AMENDED IN SENATE APRIL 27, 2011

SENATE BILL No. 640

Introduced by Senator Runner

February 18, 2011

An act to add *and repeal* Sections 17053.50 and 23650 ~~to~~ *of* the Revenue and Taxation Code, relating to taxation, to take effect immediately, tax levy.

LEGISLATIVE COUNSEL'S DIGEST

SB 640, as amended, Runner. Income and corporation taxes: tax credit: employment.

The Personal Income Tax Law and the Corporation Tax Law authorize various credits against the taxes imposed by those laws.

This bill would, *until a specified date,* under both laws, provide a tax credit, in an amount as specified, to a taxpayer for each qualified employee, as defined, who ~~has~~ *actively* received unemployment insurance benefits for 6 months *immediately* prior to the time the taxpayer hires the qualified employee.

This bill would take effect immediately as a tax levy.

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

The people of the State of California do enact as follows:

SECTION 1. This act shall be known, and may be cited, as the California Employment Recovery Act of 2011.

~~SECTION 1.~~

SEC. 2. Section 17053.50 is added to the Revenue and Taxation Code, to read:

17053.50. (a) For taxable years beginning on or after January 1, 2011, there shall be allowed as a credit against the "net tax," as defined in Section 17039, a qualified amount for each qualified employee employed by the taxpayer in a qualified job during the taxable year.

(b) For purposes of this section, the following definitions apply:

(1) *(A)* "Qualified amount" shall be equal to the sum of five hundred dollars ($500) per month for each qualified employee employed by the taxpayer in a qualified job, multiplied by the number of consecutive calendar months that the taxpayer employs the qualified employee in a qualified job, but not to exceed 12 consecutive calendar months. *Where a qualified employee has worked at least two weeks in a month for the taxpayer and earned a gross salary of at least seven hundred fifty dollars ($750), the 12 consecutive calendar month limitation may include two two-week pay periods. The qualified amount for a two-week pay period shall be two hundred fifty dollars ($250).*

(B) The aggregate qualified amount allowed for any qualified employee shall not exceed six thousand dollars ($6,000).

(2) "Qualified employee" means any person who *actively* received unemployment insurance benefits for not less than six months *immediately* prior to the time he or she was hired *for the first time* by the taxpayer for a qualified job.

(3) "Qualified job" means a nonseasonal, full-time employment position within the State of California that would qualify the employee for benefits under the Unemployment Insurance Code, not including any benefits received under Section 1279.5 of the Unemployment Insurance Code, and result in a *gross* salary of not less than one thousand ~~dollars ($1,000)~~ *five hundred dollars ($1,500)* in any month in which the taxpayer seeks to apply the credit authorized by this section.

(c) The credit allowed by this section shall be in lieu of any other credit that the taxpayer may otherwise claim pursuant to this part with respect to a qualified employee.

~~(c)~~

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

(e) This section shall remain in effect only until January 1 of the calendar year after the full calendar year in which California's average unemployment rate falls below 10 percent, and as of that January 1 is repealed.

~~SEC. 2.~~

SEC. 3. Section 23650 is added to the Revenue and Taxation Code, to read:

23650. (a) For taxable years beginning on or after January 1, 2011, there shall be allowed as a credit against the "tax," as defined in Section 23036, a qualified amount for each qualified employee employed by the taxpayer in a qualified job during the taxable year.

(b) For purposes of this section, the following definitions apply:

(1) *(A)* "Qualified amount" shall be equal to the sum of five hundred dollars ($500) per month for each qualified employee employed by the taxpayer in a qualified job, multiplied by the number of consecutive calendar months that the taxpayer employs the qualified employee in a qualified job, but not to exceed 12 consecutive calendar months. *Where a qualified employee has worked at least two weeks in a month for the taxpayer and earned a gross salary of at least seven hundred fifty dollars ($750), the 12 consecutive calendar month limitation may include two two-week pay periods. The qualified amount for a two-week pay period shall be two hundred fifty dollars ($250).*

(B) The aggregate qualified amount allowed for any qualified employee shall not exceed six thousand dollars ($6,000).

(2) "Qualified employee" means any person who *actively* received unemployment insurance benefits for at least six months *immediately* prior to the time he or she was hired *for the first time* by the taxpayer for a qualified job.

(3) "Qualified job" means a nonseasonal, full-time employment position within the State of California that would qualify the employee for benefits under the Unemployment Insurance Code, not including any benefits received under Section 1279.5 of the Unemployment Insurance Code, and result in a *gross* salary of not less than one thousand ~~dollars ($1,000)~~ *five hundred dollars ($1,500)* in any month in which the taxpayer seeks to apply the credit authorized by this section.

(c) The credit allowed by this section shall be in lieu of any other credit that the taxpayer may otherwise claim pursuant to this part with respect to a qualified employee.

~~(c)~~

(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 five succeeding years if necessary, until the credit is exhausted.

(e) This section shall remain in effect only until January 1 of the calendar year after the full calendar year in which California's average unemployment rate falls below 10 percent, and as of that January 1 is repealed.

~~SEC. 3.~~

SEC. 4. This act provides for a tax levy within the meaning of Article IV of the Constitution and shall go into immediate effect.

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