

DEPARTMENT OF FINANCE BILL ANALYSIS

AMENDMENT DATE: May 18, 2010
POSITION: Neutral

BILL NUMBER: AB 2630
AUTHOR: B. Emmerson
RELATED BILLS: Ch. 10/2009 (X3 AB 15), Ch. 17/2009 (X3 SB 15)

BILL SUMMARY: Income Tax: Credits: Full Time Employees: Hires

This bill would expand the job creation credit as enacted by the 2009-10 Trailer Bill for economic stimulus by changing the threshold for a qualified employer from 20 to 50 employees for beginning taxable years beginning on or after January 1, 2011. This bill would also clean up the Revenue and Taxation Code by repealing duplicative provisions.

FISCAL SUMMARY

According to preliminary discussions with staff at the Franchise Tax Board (FTB), there would be no revenue impact or additional cost to the department from implementing this measure. This bill does not increase the \$400 million maximum limit of credits allowed under current law and the FTB estimates that there would be no remaining credit amounts to be allocated by 2011.

COMMENTS

This bill would have no fiscal impact.

Analyst/Principal (0724) R. Lawrence	Date	Program Budget Manager Mark Hill	Date
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Department Deputy Director	Date
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Governor's Office:	By:	Date:	Position Approved _____
			Position Disapproved _____

BILL ANALYSIS Form DF-43 (Rev 03/95 Buff)

B. Emmerson

May 18, 2010

AB 2630

ANALYSIS

A. Programmatic Analysis

Chapters 10 and 17, Statutes of 2009 (X3 AB 15 and X3 SB 15) enacted a temporary jobs creation credit as part of the negotiated 2009-10 Trailer Bill for economic stimulus measures.

For taxable years beginning on or after January 1, 2009, current law allows a qualified employer with a total of 20 or fewer employees in the preceding taxable year, a credit of \$3,000 for each qualified full-time employee hired. The credit is allocated by the FTB and has a maximum cap of \$400 million for all taxable years. The credit remains in effect until December 1 of the calendar year after the year in which the cumulative credit limit has been reached and is repealed as of that date. Any credits not used in the taxable year may be carried forward up to eight years.

This bill would change the employment threshold from 20 to 50 employees for taxable years beginning on or after January 1, 2011.

This bill would also repeal the job creation credit provisions enacted by Chapter 10, Statutes of 2009 since they are duplicative of those subsequently enacted by Chapter 17, Statutes of 2009.

This bill would take effect immediately as a tax levy.

B. Fiscal Analysis

According to preliminary discussions with staff at the FTB, there would be no revenue impact or additional cost to the department from implementing this measure. This bill does not increase the \$400 million maximum limit of credits allowed under current law and the FTB estimates that there would be no remaining credit amounts to be allocated by 2011.

Revenue Discussion

Currently, beginning on January 1, 2009, a qualified employer with 20 or fewer employees is eligible for a credit of \$3,000 per newly hired qualified employee. The cap on this credit is \$400 million of all taxable years. This bill changes the threshold from 20 to 50 qualified employees but does not increase the dollar cap on the credits. By changing the threshold, this measure would increase the population of employers that could qualify for the credit should there be any unallocated credits beginning on January 1, 2011. However, the FTB staff have indicated that it is expected that the maximum amount of credit will have been allocated by 2011.

Code/Department Agency or Revenue Type	SO	(Fiscal Impact by Fiscal Year)							Fund Code
	LA	(Dollars in Thousands)							
	CO	PROP	FC	2009-2010	FC	2010-2011	FC	2011-2012	
	RV	98							
1104/Corp Tax	RV	No		-----	No/Minor Fiscal Impact	-----			0001
1147/Pers Inc Tax	RV	Yes		-----	No/Minor Fiscal Impact	-----			0001
1730/FTB	SO	No		-----	No/Minor Fiscal Impact	-----			0001