

## BILL ANALYSIS

Department, Board, Or Commission	Author	Bill Number/Version Date
<b>Franchise Tax Board</b>	<b>Committee on Budget</b>	<b>AB 106 (E- 09/12/13)</b>

### SUBJECT

Extend Local Entity Vouchering Authority Until January 1, 2015 / Clarify Enterprise Zone (EZ) and Local Agency Military Base Recovery Area (LAMBRA) Hiring Credit Hiring Cutoff Date of January 1, 2014/Clarify 10 Year Carryover Sales and Use Tax Credit and Hiring Credits

### SUMMARY

This bill would make clarifying amendments to provisions relating to economic development areas.

### REASON FOR THE BILL

The reason for the bill is to provide clarification and clean-up to the provisions enacted by Chapters 69 and 70 of the Statutes of 2013.

### EFFECTIVE/OPERATIVE DATE

As a tax levy, this bill would be effective immediately upon enactment and operative for taxable years beginning on or after January 1, 2013.

### ANALYSIS

#### STATE LAW

Chapters 69 and 70 of the Statutes of 2013, among other things, repealed provisions of the Government Code under which local entities had vouchering authority with respect to the EZ, LAMBRA, targeted tax area (TTA), and manufacturing enhancement area (MEA) hiring credits, as of January 1, 2014. Taxpayers without a hiring credit voucher are ineligible for the hiring credits.

Chapters 69 and 70 of the Statutes of 2013, also amended the EZ and LAMBRA hiring credit provisions. The EZ and LAMBRA hiring credits are available to a taxpayer that, among other things, pays or incurs qualified wages to a qualified employee, qualified displaced employee, or qualified disadvantaged individual.

Qualified wages do not include any wages paid or incurred by a taxpayer on or after the date the EZ or LAMBRA has expired, is no longer binding, becomes inoperative, or is repealed. The EZs and LAMBRAAs will be repealed on January 1, 2014.

Chapters 69 and 70 of the Statutes of 2013, among other things, specified that any portion of any hiring credit or sales and use tax credit remaining for carryover to taxable years beginning on or after January 1, 2014, if any, would be carried over only to the succeeding 10 taxable years until the credit is exhausted.

Gail Hall, FTB Contact Person (916) 845-6333 (Office)	Executive Officer Selvi Stanislaus	Date 9/13/13
--	---------------------------------------	-----------------

**THIS BILL**

This bill would allow local entities to continue to accept voucher applications for EZ, LAMBRA, TTA, and MEA hiring credit, for employees that first commence employment before January 1, 2014, and continue to issue vouchers, until January 1, 2015.

This bill would clarify that a qualified employee, qualified displaced employee, or qualified disadvantaged individual must first commence employment with a taxpayer before January 1, 2014, in order to qualify a taxpayer for the EZ or LAMBRA hiring credits.

This bill would reiterate that the 10-year carryover period, relating to any portion of any hiring credit or sales and use tax credit remaining for carryover to taxable years beginning on or after January 1, 2014, commences with the first taxable year beginning on or after January 1, 2014.

**FISCAL IMPACT**

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

**ECONOMIC IMPACT****Revenue Estimate**

This bill would not impact the state's income tax revenue.

**LEGISLATIVE HISTORY**

AB 93 (Assembly Committee on Budget, Chapter 69, Statutes of 2013) repealed the geographically targeted economic development area tax incentives and the New Jobs Tax Credit under the Personal Income Tax Law (PITL) and Corporation Tax Law (CTL), created a New Employment Credit under the PITL and CTL, established the California Competes Tax Credit Committee, and created the California Competes Tax Credit under the PITL and CTL.

SB 90 (Wolk, Chapter 70, Statutes of 2013) provided clean-up and clarification to provisions of the New Employment Credit and the California Competes Tax Credit as added by Chapter 69 of the Statutes of 2013.

SB 100 (Committee on Budget and Fiscal Review, 2013/2014) would extend the required placed in service date for the EZ sales and use tax credit until January 1, 2015. The bill was sent to engrossing and enrolling on September 11, 2013.

**APPOINTMENTS**

None.

**SUPPORT/OPPOSITION**

Support: None provided.

Opposition: None provided.

**VOTES**

Concurrence	09/12/13	Y: 75	N: 0
Assembly Floor	05/13/13	Y: 51	N: 24
Senate Floor	09/11/13	Y: 39	N: 0

The May 13, 2013, Assembly Floor vote was based on the bill as introduced as a budget spot bill.

**LEGISLATIVE STAFF CONTACT**

<b>Contact</b>	<b>Work</b>
Marybel Batjer, Agency Secretary, CalGovOps	916-651-9011
Reginald Fair, Agency Legislative Director	916-653-2656
Selvi Stanislaus, Department Director, FTB	916-845-4543
Gail Hall, Legislative Director, FTB	916-845-6333