SCS Agency
Franchise Tax Board

SUMMARY ANALYSIS OF AMENDED BILL

Author:	Kelley	Analyst:	Jeani Brent	Bill Number:	SB 200
Related Bills:	See Prior Analysis	Telephone:	845-3410	Amended Date:	07/11/97
		Attorney:	Doug Bramhall	Sponsor:	

SUBJECT: Region/Employer's Hiring Credit

X DEPARTMENT AMENDMENTS ACCEPTED. Amendments reflect suggestions of previous analysis of bill as amended June 3, 1997 .

_____ AMENDMENTS IMPACT REVENUE. A new revenue estimate is provided.

_____ AMENDMENTS DID NOT RESOLVE THE DEPARTMENT'S CONCERNS stated in the previous analysis of bill as introduced/amended _________.

X FURTHER AMENDMENTS NECESSARY.

_____ DEPARTMENT POSITION CHANGED TO ________________________.

X REMAINDER OF PREVIOUS ANALYSIS OF BILL AS INTRODUCED January 27, 1997, AND AMENDED April 14, 1997, and June 3, 1997, STILL APPLY.

_____ OTHER - See comments below.

SUMMARY OF BILL

Under the Government Code, this bill would authorize a new type of economic development area called a "region." This bill would require the Trade and Commerce Agency (TCA) to designate two "regions" in addition to the 39 enterprise zones. This bill would specify that TCA could designate only cities that meet certain additional criteria.

Under the Revenue and Taxation Code, this bill would allow businesses operating in "regions" a hiring credit similar to the hiring credit allowed to businesses operating in enterprise zones. This bill would specify that, to qualify for the tax credit, businesses located in a "region" must hire at least 30% of their workforce from the county in which the "region" is located.

SUMMARY OF AMENDMENT

The July 11, 1997, amendment resolved the department's implementation and technical considerations addressed in the analysis of the bill as amended June 3, 1997, by making the following changes:

1. Clarified that businesses operating within regions would be allowed only one tax incentive——the hiring credit provided in the bill——and not the existing enterprise zone tax incentives.

DEPARTMENTS THAT MAY BE AFFECTED:

____ STATE MANDATE ____ GOVERNOR'S APPOINTMENT

Department Director Position:	Agency Secretary Position:	**GOVERNOR'S OFFICE USE**
____ S ____ O ____ SA ____ OUA ____ N ____ NP ____ NA ____ NAR ________ PENDING	____ S ____ O ____ SA ____ OUA ____ N ____ NP ____ NA ____ NAR DEFER TO ____________	Position Approved ____ Position Disapproved ____ Position Noted ____
Department/Legislative Director Date	Agency Secretary Date	By: Date:

2. Changed the 30% workforce criterion as follows:

   a) Removed the provision from the Government Code as unnecessary, since the provision is included in the Revenue and Taxation Code sections.

   b) Moved the provision from the end of the credit sections to the definition of a qualified taxpayer. This change would ensure that all “qualified taxpayer” criteria are contained in the same place.

   c) Clarified that the criterion would be determined based on employees hired after the region is designated.

   d) Clarified that “from the county” would mean that the employees, at the time they are hired, must be residents of the county in which the region is located.

3. Specifically tied the definition of “qualified taxpayer” to those taxpayers engaged in a business within a “region.”

4. Provided that qualified wages do not include wages paid after the region expiration date, except for wages paid to employees hired within 60 months prior to the region expiration date.

5. Defined “region expiration date” as the date the designation expires, is no longer binding, or becomes inoperative.

6. Modified the provisions regarding taxpayers of commonly controlled groups to incorporate technical changes made last year to the enterprise zone hiring credit provisions.

7. For double-joining purposes, created a second set of hiring credits, which would limit the taxpayer to one credit for qualified wages. This provision is similar to a change for the Los Angeles Revitalization Zone (LARZ) and Local Agency Military Base Recovery Area (LAMBRA) hiring credits proposed in Assembly Bill 1040. The amendment would double-join this bill and AB 1040 to ensure that these provisions would become operative only if the provisions in AB 1040 become operative.

8. Made minor technical changes by replacing the term “employer” with “qualified taxpayer” and replacing the terms “employee” and “individual” with “qualified disadvantaged individual.”

Except for the changes noted above and the implementation and technical considerations, department costs, and position discussed below, the department’s analysis of the bill as introduced January 27, 1997, and amended April 14, 1997, and June 3, 1997, still apply.

IMPLEMENTATION CONSIDERATIONS

Implementing this bill would occur during the department’s normal annual system update.

TECHNICAL CONSIDERATION

The attached amendment would correct a typographical error.

DEPARTMENTAL COSTS

This bill would not significantly impact the department's costs.

TAX REVENUE ESTIMATE

Revenue losses for two regions to be located in south-state border communities are projected as follows:

Revenue Impact For Two Enacted After June 30, 1997 (in millions)		
1997-8	1998-9	1999-0
Negligible Loss	Minor Loss	($1)

Negligible = Less than $250,000
Minor = $250,000-$500,000

POSITION

Neutral.

The staff's position is determined by administrative considerations and does not take into account revenue impact on the state.

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FRANCHISE TAX BOARD'S
PROPOSED AMENDMENTS TO SB 200
As Amended July 11, 1997

AMENDMENT 1

On page 21, line 30, strikeout "lest" and insert:

least