

**SUMMARY ANALYSIS OF AMENDED BILL**

Author: Swanson Analyst: Jessica Deitchman Bill Number: AB 236  
 Related Bills: See Prior Analysis Telephone: 845-6310 Amended Date: January 5, 2012  
 Attorney: Patrick Kusiak Sponsor: \_\_\_\_\_

**SUBJECT:** Employer Hiring Credit/Employees Who Have Been Unemployed For 12 Or More Consecutive Months

**SUMMARY**

This bill would expand the existing New Jobs Tax Credit to include an increased credit amount for taxpayers that hire individuals who were previously unemployed.

**RECOMMENDATION AND SUPPORTING ARGUMENTS**

No position.

**SUMMARY OF AMENDMENTS**

The January 5, 2012, amendments revise the definition of a “qualified employee” by eliminating ex-offenders as a qualifying criteria. The amendments also change the operative date of the bill. As a result of the amendments, the “Effective/Operative Date,” “This Bill,” “Implementation Considerations,” and “Economic Impact” sections of the department’s analysis of the bill as introduced February 3, 2011, have been revised. The “Technical Considerations” discussion still applies and is provided below for convenience. The remainder of the analysis of the bill as introduced February 3, 2011, still applies.

**Summary of Suggested Amendments**

Amendments have been provided below to replace references to incorrect code sections.

**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**

THIS BILL

For taxable years beginning on or after January 1, 2012, the credit amount for the existing New Jobs Tax Credit would be increased from \$3,000 to \$5,000 for each net increase of qualified employees, as previously defined, who have been unemployed for 12 or more consecutive months prior to being hired by the employer. The existing credit of \$3,000 would continue for employees who do not qualify as previously unemployed.

Board Position:	Asst. Legislative Director	Date
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_____ N	_____ OUA	
	Patrice Gau-Johnson	1/6/12

For taxable years beginning on or after January 1, 2012, this bill would modify the definition of “qualified full-time employee” for an increased credit amount to be employees who were unemployed for 12 consecutive months prior to being hired by a qualified employer.

In addition, for taxable years beginning on or after January 1, 2012, the calculation of the increase in annual full-time employees would be modified to include the employees of a trade or business acquired in a preceding year and the number employees employed by the taxpayer during the preceding year.

### IMPLEMENTATION CONSIDERATIONS

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

The bill is silent as to whether there must be an overall increase in employment to qualify for the increased credit amount. For example, if a taxpayer employs five “non previously unemployed” individuals in year one, then terminates all five and then hires five “previously unemployed” individuals, while there is no overall increase in total employment, the taxpayer could qualify for five tax credits because the “previously unemployed” criteria would be met. If this is not the author’s intent, it is recommended that the bill be amended to clarify if there must first be a total overall increase in employment to qualify for either credit.

This bill fails to specify a timeframe that an individual would be considered “unemployed.” For example, if an employee was unemployed for 12 consecutive months 10 years ago, that individual could qualify the taxpayer for the credit. The author may consider further defining “qualified employee” by adding a timeframe for which the criteria would apply.

### TECHNICAL CONSIDERATIONS

The bill references California Revenue and Taxation Code (CR&TC) sections that have been renumbered. All references to CR&TC section 24416 should be deleted and replaced with CR&TC section 24416.20 and all references to CR&TC section 17276 should be deleted and replaced with CR&TC section 17276.20.

## ECONOMIC IMPACT

### Revenue Estimate

Estimated Revenue Impact of AB 236 For Taxable Years Beginning On Or After January 1, 2012 Enactment Assumed After June 30, 2012 (\$ in Millions)				
2011-12	2012-13	2013-14	2014-15	2015-16
\$0	-\$9	-\$8	-\$10	-\$10

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

## ARGUMENTS

Pro: Some taxpayers may say that this bill would provide a tax incentive to businesses to stimulate the economy and promote hiring in California.

Con: Some taxpayers may say that it is unfair for taxpayers that hire previously unemployed individuals to receive special treatment and obtain an additional tax credit.

## LEGISLATIVE STAFF CONTACT

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