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## Incentives

### *By admin*

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Merced offers a wide variety of public and private development incentives that could make the move to California's Heartland even more attractive to your investors.

[The Merced Regional Enterprise Zone](#) provides business-related tax incentives for corporations and individuals who operate or invest in a business located within a designated Enterprise Zone. The purpose of the program is to stimulate development by providing tax incentives to businesses and allow private sector market forces to revive the local economy.

Enterprise Zone Tax Credit Savings Per Employee			
Year	Allowable Wages	Percentage	Tax Credit
1	\$24,960	50%	\$12,480
2	\$24,960	40%	\$9,984
3	\$24,960	30%	\$7,488
4	\$24,960	20%	\$4,992
5	\$24,960	10%	\$2,496
<b>Total Tax Savings</b>			<b>\$37,440</b>

**Sales and Use Tax Credit:** California income or franchise tax may be reduced by the amount of sales or use tax paid on certain manufacturing machinery purchased for exclusive use in an Enterprise Zone.

**Hiring Credit:** A qualified business may reduce taxes by up to 50% of the amount of wages paid to one or more qualified employees. These state credits are in addition to any related federal tax credits.

**Net Operating Loss Carryover:** Individuals or corporations in an Enterprise Zone may carry over net operating losses (NOL) to future years to reduce the amount of taxable income for those years.

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**Business Expense Credit:** Part of the cost of certain property purchased for exclusive use in an Enterprise Zone may be credited as a business expense in the first year it is placed in service.

**Net Interest Deduction for Lenders:** A deduction from income is allowed on the amount of "net interest" earned on loans made to a business located in the Zone.

**Personnel Incentives:** Employees may claim a tax credit to reduce the amount of their income tax on wages earned in the Zone.

## **Enterprise Zone Hiring Tax Credit Voucher Applications**

- [Voucher Application](#)
- [Income Verification Worksheet](#)

## **Reduced Development Fees**

Public facilities impact fees on commercial and residential development within the City of Merced have been reduced in an effort to attract development. There is a 25% fee reduction for all commercial development and an additional 28% fee reduction for commercial and residential development within the city's infill zone, totaling a 53% fee reduction within the infill zone. The infill zone is roughly bounded by Childs and Glen avenues; and X Street and Bear Creek.

## **Public/Private Financing Partnerships**

**Revolving Loan Fund:** The Merced County Department of Business-Economic Opportunities operates a Revolving Loan Fund (RLF). The RLF is used for gap financing and its goal is job creation. One permanent job must be created or retained per \$10,000 RLF dollars loaned. The maximum loan is \$375,000.

**Foreign Trade Zone:** A US Foreign Trade Zone (FTZ) is a designated area which, for Customs purposes, is considered outside the US. Nearly any imported merchandise can be brought into a Zone for almost any kind of manipulation, duty-free. In December 1997, the City of Merced became part of the Merced County Foreign Trade Zone. This FTZ encompasses seven Central Valley counties including Stanislaus, Merced, Mariposa, Madera, Fresno, Kings, and Tulare. Benefits that may be available to your company include duty deferrals, duty elimination, duty reductions, and custom fees reduction.

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**Recycling Market Development Zone:** The Merced/Atwater Recycling Market Development Zone program offers assistance to businesses who stimulate markets for recycled material. The assistance includes recycling equipment tax credit, technical assistance, and many local business incentives. In addition, the program provides low interest loans for 50% of the project, up to a maximum of \$1 million.

View more funding options and incentives [here](#).