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## 10 CALIFORNIA TAX CREDITS FOR 2011

By Victor Sy, CPA, MBA

California law provides a host of tax credits, most of which have no federal law equivalent. Let's discuss 10 of the state's most common credits.

1. Whereas federal law provides deductions, California provides credits of **\$102** for **personal exemptions**. Single, heads of household, and married filing separate returns can get one exemption of **\$102** each while married filing joint and qualifying widow(ers) can claim two personal exemption credits of **\$204**. The exemption for each dependent was raised to **\$315**. Blind taxpayers and seniors aged 65 or over also get additional exemption credits of **\$102**.
2. A taxpayer who is unmarried or separated from spouse during the last six months of the year and who provides more than 50% support for a qualifying child but fails to qualify for the tax-friendly head of household status may claim a **joint custody head of household credit** equal to 30% of net tax (maximum of **\$401 for 2011**).
3. California provides **renter's credit** of \$120 for married persons filing a joint return or \$60 for all other taxpayers for California residents who occupy California premises as their principal residence for at least half of the year.
4. California law allows a credit for net income **tax paid to another state** on income that is also taxed by California. This avoids double taxation on income earned by, for example, a California resident earning wages in Arizona or Oklahoma.
5. Federal law provides household and dependent care credit (**child care credit**) for employment-related expenses up to \$3,000/6,000 for one/two qualifying individuals. California piggybacks on the federal credits by allowing a refundable credit ranging from 34% to 50% of the allowed federal child care credit.
6. An employer/commercial landlord **child care center** can receive a tax credit equal to 25% of qualified expenses for employee child care and 10% for child care resource and referral service. California also allows a credit of 30% of contributions to a qualified **childcare plan**. The credit is limited to \$360 per child per year.
7. **Teacher retention credit** that was back in 2003 was suspended for 2004-2010, and again for 2011. The credit was \$250 to \$1,500 for teachers who have been credentialed for four to over 20 years. The credit was available for public, private, elementary, secondary, or vocational school teachers.
8. Businesses can also avail of state credits. A company in an economic development area may claim **sales or use tax credit** paid on the purchase of machinery and equipment.
9. A business located in an enterprise zone may also claim **hiring credit** to reduce tax by 50% of wages paid to qualified employees.
10. Employees who receive wages from an enterprise zone business may also claim 5% of **qualified wages** as a credit on their personal income tax returns.