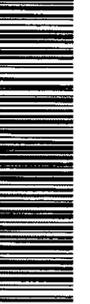


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An act to amend Section 23636 of the Revenue and Taxation Code,
relating to taxation, to take effect immediately, tax levy.



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THE PEOPLE OF THE STATE OF CALIFORNIA DO ENACT AS FOLLOWS:

SECTION 1. Section 23636 of the Revenue and Taxation Code is amended to read:

23636. (a) For each taxable year beginning on or after January 1, ~~2015~~, 2016, and before January 1, ~~2030~~, 2031, a qualified taxpayer shall be allowed a credit against the "tax," as defined in Section 23036, in an amount equal to 17 1/2 percent of qualified wages paid or incurred by the qualified taxpayer during the taxable year to qualified full-time employees, subject to the limitations under subdivision (c).

(b) For purposes of this section:

(1) "Annual full-time equivalent" means either of the following:

(A) In the case of a qualified full-time employee paid hourly qualified wages, "annual full-time equivalent" means the total number of hours worked for the qualified taxpayer by the qualified full-time employee, not to exceed 2,000 hours per employee, divided by 2,000.

(B) In the case of a salaried qualified full-time employee, "annual full-time equivalent" means the total number of weeks worked for the qualified taxpayer by the qualified employee divided by 52.

(2) "Qualified full-time employee" means an individual that is employed in this state by the qualified taxpayer and satisfies both of the following:

(A) The individual's services for the qualified taxpayer are performed in this state and are at least 80 percent directly related to the qualified taxpayer's prime contract or subcontract to design, test, manufacture property, or otherwise support production



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of property for ultimate use in or as a component of a new advanced strategic aircraft for the United States Air Force.

(B) The individual is paid compensation from the qualified taxpayer that satisfies either of the following conditions:

(i) Is paid qualified wages by the qualified taxpayer for services not less than an average of 35 hours per week.

(ii) Is paid a salary by the qualified taxpayer as compensation during the taxable year for full-time employment, within the meaning of Section 515 of the Labor Code.

(3) “Qualified taxpayer” means any taxpayer that is either a prime contractor awarded a prime contract or a major first-tier subcontractor awarded a subcontract to manufacture property for ultimate use in or as a component of a new advanced strategic aircraft for the United States Air Force. For purposes of this paragraph, the term “prime contractor” means a contractor that was awarded a prime contract for the manufacturing of a new advanced strategic aircraft for the United States Air Force. For purposes of this paragraph, the term “major first-tier subcontractor” means a subcontractor that was awarded a subcontract in an amount of at least 35 percent of the amount of the initial prime contract awarded for the manufacturing of a new advanced strategic aircraft for the United States Air Force.

(4) “Qualified wages” means wages paid or incurred by the qualified taxpayer during the taxable year with respect to qualified full-time employees that are direct labor costs, within the meaning of Section 263A of the Internal Revenue Code, relating to capitalization and inclusion in inventory costs of certain expenses, allocable to



property manufactured in this state by the qualified taxpayer for ultimate use in or as a component of a new advanced strategic aircraft for the United States Air Force.

(5) “New advanced strategic aircraft for the United States Air Force” means a new advanced strategic aircraft developed and produced for the United States Air Force under the New Advanced Strategic Aircraft Program.

(6) “New Advanced Strategic Aircraft Program” means the project to design, test, manufacture, or otherwise support production of a new advanced strategic aircraft for the United States Air Force under a contract that is expected to be awarded in the first or second calendar quarter of 2015. “New Advanced Strategic Aircraft Program” does not include any contract awarded prior to August 1, 2014, and does not include a program to upgrade, modernize, sustain, or otherwise modify a current United States Air Force bomber program, including, but not limited to, the B-52, B-1, or B-2 programs.

(7) “Total annual full-time equivalents” means the number of a qualified taxpayer’s qualified full-time employees computed on an annual full-time equivalent basis for the taxable year.

(c) (1) The total aggregate amount of the credit that may be allowed to all qualified taxpayers pursuant to this section shall be as follows:

(A) In years one through five of the credit, the total aggregate amount of the credit that may be allowed to all qualified taxpayers pursuant to this section shall not exceed twenty- five million dollars (\$25,000,000) per calendar year.



(B) In years 6 through 10 of the credit, the total aggregate amount of the credit that may be allowed to all qualified taxpayers pursuant to this section shall not exceed twenty-eight million dollars (\$28,000,000) per calendar year.

(C) In years 11 through 15 of the credit, the total aggregate amount of the credit that may be allowed to all qualified taxpayers pursuant to this section shall not exceed thirty-one million dollars (\$31,000,000) per calendar year.

(2) The aggregate number of total annual full-time equivalents of all qualified taxpayers with respect to which a credit amount may be allowed under this section for a calendar year shall not exceed 1,100.

(3) (A) The Franchise Tax Board shall allocate the credit to the qualified taxpayers on a first-come-first-served basis, determined by the date the qualified taxpayer's timely filed original tax return is received by the Franchise Tax Board. If the returns of two or more qualified taxpayers are received on the same day and the amount of credit remaining to be allocated is insufficient to be allocated fully to each, the credit remaining shall be allocated to those qualified taxpayers on a pro rata basis.

(B) For purposes of this paragraph, the date a return is received shall be determined by the Franchise Tax Board. The determination of the Franchise Tax Board as to the date a return is received and whether a return has been timely filed for purposes of this paragraph may not be reviewed in any administrative or judicial proceeding.

(C) Any disallowance of a credit claimed due to the limitations specified in this subdivision shall be treated as a mathematical error appearing on the return. Any amount of tax resulting from that disallowance may be assessed by the Franchise Tax Board in the same manner as provided in Section 19051.



(4) The credit allowed under this section must be claimed on a timely filed original return.

(d) In the case where the credit allowed by this section exceeds the “tax,” the excess may be carried over to reduce the “tax” in the following year, and the seven succeeding years if necessary, until the credit is exhausted.

(e) A credit shall not be allowed unless the credit was reflected within the bid upon which the qualified taxpayer’s prime contract or subcontract to manufacture property for ultimate use in or as a component of a New Advanced Strategic Aircraft Program is based by reducing the amount of the bid by a good faith estimate of the amount of the credit allowable under this section.

(f) All references to the credit and ultimate cost reductions incorporated into any successful bid that was awarded a prime contract or subcontract and for which a qualified taxpayer is making a claim shall be made available to the Franchise Tax Board upon request.

(g) If the qualified taxpayer is allowed a credit pursuant to this section for qualified wages paid or incurred, only one credit shall be allowed to the taxpayer under this part with respect to any wage consisting in whole or in part of those qualified wages.

(h) (1) The Franchise Tax Board may prescribe regulations necessary or appropriate to carry out the purposes of this section.

(2) The Franchise Tax Board may also prescribe rules, guidelines, or procedures necessary or appropriate to carry out the purposes of this section. Chapter 3.5 (commencing with Section 11340) of Part 1 of Division 3 of Title 2 of the Government



Code shall not apply to any rule, guideline, or procedure prescribed by the Franchise Tax Board pursuant to this section.

(i) This section shall remain in effect only until December 1, ~~2030~~, 2031, and as of that date is repealed.

SEC. 2. This act provides for a tax levy within the meaning of Article IV of the California Constitution and shall go into immediate effect.



LEGISLATIVE COUNSEL'S DIGEST

Bill No.

as introduced, _____.

General Subject: Corporation tax credit: new advanced strategic aircraft program.

Existing law, the Corporation Tax Law, for taxable years beginning on or after January 1, 2015, and before January 1, 2030, allows, with regard to the manufacture of a new advanced strategic aircraft for the United States Air Force, a credit against the taxes imposed under that law in an amount equal to a specified percentage of qualified wages paid or incurred with respect to qualified full-time employees, as multiplied by an annual full-time equivalent ratio, by the qualified taxpayer. Existing law defines a "qualified taxpayer" as a prime contractor or a major first-tier contractor awarded a contract related to the New Advanced Strategic Aircraft Program. The contract was awarded in 2016 to a qualified taxpayer that is a prime contractor, and no other taxpayers are qualified taxpayers, as defined, under that contract.



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This bill would allow the above-described credit for taxable years beginning on or after January 1, 2016, and before January 1, 2031, as the New Advanced Strategic Aircraft Program contract was awarded in 2016.

This bill would take effect immediately as a tax levy.

Vote: majority. Appropriation: no. Fiscal committee: yes. State-mandated local program: no.



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