

SUMMARY ANALYSIS OF AMENDED BILL

Author: Maze Analyst: Nicole Kwon Bill Number: AB 2709
 Related Bills: See Prior Analysis Telephone: 845-7800 Amended Date: April 19, 2006
 Attorney: Patrick Kusiak Sponsor: _____

SUBJECT: Enterprise Zones/Qualified Wages Credit/Include Qualified Former Foster Care Recipients As Qualified Employee

- 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 DEPARTMENTS CONCERNS stated in the previous analysis of bill as introduced/amended _____.
- FURTHER AMENDMENTS NECESSARY.
- DEPARTMENT POSITION CHANGED TO _____.
- REMAINDER OF PREVIOUS ANALYSIS OF BILL AS INTRODUCED February 24, 2006, STILL APPLIES.
- OTHER – See comments below.

SUMMARY

This bill would add a new category to the list of qualified employees under the hiring credit for Enterprise Zones (EZs).

SUMMARY OF AMENDMENTS

The April 19, 2006, amendments changed the minimum attained age from 18 to 17 to meet the definition of a “qualified former foster care recipient.” Along with a new revenue estimate, the Implementation Consideration identified in the previous analysis is included below. The remainder of the department’s analysis of the bill as introduced on February 24, 2006, still applies.

POSITION

Pending.

Board Position:	Legislative Director	Date
<input type="checkbox"/> S	Brian Putler	4/26/06
<input type="checkbox"/> SA		
<input type="checkbox"/> N		
<input type="checkbox"/> NA		
<input type="checkbox"/> NP		
<input type="checkbox"/> NAR		
<input checked="" type="checkbox"/> PENDING		

IMPLEMENTATION CONSIDERATIONS

This bill would raise the following implementation consideration.

This bill requires a qualified former foster care recipient to be certified by the local designated agency. Currently, the taxpayer is required to obtain a voucher certificate for each of its “qualified employees.” The voucher certificates are issued by EDD or the local (within the same EDA as the workplace of the employee) agency familiar with the public assistance statutes. The author’s office may want to remove the provision that would require a qualified former foster care recipient to be certified by the local designated agency because there are already identified agencies issuing certification for “qualified employees” under the statute. If the author’s intention is to designate an agency other than the ones already provided under the statute, then it is suggested that the agency be designated in the bill.

ECONOMIC IMPACT

Revenue Estimate

Based on data and assumptions discussed below, the PIT and Corporation Tax revenue loss from this bill would be as follows:

Estimated Revenue Impact of AB 2709 Effective On Or After January 1, 2006 Enactment Assumed After June 30, 2006 (\$ Millions)			
Former Foster	2006-07	2007-08	2008-09
Care Recipients	-\$4	-\$6	-\$5

This estimate does not consider the possible changes in employment, personal income, or gross state product that could result from this measure.

Revenue Discussion

Based on data from the Department of Social Services, about 48,000 people in California aged 17 through 24 are former foster care recipients (an increase of about 6,000 individuals from the 18 through 24 age group). This estimate assumes that 2/3 of the former foster care recipients are employed. Statewide, about 6% of employees work for taxpayers claiming EZ credits. This estimate assumes that the same proportion (6%) of former foster care recipients work for employers claiming EZ credits. It is also assumed that 1/2 of the workers qualified under this provision are already being claimed by their employer under other EZ criteria. Thus, the number of new EZ credits generated by this bill would be approximately 960 (48,000 x 2/3 x 6% x 50% = 960).

Assuming an average of about \$6,000 in hiring credits per qualified employee per year, the addition of former foster care recipients would cause an increase in credits of about \$6 million a year (960 x \$6,000). The estimate assumes that after this new category of worker is created, taxpayers will adjust their behavior by hiring 20% more of these workers. It is assumed that about 60% of credits earned will be applied in the year they are generated, and the rest will be carried forward. Estimates presented in the table above have been adjusted to reflect fiscal year impacts.

This estimate assumes that the number of people who received foster care outside of California, then moved to California, is equal to the number of California foster care recipients that have moved out of state.

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