

ANALYSIS OF ORIGINAL BILL

Franchise Tax Board

Author: Cook Analyst: Jessica Deitchman Bill Number: AB 1596
Related Bills: See Legislative History Telephone: 845-6310 Introduced Date: February 06, 2012
Attorney: Patrick Kusiak Sponsor: _____

SUBJECT: New Jobs Tax Credit Modification/Increase Number Of Employees From 20 To 50

SUMMARY

This bill would modify the New Jobs Tax Credit to increase the availability of the credit from employers with less than 20 employees to employers with 50 or less employees.

RECOMMENDATION AND SUPPORTING ARGUMENTS

No position.

PURPOSE OF THE BILL

According to the author's office, the purpose of the bill is to stimulate job creation by offering a hiring incentive to businesses that have the ability to employ new workers and expand their current workforce.

EFFECTIVE/OPERATIVE DATE

As a tax levy, this bill would be effective immediately upon enactment and specifically operative for taxable years beginning on or after January 1, 2012.

ANALYSIS

STATE LAW

Current California law allows a New Jobs Tax Credit for taxable years beginning on or after January 1, 2009, for a qualified employer in the amount of \$3,000 for each qualified full-time employee hired in the taxable year, determined on an annual full-time basis equivalent.¹ A qualified employer is one that employs 20 or less employees. This credit is allocated by the Franchise Tax Board (FTB) and has a maximum cap of \$400 million for all taxable years. The credit remains in effect until December 1 of the calendar year after the year in which the cumulative credit limit has been reached and is repealed after that date. Any credits not used in the taxable year may be carried forward up to eight taxable years.

¹ ABX3 15 (Stats. 2009, Ch. 10) and SBX3 15 (Stats. 2009, Ch. 17)

Board Position:

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Executive Officer

Date

Selvi Stanislaus

03/06/12

THIS BILL

For taxable years beginning on or after January 1, 2012, this bill would change existing law to define a qualified employer, under the New Jobs Tax Credit provisions, as one that employs 50 or less employees as of the last day of the preceding taxable year.

Further, this bill would require the FTB to provide a report on the New Jobs Tax Credit to the legislature on or before January 1, 2015, that includes the following:

The number of employers that were allowed to use the credit and the amount of credit utilized and carried over for taxable years beginning on or after January 1, 2012, and before January 1, 2014;

- The average number of employees that were hired by taxpayers that claimed the credit; and
- The aggregate data to compare whether there were more employers claiming the credit year to year.

IMPLEMENTATION CONSIDERATIONS

The department has identified the following implementation concern. Department staff is working with the author's office to resolve this concern and other concerns that may be identified.

Under the terms of this bill, a report would be required no later than January 1, 2015, on the utilization, generation, and carryover of the New Jobs Tax Credit for taxable years beginning on or after January 1, 2012, and before January 1, 2014. Because of the timing of when returns are filed and processed, some of the returns for taxable year 2013 would not be filed until late in 2014 and would not allow that report to include data from the 2013 taxable year. If it is the author's intention that the report provided should include complete information for the 2013 taxable year, the author may wish to revise the report due date.

LEGISLATIVE HISTORY

AB 234 (Weickowski, 2011/2012) would modify the current New Jobs Tax Credit to: (1) increase the types of employers that qualify for the credit, (2) modify the amount of the credit to either \$4,100 or \$9,100, and (3) change the definition of qualified employee to one that was unemployed for at least 30 days immediately prior to being hiring. This bill failed passage out of the Assembly by the constitutional deadline.

AB 304 (Knight, 2011/2012) would modify the current New Jobs Tax Credit to increase the allowance of the credit from employers with less than 20 to employers with 50 or less employees. This bill failed passage out of the Assembly by the constitutional deadline.

AB 1009 (Wieckowski, 2011/2012) would modify the current New Jobs Tax Credit to increase the allowance of the credit from employers with less than 20 employees to employers with 100 or less employees. This bill failed passage out of the Assembly by the constitutional deadline.

AB 1195 (Allen, 2011/2012) would modify the current New Jobs Tax Credit to increase the allowance of the credit from employers with less than 20 employees to employers with 50 or less employees. This bill failed passage out of the Senate Appropriations committee.

SB 156 (Emmerson/Cook, 2011/2012) would modify the current New Jobs Tax Credit to increase the allowance of the credit from employers with less than 20 employees to employers with 50 or less employees. This bill failed passage out of the Senate by the constitutional deadline.

ABX3 15 (Stats. 2009, Ch. 10) and SBX3 15 (Stats. 2009, Ch. 17) created the New Jobs Tax Credit to provide for a tax credit of \$3,000 for each net job increase.

PROGRAM BACKGROUND

As of December 31, 2011, the total Personal Income Tax and Business Entity returns claiming the New Jobs Tax Credit was 12,914, and the amount of credits claimed was \$76.1 million. The cut-off date will be the last day of the calendar quarter within which the FTB estimates it will have received timely filed original returns claiming the credit that cumulatively total \$400 million.

OTHER STATES' INFORMATION

Florida, Illinois, New York, Michigan, and Minnesota do not provide a credit similar to the New Jobs Tax Credit.

Massachusetts allows a Full Employment credit to employers who participate in the Full Employment Program and continue to employ a participant for at least one full month. The taxpayer may claim a credit of \$100 per month of eligible employment per participant, up to \$1,200 per participant.

FISCAL IMPACT

This bill would require a calculation for the credit that would require the existing Jobs Tax Credit form to be modified. These changes could be incorporated into the department's annual changes, and as such, the costs would be minor.

This bill also requires the FTB to provide a report to the legislature that would require the reporting of amounts of credit carried over and the number of employees. These items are not currently tracked. As the bill continues to move through the legislative process, costs associated with this report will be identified and an appropriation will be requested, if necessary.

ECONOMIC IMPACT

Revenue Estimate

Estimated Revenue Impact of AB 1596 For Taxable Years Beginning On or After January 1, 2012 Assumed Enactment After June 30, 2012 (\$ in Millions)		
2012-13	2013-14	2014-15
-\$80	-\$31	+\$11

This analysis does not account for changes in employment, personal income, or gross state product that could result from this bill.

SUPPORT/OPPOSITION

Support: None provided.

Opposition: None provided.

ARGUMENTS

Pro: Some taxpayers may say that this bill would increase the usage of the New Jobs Tax Credit and provide tax relief to small businesses.

Con: Some taxpayers may say that with the state's current fiscal crisis, efforts to increase credit usage among businesses should be avoided.

LEGISLATIVE STAFF CONTACT

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