

Introduced by Senator Knight

February 20, 2013

An act to add Sections 17053.81, 17053.82, 23623.1, and 23623.2 to the Revenue and Taxation Code, relating to taxation, to take effect immediately, tax levy.

LEGISLATIVE COUNSEL'S DIGEST

SB 414, as introduced, Knight. Income taxes: credits: qualified employees.

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

This bill would, under both laws, for taxable years beginning on or after January 1, 2013, allow a credit to a qualified employer, as defined, in an amount equal to 50% of the tuition reimbursed to, and either 5% or 10% of the qualified wages paid to, a qualified employee working in qualified industry, as defined to include the manufacture of aerospace or defense hardware or software, aerospace maintenance, aerospace repair and overhaul, parts supply to the aerospace industry, provision of services and support relating to the aerospace industry, research and development of aerospace technology and systems, and the education and training of aerospace personnel, as provided.

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:

- 1 SECTION 1. Section 17053.81 is added to the Revenue and
- 2 Taxation Code, to read:

1 17053.81. (a) (1) For each taxable year beginning on or after
2 January 1, 2013, there shall be allowed to a qualified employer a
3 credit against the “net tax,” as defined in Section 17039, in an
4 amount equal to 50 percent, subject to paragraph (2), of the tuition
5 reimbursed to a qualified employee by a qualified employer.

6 (2) For each taxable year in which the credit is allowed, the
7 credit amount shall not exceed 50 percent, per qualified employee,
8 of the average annual tuition paid by a qualified employee that
9 received an undergraduate or graduate degree at the University of
10 California or the California State University. For purposes of this
11 subdivision, “tuition” shall not include the cost of books, fees, or
12 room and board.

13 (3) The credit shall be allowed only for the first four years of
14 employment of the qualified employee by the qualified employer.

15 (b) For purposes of this section:

16 (1) “Full-time” means either:

17 (A) The employee is paid wages subject to Division 6
18 (commencing with Section 13000) of the Unemployment Insurance
19 Code for not less than an average of 35 hours per week.

20 (B) The employee is salaried and was paid compensation during
21 the taxable year for full-time employment, within the meaning of
22 Section 515 of the Labor Code.

23 (2) “Qualified employee” means a person who is employed by,
24 or contracts with, the qualified employer in a full-time position in
25 the state within one year of being awarded an undergraduate or
26 graduate degree from an engineering program accredited by the
27 Engineering Accreditation Commission of the Accreditation Board
28 for Engineering and Technology, offered by the University of
29 California, the California State University, or a private college or
30 university that is accredited by a national accrediting body, for
31 work in a qualified industry and who was not employed by any
32 qualified employer for work in a qualified industry prior to his or
33 her current employment or contract.

34 (3) “Qualified employer” means a person or entity who is
35 engaged in a trade or business in a qualified industry.

36 (4) “Qualified industry” means the manufacture of aerospace
37 or defense hardware or software, aerospace maintenance, aerospace
38 repair and overhaul, parts supply to the aerospace industry,
39 provision of services and support relating to the aerospace industry,

1 research and development of aerospace technology and systems,
2 and the education and training of aerospace personnel.

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

7 (d) (1) The Franchise Tax Board may prescribe rules,
8 guidelines, or procedures necessary or appropriate to carry out the
9 purposes of this section.

10 (2) Chapter 3.5 (commencing with Section 11340) of Part 1 of
11 Division 3 of Title 2 of the Government Code does not apply to
12 any standard, criterion, procedure, determination, rule, notice, or
13 guideline established or issued by the Franchise Tax Board
14 pursuant to this section.

15 SEC. 2. Section 17053.82 is added to the Revenue and Taxation
16 Code, to read:

17 17053.82. (a) (1) For each taxable year beginning on or after
18 January 1, 2013, there shall be allowed to a qualified employer as
19 a credit against the “net tax,” as defined in Section 17039, an
20 amount as specified in paragraph (2) per each qualified employee
21 employed during the taxable year by the qualified employer.

22 (2) (A) Ten percent of the qualified wages of the qualified
23 employee if he or she received an undergraduate or graduate degree
24 from a public or private college or university located in this state.

25 (B) Five percent of the qualified wages of the qualified employee
26 if he or she received an undergraduate or graduate degree from a
27 public or private college or university located outside of this state.

28 (C) The maximum amount of credit allowed pursuant to this
29 section is twelve thousand five hundred dollars (\$12,500) per
30 qualified employee per taxable year.

31 (3) The credit shall be allowed only for the first five years of
32 employment of the qualified employee by the qualified employer.

33 (b) For purposes of this section:

34 (1) “Full-time” means either:

35 (A) The employee is paid wages subject to Division 6
36 (commencing with Section 13000) of the Unemployment Insurance
37 Code for not less than an average of 35 hours per week.

38 (B) The employee is salaried and was paid compensation during
39 the taxable year for full-time employment, within the meaning of
40 Section 515 of the Labor Code.

1 (2) “Qualified employee” means a person who is employed by,
2 or contracts with, the qualified employer in a full-time position in
3 the state within one year of being awarded an undergraduate or
4 graduate degree from a program that has been accredited by the
5 Engineering Accreditation Commission of the Accreditation Board
6 for Engineering and Technology offered by a public or private
7 college or university accredited by a national accrediting body,
8 for work in a qualified industry and who was not employed by any
9 qualified employer for work in a qualified industry prior to his or
10 her current employment or contract.

11 (3) “Qualified employer” means a person or entity who is
12 engaged in a trade or business in a qualified industry.

13 (4) “Qualified industry” means the manufacture of aerospace
14 or defense hardware or software, aerospace maintenance, aerospace
15 repair and overhaul, parts supply to the aerospace industry,
16 provision of services and support relating to the aerospace industry,
17 research and development of aerospace technology and systems,
18 and the education and training of aerospace personnel.

19 (5) “Qualified wages” means wages subject to withholding tax
20 pursuant to Division 6 (commencing with Section 13000) of the
21 Unemployment Insurance Code paid to employee, salary, or other
22 remuneration. “Qualified wages” shall not include
23 employer-provided retirement, medical or health care benefits,
24 reimbursement for travel, meals, lodging, or any other expense.

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

29 (d) (1) The Franchise Tax Board may prescribe rules,
30 guidelines, or procedures necessary or appropriate to carry out the
31 purposes of this section.

32 (2) Chapter 3.5 (commencing with Section 11340) of Part 1 of
33 Division 3 of Title 2 of the Government Code does not apply to
34 any standard, criterion, procedure, determination, rule, notice, or
35 guideline established or issued by the Franchise Tax Board
36 pursuant to this section.

37 SEC. 3. Section 23623.1 is added to the Revenue and Taxation
38 Code, to read:

39 23623.1. (a) (1) For each taxable year beginning on or after
40 January 1, 2013, there shall be allowed to a qualified employer a

1 credit against the “tax,” as defined in Section 23036, in an amount
2 equal to 50 percent, subject to paragraph (2), of the tuition
3 reimbursed to a qualified employee by a qualified employer.

4 (2) For each taxable year in which the credit is allowed, the
5 credit amount shall not exceed 50 percent, per qualified employee,
6 of the average annual tuition paid by a qualified employee that
7 received an undergraduate or graduate degree at the University of
8 California or the California State University. For purposes of this
9 subdivision, “tuition” shall not include the cost of books, fees, or
10 room and board.

11 (3) The credit shall be allowed only for the first four years of
12 employment of the qualified employee by the qualified employer.

13 (b) For purposes of this section:

14 (1) “Full-time” means either:

15 (A) The employee is paid wages subject to Division 6
16 (commencing with Section 13000) of the Unemployment Insurance
17 Code for not less than an average of 35 hours per week.

18 (B) The employee is salaried and was paid compensation during
19 the taxable year for full-time employment, within the meaning of
20 Section 515 of the Labor Code.

21 (2) “Qualified employee” means a person who is employed by,
22 or contracts with, the qualified employer in a full-time position in
23 the state within one year of being awarded an undergraduate or
24 graduate degree from an engineering program accredited by the
25 Engineering Accreditation Commission of the Accreditation Board
26 for Engineering and Technology, offered by the University of
27 California, the California State University, or a private college or
28 university that is accredited by a national accrediting body, for
29 work in a qualified industry and who was not employed by any
30 qualified employer for work in a qualified industry prior to his or
31 her current employment or contract.

32 (3) “Qualified employer” means a person or entity who is
33 engaged in a trade or business in a qualified industry.

34 (4) “Qualified industry” means the manufacture of aerospace
35 or defense hardware or software, aerospace maintenance, aerospace
36 repair and overhaul, parts supply to the aerospace industry,
37 provision of services and support relating to the aerospace industry,
38 research and development of aerospace technology and systems,
39 and the education and training of aerospace personnel.

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

5 (d) (1) The Franchise Tax Board may prescribe rules,
6 guidelines, or procedures necessary or appropriate to carry out the
7 purposes of this section.

8 (2) Chapter 3.5 (commencing with Section 11340) of Part 1 of
9 Division 3 of Title 2 of the Government Code does not apply to
10 any standard, criterion, procedure, determination, rule, notice, or
11 guideline established or issued by the Franchise Tax Board
12 pursuant to this section.

13 SEC. 4. Section 23623.2 is added to the Revenue and Taxation
14 Code, to read:

15 23623.2. (a) (1) For each taxable year beginning on or after
16 January 1, 2013, there shall be allowed to a qualified employer as
17 a credit against the “tax,” as defined in Section 23036, an amount
18 as specified in paragraph (2) per each qualified employee employed
19 during the taxable year by the qualified employer.

20 (2) (A) Ten percent of the qualified wages of the qualified
21 employee if he or she received an undergraduate or graduate degree
22 from a public or private college or university located in this state.

23 (B) Five percent of the qualified wages of the qualified employee
24 if he or she received an undergraduate or graduate degree from a
25 public or private college or university located outside of this state.

26 (C) The maximum amount of credit allowed pursuant to this
27 section is twelve thousand five hundred dollars (\$12,500) per
28 qualified employee per taxable year.

29 (3) The credit shall be allowed only for the first five years of
30 employment of the qualified employee by the qualified employer.

31 (b) For purposes of this section:

32 (1) “Full-time” means either:

33 (A) The employee is paid wages subject to Division 6
34 (commencing with Section 13000) of the Unemployment Insurance
35 Code for not less than an average of 35 hours per week.

36 (B) The employee is salaried and was paid compensation during
37 the taxable year for full-time employment, within the meaning of
38 Section 515 of the Labor Code.

39 (2) “Qualified employee” means a person who is employed by,
40 or contracts with, the qualified employer in a full-time position in

1 the state within one year of being awarded an undergraduate or
2 graduate degree from a program that has been accredited by the
3 Engineering Accreditation Commission of the Accreditation Board
4 for Engineering and Technology offered by a public or private
5 college or university accredited by a national accrediting body,
6 for work in a qualified industry and who was not employed by any
7 qualified employer for work in a qualified industry prior to his or
8 her current employment or contract.

9 (3) “Qualified employer” means a person or entity who is
10 engaged in a trade or business in a qualified industry.

11 (4) “Qualified industry” means the manufacture of aerospace
12 or defense hardware or software, aerospace maintenance, aerospace
13 repair and overhaul, parts supply to the aerospace industry,
14 provision of services and support relating to the aerospace industry,
15 research and development of aerospace technology and systems,
16 and the education and training of aerospace personnel.

17 (5) “Qualified wages” means wages subject to withholding tax
18 pursuant to Division 6 (commencing with Section 13000) of the
19 Unemployment Insurance Code paid to employee, salary, or other
20 remuneration. “Qualified wages” shall not include
21 employer-provided retirement, medical or health care benefits,
22 reimbursement for travel, meals, lodging, or any other expense.

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

27 (d) (1) The Franchise Tax Board may prescribe rules,
28 guidelines, or procedures necessary or appropriate to carry out the
29 purposes of this section.

30 (2) Chapter 3.5 (commencing with Section 11340) of Part 1 of
31 Division 3 of Title 2 of the Government Code does not apply to
32 any standard, criterion, procedure, determination, rule, notice, or
33 guideline established or issued by the Franchise Tax Board
34 pursuant to this section.

35 SEC. 5. This act provides for a tax levy within the meaning of
36 Article IV of the Constitution and shall go into immediate effect.

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