



OPPOSE GOVERNOR BROWN'S LATEST ATTEMPT TO DISMANTLE CALIFORNIA'S ENTERPRISE ZONES

May Revise proposal is full of deceptive reforms intended to derail the program's goals.

Governor Brown's May Revise proposes a series of "reforms" to California's Enterprise Zone Program that significantly reduce the program's effectiveness. Many of these reforms have been previously rejected by the Legislature.

Provisions in the governor's proposal will dismantle the one program California has left to attract and retain jobs. The governor's new proposal:

Ignores job retention and what businesses truly need to spur economic recovery

The governor's May Revise completely ignores the state's current economic climate by requiring a net increase in jobs to claim hiring credits. For many businesses, turnover is a constant challenge, but the governor's proposal does not recognize the need for retention or replacement.

- California's groundbreaking Enterprise Zone program was specifically designed to provide incentives for retention, attraction and expansion of business in underserved communities.
- Enterprise zones help individuals with barriers to employment find work. Enterprise Zones are proven incentives that keep individuals previously on public assistance or unemployed in stable jobs that save the state's General Fund millions.

Eliminates the original intention of the program

Governor Brown's proposal repeals eligibility requirements that must be met to realize current Enterprise Zone tax benefits. Existing requirements focus on hiring disadvantaged individuals from low-income communities or with barriers to employment.

- The program was originally designed to help veterans, ex-offenders and individuals on public assistance find stable employment. In fact in 2010, Enterprise Zone businesses employed more than 18,000 individuals previously on public assistance, which saved the state \$59 million.
- The governor's most recent proposal allows the tax credit to be claimed for hiring any individual – thereby retaining the very barriers to employment the program was created to eliminate.

Imposes an illegal and unprecedented retroactive tax increase

The governor's proposal punishes small and start-up businesses by eliminating carryforwards and imposing a five-year period to use the credits.

- The governor's latest plan illegally confiscates all carryforwards earned prior to 2006. Companies that opened businesses and spurred economic growth in Enterprise Zones would be stripped of earned tax credits.
- The proposal limits tax credits to five years – essentially penalizing small and start-up businesses, especially those in our state's high-tech and renewable energy sectors. Most companies do not hit profitability until year five or later, which means the governor's proposal punishes businesses at their most vulnerable time of growth.
- Governor Brown's tax increase proposal, which changes the rules mid-game, sends the wrong message to any business looking to take advantage of state programs that spur economic recovery.

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Places more unrealistic burdens on small and medium sized businesses

Governor Brown's proposal adds more red tape and decreases the incentive to build a successful and thriving business that employs disadvantaged individuals in California.

- By eliminating retroactive vouchering and limiting credit claims to original tax returns, the proposal punishes small and medium sized businesses that do not have the capacity to comply with these burdensome mandates. The governor's plan doesn't recognize legitimate reasons why businesses use retroactive vouchering – most notably many companies do not have tax liability in start-up years to apply the credits.
- The governor's new proposal scraps current credit maximums and replaces it with \$5,000 per new job created. Currently, employers are allowed a larger credit used over five years, which encourages job retention and investment in local communities. Governor Brown's effort at reducing the credit will lead to higher unemployment and less incentive for companies to revitalize distressed areas of California.



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