

ANALYSIS OF AMENDED BILL

Franchise Tax Board

Author: Daly Analyst: Jessica Deitchman Bill Number: AB 2517
Related Bills: See Legislative History Telephone: 845-6310 Amended Date: May 15, 2014
Attorney: Bruce Langston Sponsor: _____

SUBJECT: Enterprise Zone & Local Military Base Recovery Area Hiring Credits/Local Entities Accept Applications for Certification Up to but no later than January 1, 2015, & Issue Certifications Until January 1, 2016

SUMMARY

This bill would modify the rules for a local entity that issues Enterprise Zone hiring credit employee certifications.

This analysis only addresses the provisions of the bill that impact the department's programs and operations.

RECOMMENDATION

No position.

Summary of Amendments

The May 15, 2014, amendments removed provisions of the bill related to fuel tax, and added provisions related to Enterprise Zones.

This is the department's first analysis of the bill.

REASON FOR THE BILL

The reason for the bill is to ensure that taxpayers can timely obtain certifications from local entities to be eligible for income tax hiring credits.

EFFECTIVE/OPERATIVE DATE

As an urgency measure, this bill would be effective and operative immediately upon enactment.

ANALYSIS

STATE LAW

Geographical Targeted Economic Development Areas (Economic Development Areas) are repealed for transactions on or after January 1, 2014. The hiring tax credits remain in effect for employees hired before January 1, 2014, until December 1, 2019, and as of that date are repealed.

Board Position:
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Executive Officer	Date
Selvi Stanislaus	5/27/14

To qualify for the hiring credit, an employer must, along with other requirements, obtain from a local agency a certification (voucher) that their employee meets any one of the qualifying criteria. Failure to obtain the voucher results in the taxpayer not qualifying for the hiring credit.

Employees who are employed within the 60-month period immediately preceding January 1, 2014, and qualified wages paid or incurred with respect to those employees, would continue to qualify for the hiring tax credit for taxable years beginning on or after January 1, 2014.

A local entity may continue to accept applications for the certification and issue vouchers up to but no later than January 1, 2015.

THIS BILL

This bill would extend the period that a local entity may issue certifications from “no later than January 1, 2015,” to “until January 1, 2016.”

IMPLEMENTATION CONSIDERATIONS

Implementing this bill would not impact the department’s programs and operations.

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.

AB 106 (Committee on Budget, Chapter 355, Statutes of 2013) allows local entities to accept hiring credit voucher applications and issue vouchers until January 1, 2015, and would clarify that the EZ and Local Agency Military Base Recovery Area hiring credits are only available to taxpayers that hire employees that first commence employment before January 1, 2014.

FISCAL IMPACT

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

ECONOMIC IMPACT

This bill would extend by one year the deadline for a local entity to issue certifications. If this extension results in additional amended returns being filed claiming the credit, there may be an additional revenue loss to the state, but it is unknown to what extent.

SUPPORT/OPPOSITION¹

Support: California Bankers Association, California Chamber of Commerce, California Manufacturers & Technology Association, California Retailers Association, California Taxpayers Association.

Opposition: None provided.

ARGUMENTS

Proponents: Some may argue that there is not enough time to obtain certifications from local entities after the repeal of the Economic Development Areas.

Opponents: Some may argue that there is plenty of time for local entities to issue certifications after the repeal of the Economic Development Areas.

LEGISLATIVE STAFF CONTACT

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¹ Information from the May 2, 2014, Assembly Revenue & Taxation Committee analysis.