

SUMMARY ANALYSIS OF AMENDED BILL

Author: Irwin & Brough Analyst: Jessica Deitchman Bill Number: AB 931
 Related Bills: See Prior Analysis Telephone: 845-6310 Amended Date: May 20, 2015
 Attorney: Bruce Langston Sponsor _____

SUBJECT:	Employer Hiring Credit/Qualified Full-Time Employee Veterans
-----------------	--

SUMMARY

This bill would, under the Personal Income Tax Law and Corporation Tax Law, modify the definition of “qualified employees” for purposes of determining the New Employment Credit.

RECOMMENDATION

No position.

SUMMARY OF AMENDMENTS

The May 20, 2015, amendments revised the definition of a “qualified full time employee.”

Except for the “This Bill,” and “Economic Impact” sections, the department’s analysis of the bill as introduced February 26, 2015, and amended April 6, 2015, still applies. The “Support and Opposition” section has been updated and is provided below for convenience.

THIS BILL

For taxable years beginning on or after January 1, 2016, this bill would modify the “qualified full-time employee” criteria specifically applicable to veterans to include a veteran who separated from service in the Armed Forces of the United States within the 36 months preceding the commencement of employment with the qualified taxpayer and was unemployed for the six months immediately preceding employment with the qualified taxpayer.

ECONOMIC IMPACT

Revenue Estimate

This bill would result in the following revenue loss:

Estimated Revenue Impact of AB 931 As Amended May 20, 2015 Assumed Enactment After June 30, 2015		
2015-16	2016-17	2017-18
- \$12,000	- \$70,000	- \$100,000

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

Board Position:	Legislative Director	Date
_____ S _____ NA _____ X _____ NP	Gail Hall	6/2/15
_____ SA _____ O _____ NAR		
_____ N _____ OUA _____		

Revenue Discussion:

It is estimated that \$17.7 million in credits have been reserved for the New Employment Credit for the 2014 taxable year. This bill would revise the definition of “qualified full-time employee” from a veteran that separated within the 12 months preceding commencement of employment, to one that either separated 12 months prior or 36 months prior and was unemployed the last six months preceding the commencement of employment. Using data from the Department of Veterans Affairs and Bureau of Labor Statistics, it is estimated that 5 percent of the total amount of credit claimed is attributed to qualified veterans. To account for the additional 24 months a new veteran could be separated from service, a 15 percent increase was added to the estimate. It was assumed that 50 percent of veterans that separated from armed forces within 12 to 36 months were unemployed the last six months preceding employment. The estimate includes a 3 percent reduction each year for attrition. This results in an estimated additional revenue loss of approximately \$50 thousand for taxable year 2016. The additional credit usage will peak when there is a five year combined period in 2020, at approximately \$300 thousand.

The tax year estimates are converted to fiscal years, and then rounded, and reflected in the table above.

SUPPORT/OPPOSITION¹

Support: Council of California Goodwill Industries.

Opposition: None provided.

LEGISLATIVE STAFF CONTACT

Jessica Deitchman
Legislative Analyst, FTB
(916) 845-6310

jessica.deitchman@ftb.ca.gov

Jame Eiserman
Revenue Manager, FTB
(916) 845-7484

jame.eiserman@ftb.ca.gov

Gail Hall
Legislative Director, FTB
(916) 845-6333

gail.hall@ftb.ca.gov

¹ As provided in the Assembly Revenue and Taxation Committee Analysis Dated May 15, 2015.