

# SUMMARY ANALYSIS OF AMENDED BILL

Franchise Tax Board

Author: Bates Analyst: Rachel Coco Bill Number: AB 2325

Related Bills: See Prior Analysis Telephone: 845-4328 Amended Date: May 17, 2004

Attorney: Patrick Kusiak Sponsor: \_\_\_\_\_

**SUBJECT:** Employer Credit For Wages Paid To Disabled Person

DEPARTMENT AMENDMENTS ACCEPTED. Amendments reflect suggestions of previous analysis of bill as introduced/amended \_\_\_\_\_.

AMENDMENTS IMPACT REVENUE. A new revenue estimate is provided.

AMENDMENTS DID NOT RESOLVE THE DEPARTMENT'S CONCERNS stated in the previous X analysis of bill as amended April 29, 2004.

FURTHER AMENDMENTS NECESSARY.

DEPARTMENT POSITION CHANGED TO \_\_\_\_\_.

REMAINDER OF PREVIOUS ANALYSIS OF BILL AS AMENDED April 29, 2004, X STILL APPLIES.

OTHER - See comments below.

## SUMMARY

This bill would provide employers an income tax credit for wages paid to disabled employees.

## SUMMARY OF AMENDMENTS

The May 17, 2004, amendments would require an "eligible employee" to be employed by the taxpayer for at least 12 consecutive months. In addition, the amendments would require the Franchise Tax Board (FTB) to report to the Legislature regarding the use of the credits.

As a result of the amendments, the "This Bill" portion of the analysis of the bill as amended April 29, 2004, has been revised. The amendments addressed the department's implementation concerns as discussed in the prior analysis. However, a policy concern still applies. In addition, the department has identified a new implementation concern that is included below.

The remainder of the analysis of the bill as amended April 29, 2004, still applies.

## POSITION

Pending.

## THIS BILL

This bill would provide a tax credit in an amount equal to 10% of the wages paid to an eligible employee.

Board Position:	Legislative Director	Date
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<input checked="" type="checkbox"/> PENDING	Brian Putler	5/25/04

The bill would define the term "eligible employee" to mean a disabled individual employed for at least 12 consecutive months by the taxpayer and performing services within California.

The bill would define the term "disabled individual" to mean any individual who has a physical or mental impairment that substantially limits one or more major life activities for which the individual receives compensation under a program administered by an agency of this state.

This bill would require the taxpayer to obtain documentation that would establish the eligibility of an employee and provide that documentation upon request to the FTB.

The bill specifies that the credit would only be allowed for wages paid or incurred for an eligible employee's first consecutive 24 months of employment. The bill would limit the amount of the credit to \$250 a month or \$3,000 for the first 12 months of employment and \$167 a month or \$2,000 for the second 12 months of employment.

This bill specifies that no credit or deduction would be allowed for the same wages for which the credit was allowed.

This bill would allow any unused credit to be used in the following year, and succeeding seven years, until the credit is exhausted.

This bill specifies that the credit would remain in effect until December 1, 2008, and as of that date is repealed.

This bill also would require FTB to prepare and submit to the Legislature on or before January 1, 2007, a report describing the use of the tax credits. The report shall include the number of taxpayers who claim the credit, the number of employees for whom credits have been claimed, the length of time that those employees have remained employed by the taxpayer, and the types and size of the business making the claim.

### IMPLEMENTATION CONSIDERATIONS

This bill would require the department to report the length of time that eligible employees have been employed by the taxpayer. This would require an additional reporting requirement of the taxpayer and the department would be required to create a new report based solely on that information.

### **POLICY CONCERNS**

The bill limits the credit to taxpayers that employ disabled individuals receiving compensation under a program administered by a California agency. This requirement is discriminatory against disabled individuals receiving compensation through federal programs, including those receiving veteran's assistance. Thus, this bill would provide differing treatment based solely on the source of compensation.

### **LEGISLATIVE STAFF CONTACT**

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