Franchise Tax Board

SUMMARY ANALYSIS OF AMENDED BILL

Author:	Denham, et al.	Analyst:	Matthew Cooling	Bill Number:	SB 1056
Related Bills:	See Prior Analysis	Telephone:	845-5983	Amended Date:	May 24, 2010
		Attorney:	Patrick Kusiak	Sponsor:	

SUBJECT: Employer Credit/Wages Paid To Each Qualified Veteran

X DEPARTMENT AMENDMENTS ACCEPTED. Amendments reflect suggestions of previous analysis of bill as introduced February 16, 2010.

____ 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 _____.

X Remainder of previous analysis of bill as introduced February 16, 2010, still applies.

X OTHER – See comments below.

SUMMARY

This bill would provide employers an income tax credit for wages paid to qualified veterans.

SUMMARY OF AMENDMENTS

The May 24, 2010, amendments added a definition for “wages,” clarified the provisions of the bill related to other qualified wage credits and deductions, and made technical changes related to the definition of “tax” under the Corporation Tax Law.

As a result of the amendments, the “This Bill” discussion in the department’s analysis of the bill as introduced February 16, 2010, has been revised and the department’s “Implementation Consideration” and “Technical Considerations” of that analysis have been resolved.

Except for the discussions listed above, the department’s analysis of the bill as introduced February 16, 2010, still applies. The “Economic Impact” and Policy Concerns” discussions have been repeated below for convenience.

Board Position:			Asst. Legislative Director	Date
____ S	____ NA	____ NP		
____ SA	____ O	____ NAR	Patrice Gau-Johnson	06/21/10
____ N	____ OUA	X PENDING		

SUMMARY OF SUGGESTED AMENDMENTS

Technical amendments have been suggested to correct the provision related to any other deductions allowed using qualified wages.

POSITION

Pending.

ANALYSIS

THIS BILL

For taxable years beginning on or after January 1, 2010, this bill would provide a tax credit in an amount equal to 25 percent of the qualified wages, not to exceed $6,000, paid to employees who are qualified veterans.

This bill would define the following:

- "Qualified veteran" means an individual who satisfies all of the following:
    - Is a member of the Armed Forces of the United States who has been honorably discharged within the five calendar years prior to employment,
    - Received unemployment compensation within California for no less than four weeks during the 12 calendar months before the date of employment, and
    - Is employed by the taxpayer for not less than 120 hours during the calendar year for which the credit is generated.
- "Wages" means wages subject to withholding as defined under Division 6 (beginning with Section 13000) of the Unemployment Insurance Code.

The amount of any deduction otherwise allowed for qualified wages would be reduced by the amount of the credit that would be allowed under this bill.

Any unused credits could be carried forward to future taxable years until the credit is exhausted.

TECHNICAL CONSIDERATIONS

The amount of any deduction otherwise allowed for qualified wages would be reduced by the amount of the credit proposed by this bill. The following technical amendments have been provided to correct an inadvertent omission related to any other credits calculated using qualified wages.

- On page 2, strikeout lines 34 through 36, inclusive and insert:

(d) The credit allowed by this section shall be in lieu of any other credit or deduction that the taxpayer may otherwise claim pursuant to this part with respect to qualified wages.

- On page 3, strikeout lines 35 through 37, inclusive and insert:

(d) The credit allowed by this section shall be in lieu of any other credit or deduction that the taxpayer may otherwise claim pursuant to this part with respect to qualified wages.

ECONOMIC IMPACT

This bill would result in the following revenue losses:

Estimated Revenue Impact of SB 1056 as Amended on May 24, 2010 For Taxable Years Beginning On or After January 1, 2010 Enactment Assumed September 30, 2010 ($ in Millions)			
Fiscal Year	2010-11	2011-12	2012-13
Veterans Wage Credit	-$200	-$220	-$240

This analysis does not consider the possible changes in investment activity, employment, personal income, or gross state product that could result from this bill.

POLICY CONCERNS

This bill lacks a sunset date. Sunset dates generally are provided to allow periodic review by the Legislature.

This bill would allow for an unlimited carryover period. Consequently, the department would be required to retain the carryover on the tax forms indefinitely. Recent credits have been enacted with a carryover period limitation because experience shows credits typically are exhausted within eight years of being earned.

LEGISLATIVE STAFF CONTACT

Legislative Analyst
Matthew Cooling
(916) 845-5983
matthew.cooling@ftb.ca.gov

Revenue Manager
Monica Trefz
(916) 845-4002
monica.trefz@ftb.ca.gov

Asst. Legislative Director
Patrice Gau-Johnson
(916) 845-5521
patrice.gau-johnson@ftb.ca.gov