



chair **John Chiang**
member **Jerome E. Horton**
member **Michael Cohen**

State of California
Franchise Tax Board

04.18.14

John Nunn, Jr.
Program Manager, State Enterprise Zone Program
California Dept of Housing and Community Development
2020 West El Camino Ave
Sacramento, CA 95833

Dear Mr. Nunn:

It is the understanding of Franchise Tax Board (FTB) that in regards to enterprise zone (EZ) hiring credits, credit certificates (vouchers) are not being issued for otherwise qualified employees who work in an EZ expansion area, and were hired prior to the expansion date but after the EZ origination date. For simplicity, I refer to employees in this situation as "expansion zone employees."

While FTB has been interpreting the applicable law to disallow credits for expansion zone employees on the grounds that their hire date makes them a disqualified employee, FTB appreciates that if no vouchers are issued for the expansion zone employees, then no taxpayer will be able to challenge this issue before the State Board of Equalization or in court. Therefore, FTB has no objection to the Department of Housing and Community Development (HCD), or any applicable local agency, issuing a voucher for an expansion zone employee. However, the validity of a taxpayer's EZ hiring credit claim remains subject to challenge where expansion zone employees are the basis for that claim.

So that no taxpayer's procedural or administrative rights are curtailed, HCD, or the applicable local agency, should issue vouchers for expansion zone employees.

Thank you for your time and attention to this matter.

Sincerely,

A handwritten signature in blue ink, appearing to read "Jozel L. Brunett".

Jozel L. Brunett
Chief Counsel