

**SUMMARY ANALYSIS OF AMENDED BILL**

Author: Denham, et al. Analyst: Matthew Cooling Bill Number: SBX6 7  
 Related Bills: See Prior Analysis Telephone: 845-5983 Amended Date: May 3, 2010  
 Attorney: Patrick Kusiak Sponsor: \_\_\_\_\_

**SUBJECT:** Employer Hiring Credit/Wages Paid To Each Qualified Veteran

- DEPARTMENT AMENDMENTS ACCEPTED. Amendments reflect suggestions of previous analysis of bill as introduced February 24, 2010.
- AMENDMENTS IMPACT REVENUE. A new revenue estimate is provided.
- AMENDMENTS DID NOT RESOLVE ALL OF THE DEPARTMENT'S CONCERNS stated in the previous analysis of bill as introduced February 24, 2010.
- FURTHER AMENDMENTS NECESSARY.
- DEPARTMENT POSITION CHANGED TO \_\_\_\_\_.
- REMAINDER OF PREVIOUS ANALYSIS OF BILL AS INTRODUCED FEBRUARY 24, 2010, STILL APPLIES.
- OTHER – See comments below.

**SUMMARY**

This bill would provide certain employers a 25 percent tax credit for wages paid to qualified veterans, as specified.

**SUMMARY OF AMENDMENTS**

The May 3, 2010, amendments resolved the department's "Implementation Consideration" related to the definition of wages and the department's "Technical Considerations" discussed in the analysis of the bill as introduced February 24, 2010.

As a result of the amendments, the "This Bill" discussion has been revised. The "Implementation Consideration" related to the definition of a qualified taxpayer remains and is provided below. The "Legal Impact," "Policy Concern," and "Economic Impact" discussions still apply and have been provided below for convenience.

**POSITION**

Pending.

Board Position:	Asst. Legislative Director	Date
<input type="checkbox"/> S		
<input type="checkbox"/> SA		
<input type="checkbox"/> N		
<input type="checkbox"/> NA		
<input type="checkbox"/> O		
<input type="checkbox"/> OUA		
<input type="checkbox"/> NP		
<input type="checkbox"/> NAR		
<input checked="" type="checkbox"/> PENDING	Patrice Gau-Johnson	05/07/10

## **ANALYSIS**

### **THIS BILL**

For taxable years beginning on and 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:
  1. Is a member of the Armed Forces of the United States who has been honorably discharged within the five calendar years prior to employment,
  2. Received unemployment compensation within California for no less than four weeks during the 12 calendar months before the date of employment, and
  3. Is employed by the taxpayer for not less than 120 hours during the calendar year in which the credit is generated.
- “Qualified taxpayer” means a taxpayer whose business is primarily in California or does business primarily in California or with Californians, and
- “Wages” means wages subject to withholding under the California Unemployment Insurance Code.

This bill would specify that any deduction otherwise allowable for qualified wages would be reduced by the amount of the credit allowed.

This bill would allow any unused credits to be carried forward to future taxable years until the credit is exhausted.

### **IMPLEMENTATION CONSIDERATIONS**

The department has identified the following implementation concern. Department staff is available to work with the author’s office to resolve these and other concerns that may be identified.

The definition for “qualified taxpayer” is unclear. This bill would state that a qualified taxpayer does business primarily in California or with Californians. Without clarification on what “primarily in California” or “a Californian” means, it would be difficult to determine whether a business is a California business for the purposes of this credit.

**FISCAL IMPACT**

This bill would require a calculation for the credit that would require a new form or worksheet to be developed. As a result, this bill would impact the department’s printing, processing, and storage costs for tax returns. The additional costs have not been determined at this time. As the bill continues to move through the legislative process, costs will be identified and an appropriation will be requested, if necessary.

**ECONOMIC IMPACT**

Revenue Estimate

This bill would result in the following revenue loss:

Estimated Revenue Impact of SBX6-7 as Amended on May 3, 2010 For Taxable Years Beginning On or After January 1, 2010 Enactment Assumed on September 30, 2010 (\$ in Millions)			
Fiscal Year	2010-11	2011-12	2012-13
Revenue Loss	-\$170	-\$190	-\$200

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

**LEGAL IMPACT**

This bill would define a “qualified taxpayer” as a taxpayer whose location is in California. This definition could restrict this credit to businesses located in California. This bill could raise constitutional concerns under the Commerce Clause of the United States Constitution because it could appear to favor in-state businesses. For example, an out-of-state business with employees who perform services in California, file a state tax return, and pay tax on income sourced within the state, would be unable to claim this credit because they cannot satisfy the “business located in California” requirement of the bill. In addition, because this credit would not be refundable, the “qualified taxpayer” would have to be paying taxes in California to claim and use this credit, and as such, the limitations in the definition to those who are located in California are unnecessary.

**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](mailto:matthew.cooling@ftb.ca.gov)

Revenue Manager

Monica Trefz

(916) 845-4002

[monica.trefz@ftb.ca.gov](mailto:monica.trefz@ftb.ca.gov)

Asst. Legislative Director

Patrice Gau-Johnson

(916) 845-5521

[Patrice Gau-Johnson@ftb.ca.gov](mailto:Patrice.Gau-Johnson@ftb.ca.gov)