2 (commencing with Section 25120) of Chapter 17 of Part 11, modified for purposes of this section in accordance with paragraph (3).

(3) Business income shall be apportioned to the enterprise zone by multiplying the total California business income of the taxpayer by a fraction, the numerator of which is the property factor plus the payroll factor, and the denominator of which is two. For purposes of this paragraph:

(A) The property factor is a fraction, the numerator of which is the average value of the taxpayer’s real and tangible personal property owned or rented and used in the enterprise zone during the taxable year, and the denominator of which is the average value of all the taxpayer’s real and tangible personal property owned or rented and used in this state during the taxable year.

(B) The payroll factor is a fraction, the numerator of which is the total amount paid by the taxpayer in the enterprise zone during the taxable year for compensation, and the denominator of which is the total compensation paid by the taxpayer in this state during the taxable year.

(4) The portion of any credit remaining, if any, after application of this subdivision, shall be carried over to succeeding taxable years, as if it were an amount exceeding the “net tax” for the taxable year, as provided in subdivision (d).

*(g) (1) Beginning in the 2010–11 fiscal year, the aggregate amount of credit that may be allocated in any fiscal year pursuant to this section and Sections 17053.74, 17053.75, 23612.2, and*

1 23622.7 shall not exceed two hundred fifty million dollars  
2 (\$250,000,000).

3 (2) The Franchise Tax Board shall prescribe rules, guidelines  
4 or procedures necessary or appropriate to carry out the purposes  
5 of this subdivision.

6 (g)

7 (h) The amendments made to this section by the act adding this  
8 subdivision shall apply to taxable years beginning on or after  
9 January 1, 1998.

10 SEC. 2. Section 17053.74 of the Revenue and Taxation Code  
11 is amended to read:

12 17053.74. (a) There shall be allowed a credit against the “net  
13 tax” (as defined in Section 17039) to a taxpayer who employs a  
14 qualified employee in an enterprise zone during the taxable year.  
15 The credit shall be equal to the sum of each of the following:

16 (1) Fifty percent of qualified wages in the first year of  
17 employment.

18 (2) Forty percent of qualified wages in the second year of  
19 employment.

20 (3) Thirty percent of qualified wages in the third year of  
21 employment.

22 (4) Twenty percent of qualified wages in the fourth year of  
23 employment.

24 (5) Ten percent of qualified wages in the fifth year of  
25 employment.

26 (b) For purposes of this section:

27 (1) “Qualified wages” means:

28 (A) (i) Except as provided in clause (ii), that portion of wages  
29 paid or incurred by the taxpayer during the taxable year to qualified  
30 employees that does not exceed ~~150~~ 250 percent of the minimum  
31 wage.

32 (ii) For up to 1,350 qualified employees who are employed by  
33 the taxpayer in the Long Beach Enterprise Zone in aircraft  
34 manufacturing activities described in Codes 3721 to 3728,  
35 inclusive, and Code 3812 of the Standard Industrial Classification  
36 (SIC) Manual published by the United States Office of  
37 Management and Budget, 1987 edition, “qualified wages” means  
38 that portion of hourly wages that does not exceed 202 percent of  
39 the minimum wage.

1 (B) Wages received during the 60-month period beginning with  
2 the first day the employee commences employment with the  
3 taxpayer. Reemployment in connection with any increase, including  
4 a regularly occurring seasonal increase, in the trade or business  
5 operations of the taxpayer does not constitute commencement of  
6 employment for purposes of this section.

7 (C) Qualified wages do not include any wages paid or incurred  
8 by the taxpayer on or after the zone expiration date. However,  
9 wages paid or incurred with respect to qualified employees who  
10 are employed by the taxpayer within the enterprise zone within  
11 the 60-month period prior to the zone expiration date shall continue  
12 to qualify for the credit under this section after the zone expiration  
13 date, in accordance with all provisions of this section applied as  
14 if the enterprise zone designation were still in existence and  
15 binding.

16 (2) “Minimum wage” means the wage established by the  
17 Industrial Welfare Commission as provided for in Chapter 1  
18 (commencing with Section 1171) of Part 4 of Division 2 of the  
19 Labor Code.

20 (3) “Zone expiration date” means the date the enterprise zone  
21 designation expires, is no longer binding, or becomes inoperative.

22 (4) (A) “Qualified employee” means an individual who meets  
23 all of the following requirements:

24 (i) At least 90 percent of whose services for the taxpayer during  
25 the taxable year are directly related to the conduct of the taxpayer’s  
26 trade or business located in an enterprise zone.

27 (ii) Performs at least 50 percent of his or her services for the  
28 taxpayer during the taxable year in an enterprise zone.

29 (iii) Is hired by the taxpayer after the date of original designation  
30 of the area in which services were performed as an enterprise zone.

31 (iv) Is any of the following:

32 (I) Immediately preceding the qualified employee’s  
33 commencement of employment with the taxpayer, was a person  
34 eligible for services under the federal Job Training Partnership  
35 Act (29 U.S.C. Sec. 1501 et seq.), or its successor, who is receiving,  
36 or is eligible to receive, subsidized employment, training, or  
37 services funded by the federal Job Training Partnership Act, or its  
38 successor.

39 (II) Immediately preceding the qualified employee’s  
40 commencement of employment with the taxpayer, was a person

1 eligible to be a voluntary or mandatory registrant under the Greater  
2 Avenues for Independence Act of 1985 (GAIN) provided for  
3 pursuant to Article 3.2 (commencing with Section 11320) of  
4 Chapter 2 of Part 3 of Division 9 of the Welfare and Institutions  
5 Code, or its successor.

6 (III) Immediately preceding the qualified employee's  
7 commencement of employment with the taxpayer, was an  
8 economically disadvantaged individual 14 years of age or older.

9 (IV) Immediately preceding the qualified employee's  
10 commencement of employment with the taxpayer, was a dislocated  
11 worker who meets any of the following:

12 (aa) Has been terminated or laid off or who has received a notice  
13 of termination or layoff from employment, is eligible for or has  
14 exhausted entitlement to unemployment insurance benefits, and  
15 is unlikely to return to his or her previous industry or occupation.

16 (bb) Has been terminated or has received a notice of termination  
17 of employment as a result of any permanent closure or any  
18 substantial layoff at a plant, facility, or enterprise, including an  
19 individual who has not received written notification but whose  
20 employer has made a public announcement of the closure or layoff.

21 (cc) Is long-term unemployed and has limited opportunities for  
22 employment or reemployment in the same or a similar occupation  
23 in the area in which the individual resides, including an individual  
24 55 years of age or older who may have substantial barriers to  
25 employment by reason of age.

26 (dd) Was self-employed (including farmers and ranchers) and  
27 is unemployed as a result of general economic conditions in the  
28 community in which he or she resides or because of natural  
29 disasters.

30 (ee) Was a civilian employee of the Department of Defense  
31 employed at a military installation being closed or realigned under  
32 the Defense Base Closure and Realignment Act of 1990.

33 (ff) Was an active member of the armed forces or National  
34 Guard as of September 30, 1990, and was either involuntarily  
35 separated or separated pursuant to a special benefits program.

36 (gg) Is a seasonal or migrant worker who experiences chronic  
37 seasonal unemployment and underemployment in the agriculture  
38 industry, aggravated by continual advancements in technology and  
39 mechanization.

1 (hh) Has been terminated or laid off, or has received a notice  
2 of termination or layoff, as a consequence of compliance with the  
3 Clean Air Act.

4 (V) Immediately preceding the qualified employee's  
5 commencement of employment with the taxpayer, was a disabled  
6 individual who is eligible for or enrolled in, or has completed a  
7 state rehabilitation plan or is a service-connected disabled veteran,  
8 veteran of the Vietnam era, or veteran who is recently separated  
9 from military service.

10 (VI) Immediately preceding the qualified employee's  
11 commencement of employment with the taxpayer, was an  
12 ex-offender. An individual shall be treated as convicted if he or  
13 she was placed on probation by a state court without a finding of  
14 guilt.

15 (VII) Immediately preceding the qualified employee's  
16 commencement of employment with the taxpayer, was a person  
17 eligible for or a recipient of any of the following:

18 (aa) Federal Supplemental Security Income benefits.

19 (bb) Aid to Families with Dependent Children.

20 (cc) Food stamps.

21 (dd) State and local general assistance.

22 (VIII) Immediately preceding the qualified employee's  
23 commencement of employment with the taxpayer, was a member  
24 of a federally recognized Indian tribe, band, or other group of  
25 Native American descent.

26 (IX) Immediately preceding the qualified employee's  
27 commencement of employment with the taxpayer, was a resident  
28 of a targeted employment area, as defined in Section 7072 of the  
29 Government Code.

30 (X) An employee who qualified the taxpayer for the enterprise  
31 zone hiring credit under former Section 17053.8 or the program  
32 area hiring credit under former Section 17053.11.

33 (XI) Immediately preceding the qualified employee's  
34 commencement of employment with the taxpayer, was a member  
35 of a targeted group, as defined in Section 51(d) of the Internal  
36 Revenue Code, or its successor.

37 (B) Priority for employment shall be provided to an individual  
38 who is enrolled in a qualified program under the federal Job  
39 Training Partnership Act or the Greater Avenues for Independence  
40 Act of 1985 or who is eligible as a member of a targeted group

1 under the Work Opportunity Tax Credit (Section 51 of the Internal  
2 Revenue Code), or its successor.

3 (5) "Taxpayer" means a person or entity engaged in a trade or  
4 business within an enterprise zone designated pursuant to Chapter  
5 12.8 (commencing with Section 7070) of the Government Code.

6 (6) "Seasonal employment" means employment by a taxpayer  
7 that has regular and predictable substantial reductions in trade or  
8 business operations.

9 (c) The taxpayer shall do both of the following:

10 (1) Obtain from the Employment Development Department, as  
11 permitted by federal law, the local county or city Job Training  
12 Partnership Act administrative entity, the local county GAIN office  
13 or social services agency, or the local government administering  
14 the enterprise zone, a certification which provides that a qualified  
15 employee meets the eligibility requirements specified in clause  
16 (iv) of subparagraph (A) of paragraph (4) of subdivision (b). The  
17 Employment Development Department may provide preliminary  
18 screening and referral to a certifying agency. The Employment  
19 Development Department shall develop a form for this purpose.  
20 The Department of Housing and Community Development shall  
21 develop regulations governing the issuance of certificates by local  
22 governments pursuant to subdivision (a) of Section 7086 of the  
23 Government Code.

24 (2) Retain a copy of the certification and provide it upon request  
25 to the Franchise Tax Board.

26 (d) (1) For purposes of this section:

27 (A) All employees of trades or businesses, which are not  
28 incorporated, that are under common control shall be treated as  
29 employed by a single taxpayer.

30 (B) The credit, if any, allowable by this section with respect to  
31 each trade or business shall be determined by reference to its  
32 proportionate share of the expense of the qualified wages giving  
33 rise to the credit, and shall be allocated in that manner.

34 (C) Principles that apply in the case of controlled groups of  
35 corporations, as specified in subdivision (d) of Section 23622.7,  
36 shall apply with respect to determining employment.

37 (2) If an employer acquires the major portion of a trade or  
38 business of another employer (hereinafter in this paragraph referred  
39 to as the "predecessor") or the major portion of a separate unit of  
40 a trade or business of a predecessor, then, for purposes of applying

1 this section (other than subdivision (e)) for any calendar year  
2 ending after that acquisition, the employment relationship between  
3 a qualified employee and an employer shall not be treated as  
4 terminated if the employee continues to be employed in that trade  
5 or business.

6 (e) (1) (A) If the employment, other than seasonal employment,  
7 of any qualified employee, with respect to whom qualified wages  
8 are taken into account under subdivision (a) is terminated by the  
9 taxpayer at any time during the first 270 days of that employment  
10 (whether or not consecutive) or before the close of the 270th  
11 calendar day after the day in which that employee completes 90  
12 days of employment with the taxpayer, the tax imposed by this  
13 part for the taxable year in which that employment is terminated  
14 shall be increased by an amount equal to the credit allowed under  
15 subdivision (a) for that taxable year and all prior taxable years  
16 attributable to qualified wages paid or incurred with respect to that  
17 employee.

18 (B) If the seasonal employment of any qualified employee, with  
19 respect to whom qualified wages are taken into account under  
20 subdivision (a) is not continued by the taxpayer for a period of  
21 270 days of employment during the 60-month period beginning  
22 with the day the qualified employee commences seasonal  
23 employment with the taxpayer, the tax imposed by this part, for  
24 the taxable year that includes the 60th month following the month  
25 in which the qualified employee commences seasonal employment  
26 with the taxpayer, shall be increased by an amount equal to the  
27 credit allowed under subdivision (a) for that taxable year and all  
28 prior taxable years attributable to qualified wages paid or incurred  
29 with respect to that qualified employee.

30 (2) (A) Subparagraph (A) of paragraph (1) shall not apply to  
31 any of the following:

32 (i) A termination of employment of a qualified employee who  
33 voluntarily leaves the employment of the taxpayer.

34 (ii) A termination of employment of a qualified employee who,  
35 before the close of the period referred to in paragraph (1), becomes  
36 disabled and unable to perform the services of that employment,  
37 unless that disability is removed before the close of that period  
38 and the taxpayer fails to offer reemployment to that employee.

39 (iii) A termination of employment of a qualified employee, if  
40 it is determined that the termination was due to the misconduct (as

1 defined in Sections 1256-30 to 1256-43, inclusive, of Title 22 of  
2 the California Code of Regulations) of that employee.

3 (iv) A termination of employment of a qualified employee due  
4 to a substantial reduction in the trade or business operations of the  
5 taxpayer.

6 (v) A termination of employment of a qualified employee, if  
7 that employee is replaced by other qualified employees so as to  
8 create a net increase in both the number of employees and the  
9 hours of employment.

10 (B) Subparagraph (B) of paragraph (1) shall not apply to any  
11 of the following:

12 (i) A failure to continue the seasonal employment of a qualified  
13 employee who voluntarily fails to return to the seasonal  
14 employment of the taxpayer.

15 (ii) A failure to continue the seasonal employment of a qualified  
16 employee who, before the close of the period referred to in  
17 subparagraph (B) of paragraph (1), becomes disabled and unable  
18 to perform the services of that seasonal employment, unless that  
19 disability is removed before the close of that period and the  
20 taxpayer fails to offer seasonal employment to that qualified  
21 employee.

22 (iii) A failure to continue the seasonal employment of a qualified  
23 employee, if it is determined that the failure to continue the  
24 seasonal employment was due to the misconduct (as defined in  
25 Sections 1256-30 to 1256-43, inclusive, of Title 22 of the California  
26 Code of Regulations) of that qualified employee.

27 (iv) A failure to continue seasonal employment of a qualified  
28 employee due to a substantial reduction in the regular seasonal  
29 trade or business operations of the taxpayer.

30 (v) A failure to continue the seasonal employment of a qualified  
31 employee, if that qualified employee is replaced by other qualified  
32 employees so as to create a net increase in both the number of  
33 seasonal employees and the hours of seasonal employment.

34 (C) For purposes of paragraph (1), the employment relationship  
35 between the taxpayer and a qualified employee shall not be treated  
36 as terminated by reason of a mere change in the form of conducting  
37 the trade or business of the taxpayer, if the qualified employee  
38 continues to be employed in that trade or business and the taxpayer  
39 retains a substantial interest in that trade or business.

(3) Any increase in tax under paragraph (1) shall not be treated as tax imposed by this part for purposes of determining the amount of any credit allowable under this part.

(f) In the case of an estate or trust, both of the following apply:

(1) The qualified wages for any taxable year shall be apportioned between the estate or trust and the beneficiaries on the basis of the income of the estate or trust allocable to each.

(2) Any beneficiary to whom any qualified wages have been apportioned under paragraph (1) shall be treated, for purposes of this part, as the employer with respect to those wages.

(g) For purposes of this section, “enterprise zone” means an area designated as an enterprise zone pursuant to Chapter 12.8 (commencing with Section 7070) of Division 7 of Title 1 of the Government Code.

(h) The credit allowable under this section shall be reduced by the credit allowed under Sections 17053.10, 17053.17 and 17053.46 claimed for the same employee. The credit shall also be reduced by the federal credit allowed under Section 51 of the Internal Revenue Code.

In addition, any deduction otherwise allowed under this part for the wages or salaries paid or incurred by the taxpayer upon which the credit is based shall be reduced by the amount of the credit, prior to any reduction required by subdivision (i) or (j).

(i) In the case where the credit otherwise allowed under this section exceeds the “net tax” for the taxable year, that portion of the credit that exceeds the “net tax” may be carried over and added to the credit, if any, in succeeding taxable years, until the credit is exhausted. The credit shall be applied first to the earliest taxable years possible.

(j) (1) The amount of the credit otherwise allowed under this section and Section 17053.70, including any credit carryover from prior years, that may reduce the “net tax” for the taxable year shall not exceed the amount of tax which would be imposed on the taxpayer’s business income attributable to the enterprise zone determined as if that attributable income represented all of the income of the taxpayer subject to tax under this part.

(2) Attributable income shall be that portion of the taxpayer’s California source business income that is apportioned to the enterprise zone. For that purpose, the taxpayer’s business income attributable to sources in this state first shall be determined in

accordance with Chapter 17 (commencing with Section 25101) of Part 11. That business income shall be further apportioned to the enterprise zone in accordance with Article 2 (commencing with Section 25120) of Chapter 17 of Part 11, modified for purposes of this section in accordance with paragraph (3).

(3) Business income shall be apportioned to the enterprise zone by multiplying the total California business income of the taxpayer by a fraction, the numerator of which is the property factor plus the payroll factor, and the denominator of which is two. For purposes of this paragraph:

(A) The property factor is a fraction, the numerator of which is the average value of the taxpayer's real and tangible personal property owned or rented and used in the enterprise zone during the taxable year, and the denominator of which is the average value of all the taxpayer's real and tangible personal property owned or rented and used in this state during the taxable year.

(B) The payroll factor is a fraction, the numerator of which is the total amount paid by the taxpayer in the enterprise zone during the taxable year for compensation, and the denominator of which is the total compensation paid by the taxpayer in this state during the taxable year.

(4) The portion of any credit remaining, if any, after application of this subdivision, shall be carried over to succeeding taxable years, as if it were an amount exceeding the "net tax" for the taxable year, as provided in subdivision (i).

*(k) (1) Beginning in the 2010-11 fiscal year, the aggregate amount of credit that may be allocated in any fiscal year pursuant to this section, 17053.70, 17053.75, 23612.2, and 23622.7 shall not exceed two hundred fifty million dollars (\$250,000,000).*

*(2) The Franchise Tax Board shall prescribe rules, guidelines or procedures necessary or appropriate to carry out the purposes of this subdivision.*

~~(k)~~

*(l)* The changes made to this section by the act adding this subdivision shall apply to taxable years beginning on or after January 1, 1997.

*SEC. 3. Section 17053.75 of the Revenue and Taxation Code is amended to read:*

17053.75. (a) There shall be allowed as a credit against the "net tax" (as defined by Section 17039) for the taxable year an

1 amount equal to five percent of the qualified wages received by  
2 the taxpayer during the taxable year.

3 (b) For purposes of this section:

4 (1) “Qualified employee” means a taxpayer who meets both of  
5 the following:

6 (A) Is described in clauses (i) and (ii) of subparagraph (A) of  
7 paragraph (4) of subdivision (b) of Section 17053.74.

8 (B) Is not an employee of the federal government or of this state  
9 or of any political subdivision of this state.

10 (2) (A) “Qualified wages” means “wages,” as defined in  
11 subsection (b) of Section 3306 of the Internal Revenue Code,  
12 attributable to services performed for an employer with respect to  
13 whom the taxpayer is a qualified employee in an amount that does  
14 not exceed one and one-half times the dollar limitation specified  
15 in that subsection.

16 (B) “Qualified wages” does not include any compensation  
17 received from the federal government or this state or any political  
18 subdivision of this state.

19 (C) “Qualified wages” does not include any wages received on  
20 or after the date the enterprise zone designation expires, is no  
21 longer binding, or becomes inoperative.

22 (3) “Enterprise zone” means any area designated as an enterprise  
23 zone pursuant to Chapter 12.8 (commencing with Section 7070)  
24 of Division 7 of Title 1 of the Government Code.

25 (c) For each dollar of income received by the taxpayer in excess  
26 of qualified wages, as defined in this section, the credit shall be  
27 reduced by nine cents (\$0.09).

28 (d) The amount of the credit allowed by this section in any  
29 taxable year shall not exceed the amount of tax that would be  
30 imposed on the taxpayer’s income attributable to employment  
31 within the enterprise zone as if that income represented all of the  
32 income of the taxpayer subject to tax under this part.

33 (e) (1) *Beginning in the 2010–11 fiscal year, the aggregate*  
34 *amount of credit that may be allocated in any fiscal year pursuant*  
35 *to this section and Sections 17053.70, 17053.74, 23612.2, and*  
36 *23622.7 shall not exceed two hundred fifty million dollars*  
37 *(\$250,000,000).*

38 (2) *The Franchise Tax Board shall prescribe rules, guidelines*  
39 *or procedures necessary or appropriate to carry out the purposes*  
40 *of this subdivision.*

1     *SEC. 4. Section 23612.2 of the Revenue and Taxation Code is*  
2     *amended to read:*

3     23612.2. (a) There shall be allowed as a credit against the  
4     “tax” (as defined by Section 23036) for the taxable year an amount  
5     equal to the sales or use tax paid or incurred during the taxable  
6     year by the taxpayer in connection with the taxpayer’s purchase  
7     of qualified property.

8     (b) For purposes of this section:

9     (1) “Taxpayer” means a corporation engaged in a trade or  
10    business within an enterprise zone.

11    (2) “Qualified property” means:

12    (A) Any of the following:

13    (i) Machinery and machinery parts used for fabricating,  
14    processing, assembling, and manufacturing.

15    (ii) Machinery and machinery parts used for the production of  
16    renewable energy resources.

17    (iii) Machinery and machinery parts used for either of the  
18    following:

19    (I) Air pollution control mechanisms.

20    (II) Water pollution control mechanisms.

21    (iv) Data-processing and communications equipment, including,  
22    but not limited to, computers, computer-automated drafting  
23    systems, copy machines, telephone systems, and faxes.

24    (v) Motion picture manufacturing equipment central to  
25    production and postproduction, including, but not limited to,  
26    cameras, audio recorders, and digital image and sound processing  
27    equipment.

28    (B) The total cost of qualified property purchased and placed  
29    in service in any taxable year that may be taken into account by  
30    any taxpayer for purposes of claiming this credit shall not exceed  
31    twenty million dollars (\$20,000,000).

32    (C) The qualified property is used by the taxpayer exclusively  
33    in an enterprise zone.

34    (D) The qualified property is purchased and placed in service  
35    before the date the enterprise zone designation expires, is no longer  
36    binding, or becomes inoperative.

37    (3) “Enterprise zone” means the area designated as an enterprise  
38    zone pursuant to Chapter 12.8 (commencing with Section 7070)  
39    of Division 7 of Title 1 of the Government Code.

1 (c) If the taxpayer has purchased property upon which a use tax  
2 has been paid or incurred, the credit provided by this section shall  
3 be allowed only if qualified property of a comparable quality and  
4 price is not timely available for purchase in this state.

5 (d) In the case where the credit otherwise allowed under this  
6 section exceeds the “tax” for the taxable year, that portion of the  
7 credit which exceeds the “tax” may be carried over and added to  
8 the credit, if any, in the following year, and succeeding years if  
9 necessary, until the credit is exhausted. The credit shall be applied  
10 first to the earliest taxable years possible.

11 (e) Any taxpayer who elects to be subject to this section shall  
12 not be entitled to increase the basis of the qualified property as  
13 otherwise required by Section 164(a) of the Internal Revenue Code  
14 with respect to sales or use tax paid or incurred in connection with  
15 the taxpayer’s purchase of qualified property.

16 (f) (1) The amount of credit otherwise allowed under this  
17 section and Section 23622.7, including any credit carryover from  
18 prior years, that may reduce the “tax” for the taxable year shall  
19 not exceed the amount of tax which would be imposed on the  
20 taxpayer’s business income attributable to the enterprise zone  
21 determined as if that attributable income represented all of the  
22 income of the taxpayer subject to tax under this part.

23 (2) Attributable income shall be that portion of the taxpayer’s  
24 California source business income that is apportioned to the  
25 enterprise zone. For that purpose, the taxpayer’s business income  
26 attributable to sources in this state first shall be determined in  
27 accordance with Chapter 17 (commencing with Section 25101).  
28 That business income shall be further apportioned to the enterprise  
29 zone in accordance with Article 2 (commencing with Section  
30 25120) of Chapter 17, modified for purposes of this section in  
31 accordance with paragraph (3).

32 (3) Business income shall be apportioned to the enterprise zone  
33 by multiplying the total California business income of the taxpayer  
34 by a fraction, the numerator of which is the property factor plus  
35 the payroll factor, and the denominator of which is two. For  
36 purposes of this paragraph:

37 (A) The property factor is a fraction, the numerator of which is  
38 the average value of the taxpayer’s real and tangible personal  
39 property owned or rented and used in the enterprise zone during  
40 the taxable year, and the denominator of which is the average value

1 of all the taxpayer's real and tangible personal property owned or  
2 rented and used in this state during the taxable year.

3 (B) The payroll factor is a fraction, the numerator of which is  
4 the total amount paid by the taxpayer in the enterprise zone during  
5 the taxable year for compensation, and the denominator of which  
6 is the total compensation paid by the taxpayer in this state during  
7 the taxable year.

8 (4) The portion of any credit remaining, if any, after application  
9 of this subdivision, shall be carried over to succeeding taxable  
10 years, as if it were an amount exceeding the "tax" for the taxable  
11 year, as provided in subdivision (d).

12 (g) (1) *Beginning in the 2010–11 fiscal year, the aggregate*  
13 *amount of credit that may be allocated in any fiscal year pursuant*  
14 *to this section and Sections 17053.70, 17053.74, 17053.75, and*  
15 *23622.7 shall not exceed two hundred fifty million dollars*  
16 *(\$250,000,000).*

17 (2) *The Franchise Tax Board shall prescribe rules, guidelines*  
18 *or procedures necessary or appropriate to carry out the purposes*  
19 *of this subdivision.*

20 ~~(g)~~

21 (h) The amendments made to this section by the act adding this  
22 subdivision shall apply to taxable years beginning on or after  
23 January 1, 1998.

24 SEC. 5. *Section 23622.7 of the Revenue and Taxation Code is*  
25 *amended to read:*

26 23622.7. (a) There shall be allowed a credit against the "tax"  
27 (as defined by Section 23036) to a taxpayer who employs a  
28 qualified employee in an enterprise zone during the taxable year.  
29 The credit shall be equal to the sum of each of the following:

30 (1) Fifty percent of qualified wages in the first year of  
31 employment.

32 (2) Forty percent of qualified wages in the second year of  
33 employment.

34 (3) Thirty percent of qualified wages in the third year of  
35 employment.

36 (4) Twenty percent of qualified wages in the fourth year of  
37 employment.

38 (5) Ten percent of qualified wages in the fifth year of  
39 employment.

40 (b) For purposes of this section:

1 (1) “Qualified wages” means:

2 (A) (i) Except as provided in clause (ii), that portion of wages  
3 paid or incurred by the taxpayer during the taxable year to qualified  
4 employees that does not exceed ~~150~~ 250 percent of the minimum  
5 wage.

6 (ii) For up to 1,350 qualified employees who are employed by  
7 the taxpayer in the Long Beach Enterprise Zone in aircraft  
8 manufacturing activities described in Codes 3721 to 3728,  
9 inclusive, and Code 3812 of the Standard Industrial Classification  
10 (SIC) Manual published by the United States Office of  
11 Management and Budget, 1987 edition, “qualified wages” means  
12 that portion of hourly wages that does not exceed 202 percent of  
13 the minimum wage.

14 (B) Wages received during the 60-month period beginning with  
15 the first day the employee commences employment with the  
16 taxpayer. Reemployment in connection with any increase, including  
17 a regularly occurring seasonal increase, in the trade or business  
18 operations of the taxpayer does not constitute commencement of  
19 employment for purposes of this section.

20 (C) Qualified wages do not include any wages paid or incurred  
21 by the taxpayer on or after the zone expiration date. However,  
22 wages paid or incurred with respect to qualified employees who  
23 are employed by the taxpayer within the enterprise zone within  
24 the 60-month period prior to the zone expiration date shall continue  
25 to qualify for the credit under this section after the zone expiration  
26 date, in accordance with all provisions of this section applied as  
27 if the enterprise zone designation were still in existence and  
28 binding.

29 (2) “Minimum wage” means the wage established by the  
30 Industrial Welfare Commission as provided for in Chapter 1  
31 (commencing with Section 1171) of Part 4 of Division 2 of the  
32 Labor Code.

33 (3) “Zone expiration date” means the date the enterprise zone  
34 designation expires, is no longer binding, or becomes inoperative.

35 (4) (A) “Qualified employee” means an individual who meets  
36 all of the following requirements:

37 (i) At least 90 percent of whose services for the taxpayer during  
38 the taxable year are directly related to the conduct of the taxpayer’s  
39 trade or business located in an enterprise zone.

1 (ii) Performs at least 50 percent of his or her services for the  
2 taxpayer during the taxable year in an enterprise zone.

3 (iii) Is hired by the taxpayer after the date of original designation  
4 of the area in which services were performed as an enterprise zone.

5 (iv) Is any of the following:

6 (I) Immediately preceding the qualified employee's  
7 commencement of employment with the taxpayer, was a person  
8 eligible for services under the federal Job Training Partnership  
9 Act (29 U.S.C. Sec. 1501 et seq.), or its successor, who is receiving,  
10 or is eligible to receive, subsidized employment, training, or  
11 services funded by the federal Job Training Partnership Act, or its  
12 successor.

13 (II) Immediately preceding the qualified employee's  
14 commencement of employment with the taxpayer, was a person  
15 eligible to be a voluntary or mandatory registrant under the Greater  
16 Avenues for Independence Act of 1985 (GAIN) provided for  
17 pursuant to Article 3.2 (commencing with Section 11320) of  
18 Chapter 2 of Part 3 of Division 9 of the Welfare and Institutions  
19 Code, or its successor.

20 (III) Immediately preceding the qualified employee's  
21 commencement of employment with the taxpayer, was an  
22 economically disadvantaged individual 14 years of age or older.

23 (IV) Immediately preceding the qualified employee's  
24 commencement of employment with the taxpayer, was a dislocated  
25 worker who meets any of the following:

26 (aa) Has been terminated or laid off or who has received a notice  
27 of termination or layoff from employment, is eligible for or has  
28 exhausted entitlement to unemployment insurance benefits, and  
29 is unlikely to return to his or her previous industry or occupation.

30 (bb) Has been terminated or has received a notice of termination  
31 of employment as a result of any permanent closure or any  
32 substantial layoff at a plant, facility, or enterprise, including an  
33 individual who has not received written notification but whose  
34 employer has made a public announcement of the closure or layoff.

35 (cc) Is long-term unemployed and has limited opportunities for  
36 employment or reemployment in the same or a similar occupation  
37 in the area in which the individual resides, including an individual  
38 55 years of age or older who may have substantial barriers to  
39 employment by reason of age.

1 (dd) Was self-employed (including farmers and ranchers) and  
2 is unemployed as a result of general economic conditions in the  
3 community in which he or she resides or because of natural  
4 disasters.

5 (ee) Was a civilian employee of the Department of Defense  
6 employed at a military installation being closed or realigned under  
7 the Defense Base Closure and Realignment Act of 1990.

8 (ff) Was an active member of the armed forces or National  
9 Guard as of September 30, 1990, and was either involuntarily  
10 separated or separated pursuant to a special benefits program.

11 (gg) Is a seasonal or migrant worker who experiences chronic  
12 seasonal unemployment and underemployment in the agriculture  
13 industry, aggravated by continual advancements in technology and  
14 mechanization.

15 (hh) Has been terminated or laid off, or has received a notice  
16 of termination or layoff, as a consequence of compliance with the  
17 Clean Air Act.

18 (V) Immediately preceding the qualified employee's  
19 commencement of employment with the taxpayer, was a disabled  
20 individual who is eligible for or enrolled in, or has completed a  
21 state rehabilitation plan or is a service-connected disabled veteran,  
22 veteran of the Vietnam era, or veteran who is recently separated  
23 from military service.

24 (VI) Immediately preceding the qualified employee's  
25 commencement of employment with the taxpayer, was an  
26 ex-offender. An individual shall be treated as convicted if he or  
27 she was placed on probation by a state court without a finding of  
28 guilt.

29 (VII) Immediately preceding the qualified employee's  
30 commencement of employment with the taxpayer, was a person  
31 eligible for or a recipient of any of the following:

32 (aa) Federal Supplemental Security Income benefits.

33 (bb) Aid to Families with Dependent Children.

34 (cc) Food stamps.

35 (dd) State and local general assistance.

36 (VIII) Immediately preceding the qualified employee's  
37 commencement of employment with the taxpayer, was a member  
38 of a federally recognized Indian tribe, band, or other group of  
39 Native American descent.

1 (IX) Immediately preceding the qualified employee's  
2 commencement of employment with the taxpayer, was a resident  
3 of a targeted employment area (as defined in Section 7072 of the  
4 Government Code).

5 (X) An employee who qualified the taxpayer for the enterprise  
6 zone hiring credit under former Section 23622 or the program area  
7 hiring credit under former Section 23623.

8 (XI) Immediately preceding the qualified employee's  
9 commencement of employment with the taxpayer, was a member  
10 of a targeted group, as defined in Section 51(d) of the Internal  
11 Revenue Code, or its successor.

12 (B) Priority for employment shall be provided to an individual  
13 who is enrolled in a qualified program under the federal Job  
14 Training Partnership Act or the Greater Avenues for Independence  
15 Act of 1985 or who is eligible as a member of a targeted group  
16 under the Work Opportunity Tax Credit (Section 51 of the Internal  
17 Revenue Code), or its successor.

18 (5) "Taxpayer" means a corporation engaged in a trade or  
19 business within an enterprise zone designated pursuant to Chapter  
20 12.8 (commencing with Section 7070) of Division 7 of Title 1 of  
21 the Government Code.

22 (6) "Seasonal employment" means employment by a taxpayer  
23 that has regular and predictable substantial reductions in trade or  
24 business operations.

25 (c) The taxpayer shall do both of the following:

26 (1) Obtain from the Employment Development Department, as  
27 permitted by federal law, the local county or city Job Training  
28 Partnership Act administrative entity, the local county GAIN office  
29 or social services agency, or the local government administering  
30 the enterprise zone, a certification that provides that a qualified  
31 employee meets the eligibility requirements specified in clause  
32 (iv) of subparagraph (A) of paragraph (4) of subdivision (b). The  
33 Employment Development Department may provide preliminary  
34 screening and referral to a certifying agency. The Employment  
35 Development Department shall develop a form for this purpose.  
36 The Department of Housing and Community Development shall  
37 develop regulations governing the issuance of certificates by local  
38 governments pursuant to subdivision (a) of Section 7086 of the  
39 Government Code.

(2) Retain a copy of the certification and provide it upon request to the Franchise Tax Board.

(d) (1) For purposes of this section:

(A) All employees of all corporations which are members of the same controlled group of corporations shall be treated as employed by a single taxpayer.

(B) The credit, if any, allowable by this section to each member shall be determined by reference to its proportionate share of the expense of the qualified wages giving rise to the credit, and shall be allocated in that manner.

(C) For purposes of this subdivision, “controlled group of corporations” means “controlled group of corporations” as defined in Section 1563(a) of the Internal Revenue Code, except that:

(i) “More than 50 percent” shall be substituted for “at least 80 percent” each place it appears in Section 1563(a)(1) of the Internal Revenue Code.

(ii) The determination shall be made without regard to subsections (a)(4) and (e)(3)(C) of Section 1563 of the Internal Revenue Code.

(2) If an employer acquires the major portion of a trade or business of another employer (hereinafter in this paragraph referred to as the “predecessor”) or the major portion of a separate unit of a trade or business of a predecessor, then, for purposes of applying this section (other than subdivision (e)) for any calendar year ending after that acquisition, the employment relationship between a qualified employee and an employer shall not be treated as terminated if the employee continues to be employed in that trade or business.

(e) (1) (A) If the employment, other than seasonal employment, of any qualified employee with respect to whom qualified wages are taken into account under subdivision (a) is terminated by the taxpayer at any time during the first 270 days of that employment, whether or not consecutive, or before the close of the 270th calendar day after the day in which that employee completes 90 days of employment with the taxpayer, the tax imposed by this part for the taxable year in which that employment is terminated shall be increased by an amount equal to the credit allowed under subdivision (a) for that taxable year and all prior taxable years attributable to qualified wages paid or incurred with respect to that employee.

(B) If the seasonal employment of any qualified employee, with respect to whom qualified wages are taken into account under subdivision (a) is not continued by the taxpayer for a period of 270 days of employment during the 60-month period beginning with the day the qualified employee commences seasonal employment with the taxpayer, the tax imposed by this part, for the taxable year that includes the 60th month following the month in which the qualified employee commences seasonal employment with the taxpayer, shall be increased by an amount equal to the credit allowed under subdivision (a) for that taxable year and all prior taxable years attributable to qualified wages paid or incurred with respect to that qualified employee.

(2) (A) Subparagraph (A) of paragraph (1) shall not apply to any of the following:

(i) A termination of employment of a qualified employee who voluntarily leaves the employment of the taxpayer.

(ii) A termination of employment of a qualified employee who, before the close of the period referred to in subparagraph (A) of paragraph (1), becomes disabled and unable to perform the services of that employment, unless that disability is removed before the close of that period and the taxpayer fails to offer reemployment to that employee.

(iii) A termination of employment of a qualified employee, if it is determined that the termination was due to the misconduct (as defined in Sections 1256-30 to 1256-43, inclusive, of Title 22 of the California Code of Regulations) of that employee.

(iv) A termination of employment of a qualified employee due to a substantial reduction in the trade or business operations of the taxpayer.

(v) A termination of employment of a qualified employee, if that employee is replaced by other qualified employees so as to create a net increase in both the number of employees and the hours of employment.

(B) Subparagraph (B) of paragraph (1) shall not apply to any of the following:

(i) A failure to continue the seasonal employment of a qualified employee who voluntarily fails to return to the seasonal employment of the taxpayer.

(ii) A failure to continue the seasonal employment of a qualified employee who, before the close of the period referred to in

1 subparagraph (B) of paragraph (1), becomes disabled and unable  
2 to perform the services of that seasonal employment, unless that  
3 disability is removed before the close of that period and the  
4 taxpayer fails to offer seasonal employment to that qualified  
5 employee.

6 (iii) A failure to continue the seasonal employment of a qualified  
7 employee, if it is determined that the failure to continue the  
8 seasonal employment was due to the misconduct (as defined in  
9 Sections 1256-30 to 1256-43, inclusive, of Title 22 of the California  
10 Code of Regulations) of that qualified employee.

11 (iv) A failure to continue seasonal employment of a qualified  
12 employee due to a substantial reduction in the regular seasonal  
13 trade or business operations of the taxpayer.

14 (v) A failure to continue the seasonal employment of a qualified  
15 employee, if that qualified employee is replaced by other qualified  
16 employees so as to create a net increase in both the number of  
17 seasonal employees and the hours of seasonal employment.

18 (C) For purposes of paragraph (1), the employment relationship  
19 between the taxpayer and a qualified employee shall not be treated  
20 as terminated by either of the following:

21 (i) By a transaction to which Section 381(a) of the Internal  
22 Revenue Code applies, if the qualified employee continues to be  
23 employed by the acquiring corporation.

24 (ii) By reason of a mere change in the form of conducting the  
25 trade or business of the taxpayer, if the qualified employee  
26 continues to be employed in that trade or business and the taxpayer  
27 retains a substantial interest in that trade or business.

28 (3) Any increase in tax under paragraph (1) shall not be treated  
29 as tax imposed by this part for purposes of determining the amount  
30 of any credit allowable under this part.

31 (f) Rules similar to the rules provided in Section 46(e) and (h)  
32 of the Internal Revenue Code shall apply to both of the following:

33 (1) An organization to which Section 593 of the Internal  
34 Revenue Code applies.

35 (2) A regulated investment company or a real estate investment  
36 trust subject to taxation under this part.

37 (g) For purposes of this section, “enterprise zone” means an  
38 area designated as an enterprise zone pursuant to Chapter 12.8  
39 (commencing with Section 7070) of Division 7 of Title 1 of the  
40 Government Code.

1 (h) The credit allowable under this section shall be reduced by  
2 the credit allowed under Sections 23623.5, 23625, and 23646  
3 claimed for the same employee. The credit shall also be reduced  
4 by the federal credit allowed under Section 51 of the Internal  
5 Revenue Code.

6 In addition, any deduction otherwise allowed under this part for  
7 the wages or salaries paid or incurred by the taxpayer upon which  
8 the credit is based shall be reduced by the amount of the credit,  
9 prior to any reduction required by subdivision (i) or (j).

10 (i) In the case where the credit otherwise allowed under this  
11 section exceeds the “tax” for the taxable year, that portion of the  
12 credit that exceeds the “tax” may be carried over and added to the  
13 credit, if any, in succeeding taxable years, until the credit is  
14 exhausted. The credit shall be applied first to the earliest taxable  
15 years possible.

16 (j) (1) The amount of the credit otherwise allowed under this  
17 section and Section 23612.2, including any credit carryover from  
18 prior years, that may reduce the “tax” for the taxable year shall  
19 not exceed the amount of tax which would be imposed on the  
20 taxpayer’s business income attributable to the enterprise zone  
21 determined as if that attributable income represented all of the  
22 income of the taxpayer subject to tax under this part.

23 (2) Attributable income shall be that portion of the taxpayer’s  
24 California source business income that is apportioned to the  
25 enterprise zone. For that purpose, the taxpayer’s business  
26 attributable to sources in this state first shall be determined in  
27 accordance with Chapter 17 (commencing with Section 25101).  
28 That business income shall be further apportioned to the enterprise  
29 zone in accordance with Article 2 (commencing with Section  
30 25120) of Chapter 17, modified for purposes of this section in  
31 accordance with paragraph (3).

32 (3) Business income shall be apportioned to the enterprise zone  
33 by multiplying the total California business income of the taxpayer  
34 by a fraction, the numerator of which is the property factor plus  
35 the payroll factor, and the denominator of which is two. For  
36 purposes of this paragraph:

37 (A) The property factor is a fraction, the numerator of which is  
38 the average value of the taxpayer’s real and tangible personal  
39 property owned or rented and used in the enterprise zone during  
40 the income year, and the denominator of which is the average value

1 of all the taxpayer's real and tangible personal property owned or  
2 rented and used in this state during the income year.

3 (B) The payroll factor is a fraction, the numerator of which is  
4 the total amount paid by the taxpayer in the enterprise zone during  
5 the income year for compensation, and the denominator of which  
6 is the total compensation paid by the taxpayer in this state during  
7 the income year.

8 (4) The portion of any credit remaining, if any, after application  
9 of this subdivision, shall be carried over to succeeding taxable  
10 years, as if it were an amount exceeding the "tax" for the taxable  
11 year, as provided in subdivision (i).

12 *(k) (1) Beginning in the 2010–11 fiscal year, the aggregate*  
13 *amount of credit that may be allocated in any fiscal year pursuant*  
14 *to this section and Sections 17053.70, 17053.74, 17053.75, and*  
15 *23612.2 shall not exceed two hundred fifty million dollars*  
16 *(\$250,000,000).*

17 *(2) The Franchise Tax Board shall prescribe rules, guidelines*  
18 *or procedures necessary or appropriate to carry out the purposes*  
19 *of this subdivision.*

20 ~~(k)~~

21 *(l) The changes made to this section by the act adding this*  
22 *subdivision shall apply to taxable years on or after January 1, 1997.*

23 *SEC. 6. This act provides for a tax levy within the meaning of*  
24 *Article IV of the Constitution and shall go into immediate effect.*

25 ~~SECTION 1. (a) It is the intent of the Legislature to enact~~  
26 ~~legislation to require the Business, Transportation and Housing~~  
27 ~~Agency to evaluate and rank enterprise zones.~~

28 ~~(b) It is the intent of the Legislature that any cost savings that~~  
29 ~~may subsequently result from any legislative action taken based~~  
30 ~~on the evaluation and ranking of enterprise zones described in~~  
31 ~~subdivision (a) shall be used to fund approved infrastructure~~  
32 ~~projects not being funded by existing bonds.~~