

AMENDED IN SENATE APRIL 29, 2013

AMENDED IN SENATE APRIL 24, 2013

AMENDED IN SENATE APRIL 1, 2013

**SENATE BILL**

**No. 434**

---

---

**Introduced by Senators Hill and Wolk**  
(Coauthors: Assembly Members Gordon and Mullin)

February 21, 2013

---

---

An act to amend and repeal Sections 17053.34, 17053.46, 17053.47, 17053.74, 23622.7, 23622.8, 23634, and 23646 of, to add Section 41 to, and to add and repeal Sections 17053.90 and 23690 of, the Revenue and Taxation Code, relating to taxation, to take effect immediately, tax levy.

LEGISLATIVE COUNSEL'S DIGEST

SB 434, as amended, Hill. Personal income and corporation taxes: hiring credits: enterprise zones, LAMBRAs, manufacturing enhancement areas, and targeted tax areas.

The Personal Income Tax Law and the Corporation Tax Law allow credits for hiring employees, based on qualified wages, in an enterprise zone, a LAMBRA, a manufacturing enhancement area, and a targeted tax area.

This bill would, among other things, revise the percentage of qualified wages allowed per year of employment with regard to determining the credit amount *for specified credits*, limit the application of these credits to only the qualified wages for each net increase of qualified employees, as specified, limit credit eligibility with respect to taxpayers that relocate to an enterprise zone, a LAMBRA, a manufacturing enhancement area, or a targeted tax area from within the state to those taxpayers that offer

each employee from the previous location or locations a written notice of transfer to the new location with comparable compensation, revise the definitions of “qualified wages” and “qualified taxpayer,” *taxpayer* for specified credits, cap the aggregate amount of credit allowed per taxable year for specified hiring credits, as provided, and require the Franchise Tax Board to publish specified information on its Internet Web site, as provided, *and would provide that those credits remain in effect only until December 1, 2019, and as of that date are repealed.*

~~This bill would make the credit inoperative on January 1, 2019, and, as of December 1, 2019, would repeal the credit for a taxpayer who employs a qualified employee in an enterprise zone limit the credit for a taxpayer that employs a qualified employee in an enterprise zone to only those qualified employees who first commence employment with the taxpayer before January 1, 2014, as specified. The bill would also provide that the credit would remain in effect only until December 1, 2019, and as of that date is repealed. The bill would instead allow, for taxable years beginning on or after January 1, 2014, and before January 1, 2019, for wages paid to qualified employees who first commence employment with the taxpayer after January 1, 2014, instead allow a credit for a taxpayer who hires a that has a net increase in qualified full-time employee employees, as specified, and allow a credit for a taxpayer who, among other things, maintains a net increase in qualified full-time employees, as specified.~~

This bill would additionally prohibit a person from charging a contingent fee, as defined, for services rendered in connection with a tax credit relating to enterprise zones, LAMBRAs, manufacturing enhancement areas, or targeted tax areas and would impose a penalty for the violation of this prohibition, as specified. This bill would require that, upon request of the Franchise Tax Board, ~~that~~ a person rendering these services provide, under penalty of perjury, a written certification that a fee for those services does not include a contingent fee.

By expanding the definition of an existing crime, this bill ~~imposes~~ *would impose* a state-mandated local program.

The California Constitution requires the state to reimburse local agencies and school districts for certain costs mandated by the state. Statutory provisions establish procedures for making that reimbursement.

This bill would provide that no reimbursement is required by this act for a specified reason.

This bill would include a change in state statute that would result in a taxpayer paying a higher tax within the meaning of Section 3 of Article

XIII A of the California Constitution, and thus would require for passage the approval of  $\frac{2}{3}$  of the membership of each house of the Legislature.

This bill would take effect immediately as a tax levy.

Vote:  $\frac{2}{3}$ . Appropriation: no. Fiscal committee: yes.

State-mandated local program: yes.

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

1 SECTION 1. Section 41 is added to the Revenue and Taxation  
2 Code, to read:

3 41. (a) Notwithstanding any other law, a person shall not  
4 charge a contingent fee for services rendered in connection with  
5 a tax credit relating to an enterprise zone, a LAMBRA, a  
6 manufacturing enhancement area, or a targeted tax area.

7 (b) For purposes of this section, “contingent fee” means any fee  
8 charged upon the occurrence of a contingency and includes, but  
9 is not limited to, a fee that is based on a percentage of the refund  
10 reported on a return, a fee that is based on a percentage of the taxes  
11 reduced, or a fee that depends upon the specific tax result attained.

12 (c) A penalty shall be imposed under this section upon the  
13 person charging a contingent fee for services rendered in  
14 connection with a tax credit relating to an enterprise zone, a  
15 LAMBRA, a manufacturing enhancement area, or a targeted tax  
16 area in an amount that is the greater of five thousand dollars  
17 (\$5,000) or 100 percent of the contingent fee charged, whether or  
18 not any contingent fee was actually paid or otherwise received,  
19 directly or indirectly, by the service provider.

20 (d) (1) The penalty imposed under subdivision (c) shall be due  
21 and payable upon notice and demand by the Franchise Tax Board.

22 (2) Article 3 (commencing with Section 19031) of Part 10.2  
23 shall not apply with respect to the assessment or collection of any  
24 penalty imposed under subdivision (c).

25 (e) The Legislature finds and declares that contingent fees for  
26 services rendered in connection with a tax credit relating to an  
27 enterprise zone, a LAMBRA, a manufacturing enhancement area,  
28 or a targeted tax area are against public policy and any contract or  
29 arrangement that provides for a contingent fee is void and  
30 unenforceable.

31 (f) Any person rendering services in connection with a tax credit  
32 relating to an enterprise zone, a LAMBRA, a manufacturing

1 enhancement area, or a targeted tax area may be required to  
2 provide, upon request of the board of the Franchise Tax Board, a  
3 written certification, submitted under penalty of perjury, that the  
4 fee for those services does not include, in whole or in part, a  
5 contingent fee.

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

9 (h) This section shall apply to all contracts or arrangements that  
10 provide for a fee for services rendered in connection with a tax  
11 credit relating to an enterprise zone, a LAMBRA, a manufacturing  
12 enhancement area, or a targeted tax area on or after the effective  
13 date of this act.

14 SEC. 2. Section 17053.34 of the Revenue and Taxation Code  
15 is amended to read:

16 17053.34. (a) (1) For each taxable year beginning on or after  
17 January 1, 1998, and before January 1, ~~2013~~, 2014, there shall be  
18 allowed a credit against the “net tax” (as defined in Section 17039)  
19 to a qualified taxpayer ~~who~~ that employs a qualified employee in  
20 a targeted tax area during the taxable year. The credit shall be equal  
21 to the sum of each of the following:

22 (A) Fifty percent of qualified wages in the first year of  
23 employment.

24 (B) Forty percent of qualified wages in the second year of  
25 employment.

26 (C) Thirty percent of qualified wages in the third year of  
27 employment.

28 (D) Twenty percent of qualified wages in the fourth year of  
29 employment.

30 (E) Ten percent of qualified wages in the fifth year of  
31 employment.

32 (2) (A) For each taxable year beginning on or after January 1,  
33 ~~2013~~, 2014, and before January 1, 2019, there shall be allowed a  
34 credit against the “net tax,” as defined in Section 17039, to a  
35 qualified taxpayer ~~who~~ that employs a qualified employee in a  
36 targeted tax area during the taxable year. The credit shall be equal  
37 to the sum of each of the following:

38 (i) Ten percent of qualified wages in the first year of  
39 employment.

1 (ii) Ten percent of qualified wages in the second year of  
2 employment.

3 (iii) Thirty percent of qualified wages in the third year of  
4 employment.

5 (iv) Forty percent of qualified wages in the fourth year of  
6 employment.

7 (v) Fifty percent of qualified wages in the fifth year of  
8 employment.

9 (B) The credit shall be allowed only with respect to qualified  
10 wages paid for each net increase in qualified employees. A net  
11 increase shall be determined by subtracting from the amount  
12 determined in clause (i) the amount determined in clause (ii).

13 (i) The total number of qualified employees employed in the  
14 state in the preceding taxable year by the qualified taxpayer and  
15 by any trade or business acquired by the qualified taxpayer during  
16 the preceding taxable year.

17 (ii) The total number of qualified employees employed in the  
18 state in the current taxable year by the qualified taxpayer and by  
19 any trade or business acquired by the qualified taxpayer during  
20 the current taxable year.

21 (C) If a qualified taxpayer relocated to a targeted tax area from  
22 within the state during the taxable year for which the credit is  
23 claimed, the qualified taxpayer shall be allowed a credit with  
24 respect to qualified wages for each net increase in qualified  
25 employees only if the qualified taxpayer provides each employee  
26 at the previous location or locations a written notice of transfer to  
27 the new location with comparable compensation. The qualified  
28 taxpayer shall provide self-certification with documentation when  
29 submitting a voucher application.

30 (b) For purposes of this section:

31 (1) “Qualified wages” means:

32 (A) That portion of wages paid or incurred by the qualified  
33 taxpayer during the taxable year to qualified employees that  
34 exceeds 200 percent of the minimum wage and does not exceed  
35 500 percent of the minimum wage.

36 (B) Wages received during the 60-month period beginning with  
37 the first day the employee commences employment with the  
38 qualified taxpayer. Reemployment in connection with any increase,  
39 including a regularly occurring seasonal increase, in the trade or

1 business operations of the qualified taxpayer does not constitute  
2 commencement of employment for purposes of this section.

3 (C) Qualified wages do not include any wages paid or incurred  
4 by the qualified taxpayer on or after the targeted tax area expiration  
5 date. However, wages paid or incurred with respect to qualified  
6 employees who are employed by the qualified taxpayer within the  
7 targeted tax area within the 60-month period prior to the targeted  
8 tax area expiration date shall continue to qualify for the credit  
9 under this section after the targeted tax area expiration date, in  
10 accordance with all provisions of this section applied as if the  
11 targeted tax area designation were still in existence and binding.

12 (2) “Minimum wage” means the wage established by the  
13 Industrial Welfare Commission as provided for in Chapter 1  
14 (commencing with Section 1171) of Part 4 of Division 2 of the  
15 Labor Code.

16 (3) “Targeted tax area expiration date” means the date the  
17 targeted tax area designation expires, is revoked, is no longer  
18 binding, or becomes inoperative.

19 (4) (A) “Qualified employee” means an individual who meets  
20 all of the following requirements:

21 (i) At least 90 percent of his or her services for the qualified  
22 taxpayer during the taxable year are directly related to the conduct  
23 of the qualified taxpayer’s trade or business located in a targeted  
24 tax area.

25 (ii) Performs at least 50 percent of his or her services for the  
26 qualified taxpayer during the taxable year in a targeted tax area.

27 (iii) Is hired by the qualified taxpayer after the date of original  
28 designation of the area in which services were performed as a  
29 targeted tax area.

30 (iv) Is any of the following:

31 (I) Immediately preceding the qualified employee’s  
32 commencement of employment with the qualified taxpayer, was  
33 a person eligible for services under the federal ~~Job Training~~  
34 ~~Partnership Act~~ *Workforce Investment Act of 1998* (29 U.S.C. Sec.  
35 ~~1501~~ 2801 et seq.), or its successor, who is receiving, or is eligible  
36 to receive, subsidized employment, training, or services funded  
37 by the federal Workforce Investment Act of 1998 (29 U.S.C. Sec.  
38 2801 et seq.), or its successor.

39 (II) Immediately preceding the qualified employee’s  
40 commencement of employment with the qualified taxpayer, was

1 a person eligible to be a voluntary or mandatory registrant under  
2 the Greater Avenues for Independence Act of 1985 (GAIN)  
3 provided for pursuant to Article 3.2 (commencing with Section  
4 11320) of Chapter 2 of Part 3 of Division 9 of the Welfare and  
5 Institutions Code, or its successor.

6 (III) Immediately preceding the qualified employee's  
7 commencement of employment with the qualified taxpayer, was  
8 an economically disadvantaged individual 14 years of age or older.

9 (IV) Immediately preceding the qualified employee's  
10 commencement of employment with the qualified taxpayer, was  
11 a dislocated worker who meets any of the following:

12 (ia) Has been terminated or laid off or who has received a notice  
13 of termination or layoff from employment, is eligible for or has  
14 exhausted entitlement to unemployment insurance benefits, and  
15 is unlikely to return to his or her previous industry or occupation.

16 (ib) Has been terminated or has received a notice of termination  
17 of employment as a result of any permanent closure or any  
18 substantial layoff at a plant, facility, or enterprise, including an  
19 individual who has not received written notification but whose  
20 employer has made a public announcement of the closure or layoff.

21 (ic) Is long-term unemployed and has limited opportunities for  
22 employment or reemployment in the same or a similar occupation  
23 in the area in which the individual resides, including an individual  
24 55 years of age or older who may have substantial barriers to  
25 employment by reason of age.

26 (id) Was self-employed (including farmers and ranchers) and  
27 is unemployed as a result of general economic conditions in the  
28 community in which he or she resides or because of natural  
29 disasters.

30 (ie) Was a civilian employee of the Department of Defense  
31 employed at a military installation being closed or realigned under  
32 the *federal* Defense Base Closure and Realignment Act of 1990.

33 (if) Was an active member of the Armed Forces or National  
34 Guard as of September 30, 1990, and was either involuntarily  
35 separated or separated pursuant to a special benefits program.

36 (ig) Is a seasonal or migrant worker who experiences chronic  
37 seasonal unemployment and underemployment in the agriculture  
38 industry, aggravated by continual advancements in technology and  
39 mechanization.

- 1 (ih) Has been terminated or laid off, or has received a notice of  
2 termination or layoff, as a consequence of compliance with the  
3 *federal* Clean Air Act.
- 4 (V) Immediately preceding the qualified employee's  
5 commencement of employment with the qualified taxpayer, was  
6 a disabled individual who is eligible for or enrolled in, or has  
7 completed a state rehabilitation plan or is a service-connected  
8 disabled veteran, veteran of the Vietnam era, or veteran who is  
9 recently separated from military service.
- 10 (VI) Immediately preceding the qualified employee's  
11 commencement of employment with the qualified taxpayer, was  
12 an ex-offender. An individual shall be treated as convicted if he  
13 or she was placed on probation by a state court without a finding  
14 of ~~guilty~~ *guilt*.
- 15 (VII) Immediately preceding the qualified employee's  
16 commencement of employment with the qualified taxpayer, was  
17 a person eligible for or a recipient of any of the following:
- 18 (ia) Federal Supplemental Security Income benefits.  
19 (ib) Aid to Families with Dependent Children.  
20 (ic) CalFresh benefits.  
21 (id) State and local general assistance.
- 22 (VIII) Immediately preceding the qualified employee's  
23 commencement of employment with the qualified taxpayer, was  
24 a member of a federally recognized Indian tribe, band, or other  
25 group of Native American descent.
- 26 (IX) Immediately preceding the qualified employee's  
27 commencement of employment with the qualified taxpayer, was  
28 a resident of a targeted tax area.
- 29 (X) Immediately preceding the qualified employee's  
30 commencement of employment with the taxpayer, was a member  
31 of a targeted group as defined in Section 51(d) of the Internal  
32 Revenue Code, or its successor.
- 33 (B) Priority for employment shall be provided to an individual  
34 who is enrolled in a qualified program under the federal ~~Job~~  
35 ~~Training Partnership Act~~ *Workforce Investment Act of 1998, or its*  
36 *successor*, or the Greater Avenues for Independence Act of 1985  
37 or who is eligible as a member of a targeted group under the Work  
38 Opportunity Tax Credit (Section 51 of the Internal Revenue Code),  
39 or its successor.

1 (5) (A) “Qualified taxpayer” means a person or entity that meets  
2 both of the following:

3 (i) Is engaged in a trade or business within a targeted tax area  
4 designated pursuant to Chapter 12.93 (commencing with Section  
5 7097) of Division 7 of Title 1 of the Government Code.

6 (ii) Is engaged in those lines of business described in Codes  
7 2000 to 2099, inclusive; 2200 to 3999, inclusive; 4200 to 4299,  
8 inclusive; 4500 to 4599, inclusive; and 4700 to 5199, inclusive,  
9 of the Standard Industrial Classification (SIC) Manual published  
10 by the United States Office of Management and Budget, 1987  
11 edition.

12 (B) In the case of any ~~passthrough~~ *pass-thru* entity, the  
13 determination of whether a taxpayer is a qualified taxpayer under  
14 this section shall be made at the entity level and any credit under  
15 this section or Section 23634 shall be allowed to the ~~passthrough~~  
16 *pass-thru* entity and passed through to the partners or shareholders  
17 in accordance with applicable provisions of this part or Part 11  
18 (commencing with Section 23001). For purposes of this  
19 ~~subdivision; subparagraph~~, the term ~~“passthrough entity”~~  
20 *“pass-thru entity”* means any partnership or “S” corporation.

21 (C) “Qualified taxpayer” shall not include employers that  
22 provide temporary help services, as described in Code 561320 of  
23 the North American Industry Classification System (NAICS)  
24 *published by the United States Office of Management and Budget,*  
25 *2012 edition.*

26 (6) “Seasonal employment” means employment by a qualified  
27 taxpayer that has regular and predictable substantial reductions in  
28 trade or business operations.

29 (c) If the qualified taxpayer is allowed a credit for qualified  
30 wages pursuant to this section, only one credit shall be allowed to  
31 the taxpayer under this part with respect to those qualified wages.

32 (d) The qualified taxpayer shall do both of the following:

33 (1) Obtain from the Employment Development Department, as  
34 permitted by federal law, the local county or city ~~Job Training~~  
35 ~~Partnership Act Workforce Investment Act of 1998~~ administrative  
36 entity, the local county GAIN office or social services agency, or  
37 the local government administering the targeted tax area, a  
38 certification that provides that a qualified employee meets the  
39 eligibility requirements specified in clause (iv) of subparagraph  
40 (A) of paragraph (4) of subdivision (b). The Employment

1 Development Department may provide preliminary screening and  
2 referral to a certifying agency. The Department of Housing and  
3 Community Development shall develop regulations governing the  
4 issuance of certificates pursuant to subdivision (g) of Section 7097  
5 of the Government Code, and shall develop forms for this purpose.

6 (2) Retain a copy of the certification and provide it to the  
7 Franchise Tax Board annually.

8 (e) (1) For purposes of this section:

9 (A) All employees of trades or businesses, which are not  
10 incorporated, that are under common control shall be treated as  
11 employed by a single taxpayer.

12 (B) The credit, if any, allowable by this section with respect to  
13 each trade or business shall be determined by reference to its  
14 proportionate share of the expense of the qualified wages giving  
15 rise to the credit, and shall be allocated in that manner.

16 (C) Principles that apply in the case of controlled groups of  
17 corporations, as specified in subdivision (d) of Section 23634,  
18 shall apply with respect to determining employment.

19 (2) If an employer acquires the major portion of a trade or  
20 business of another employer (hereinafter in this paragraph referred  
21 to as the “predecessor”) or the major portion of a separate unit of  
22 a trade or business of a predecessor, then, for purposes of applying  
23 this section (other than subdivision (f)) for any calendar year ending  
24 after that acquisition, the employment relationship between a  
25 qualified employee and an employer shall not be treated as  
26 terminated if the employee continues to be employed in that trade  
27 or business.

28 (f) (1) (A) If the employment, other than seasonal employment,  
29 of any qualified employee, with respect to whom qualified wages  
30 are taken into account under subdivision (a) is terminated by the  
31 qualified taxpayer at any time during the first 270 days of that  
32 employment (whether or not consecutive) or before the close of  
33 the 270th calendar day after the day in which that employee  
34 completes 90 days of employment with the qualified taxpayer, the  
35 tax imposed by this part for the taxable year in which that  
36 employment is terminated shall be increased by an amount equal  
37 to the credit allowed under subdivision (a) for that taxable year  
38 and all prior taxable years attributable to qualified wages paid or  
39 incurred with respect to that employee.

1 (B) If the seasonal employment of any qualified employee, with  
2 respect to whom qualified wages are taken into account under  
3 subdivision (a) is not continued by the qualified taxpayer for a  
4 period of 270 days of employment during the 60-month period  
5 beginning with the day the qualified employee commences seasonal  
6 employment with the qualified taxpayer, the tax imposed by this  
7 part, for the taxable year that includes the 60th month following  
8 the month in which the qualified employee commences seasonal  
9 employment with the qualified taxpayer, shall be increased by an  
10 amount equal to the credit allowed under subdivision (a) for that  
11 taxable year and all prior taxable years attributable to qualified  
12 wages paid or incurred with respect to that qualified employee.

13 (2) (A) Subparagraph (A) of paragraph (1) shall not apply to  
14 any of the following:

15 (i) A termination of employment of a qualified employee who  
16 voluntarily leaves the employment of the qualified taxpayer.

17 (ii) A termination of employment of a qualified employee who,  
18 before the close of the period referred to in subparagraph (A) of  
19 paragraph (1), becomes disabled and unable to perform the services  
20 of that employment, unless that disability is removed before the  
21 close of that period and the qualified taxpayer fails to offer  
22 reemployment to that employee.

23 (iii) A termination of employment of a qualified employee, if  
24 it is determined that the termination was due to the misconduct (as  
25 defined in Sections 1256-30 to 1256-43, inclusive, of Title 22 of  
26 the California Code of Regulations) of that employee.

27 (iv) A termination of employment of a qualified employee due  
28 to a substantial reduction in the trade or business operations of the  
29 qualified taxpayer.

30 (v) A termination of employment of a qualified employee, if  
31 that employee is replaced by other qualified employees so as to  
32 create a net increase in both the number of employees and the  
33 hours of employment.

34 (B) Subparagraph (B) of paragraph (1) shall not apply to any  
35 of the following:

36 (i) A failure to continue the seasonal employment of a qualified  
37 employee who voluntarily fails to return to the seasonal  
38 employment of the qualified taxpayer.

39 (ii) A failure to continue the seasonal employment of a qualified  
40 employee who, before the close of the period referred to in

1 subparagraph (B) of paragraph (1), becomes disabled and unable  
2 to perform the services of that seasonal employment, unless that  
3 disability is removed before the close of that period and the  
4 qualified taxpayer fails to offer seasonal employment to that  
5 qualified employee.

6 (iii) A failure to continue the seasonal employment of a qualified  
7 employee, if it is determined that the failure to continue the  
8 seasonal employment was due to the misconduct (as defined in  
9 Sections 1256-30 to 1256-43, inclusive, of Title 22 of the California  
10 Code of Regulations) of that qualified employee.

11 (iv) A failure to continue seasonal employment of a qualified  
12 employee due to a substantial reduction in the regular seasonal  
13 trade or business operations of the qualified taxpayer.

14 (v) A failure to continue the seasonal employment of a qualified  
15 employee, if that qualified employee is replaced by other qualified  
16 employees so as to create a net increase in both the number of  
17 seasonal employees and the hours of seasonal employment.

18 (C) For purposes of paragraph (1), the employment relationship  
19 between the qualified taxpayer and a qualified employee shall not  
20 be treated as terminated by reason of a mere change in the form  
21 of conducting the trade or business of the qualified taxpayer, if the  
22 qualified employee continues to be employed in that trade or  
23 business and the qualified taxpayer retains a substantial interest  
24 in that trade or business.

25 (3) Any increase in tax under paragraph (1) shall not be treated  
26 as tax imposed by this part for purposes of determining the amount  
27 of any credit allowable under this part.

28 (g) In the case of an estate or trust, both of the following apply:

29 (1) The qualified wages for any taxable year shall be apportioned  
30 between the estate or trust and the beneficiaries on the basis of the  
31 income of the estate or trust allocable to each.

32 (2) Any beneficiary to whom any qualified wages have been  
33 apportioned under paragraph (1) shall be treated, for purposes of  
34 this part, as the employer with respect to those wages.

35 (h) For purposes of this section, “targeted tax area” means an  
36 area designated pursuant to Chapter 12.93 (commencing with  
37 Section 7097) of Division 7 of Title 1 of the Government Code.

38 (i) In the case where the credit otherwise allowed under this  
39 section exceeds the “net tax” for the taxable year, that portion of  
40 the credit that exceeds the “net tax” may be carried over and added

1 to the credit, if any, in succeeding taxable years, until the credit is  
2 exhausted. The credit shall be applied first to the earliest taxable  
3 years possible.

4 (j) (1) The amount of the credit otherwise allowed under this  
5 section and Section 17053.33, including any credit carryover from  
6 prior years, that may reduce the “net tax” for the taxable year shall  
7 not exceed the amount of tax that would be imposed on the  
8 qualified taxpayer’s business income attributable to the targeted  
9 tax area determined as if that attributable income represented all  
10 of the income of the qualified taxpayer subject to tax under this  
11 part.

12 (2) Attributable income shall be that portion of the taxpayer’s  
13 California source business income that is apportioned to the  
14 targeted tax area. For that purpose, the taxpayer’s business income  
15 attributable to sources in this state first shall be determined in  
16 accordance with Chapter 17 (commencing with Section 25101) of  
17 Part 11. That business income shall be further apportioned to the  
18 targeted tax area in accordance with Article 2 (commencing with  
19 Section 25120) of Chapter 17 of Part 11, modified for purposes  
20 of this section in accordance with paragraph (3).

21 (3) Business income shall be apportioned to the targeted tax  
22 area by multiplying the total California business income of the  
23 taxpayer by a fraction, the numerator of which is the property  
24 factor plus the payroll factor, and the denominator of which is two.  
25 For purposes of this paragraph:

26 (A) The property factor is a fraction, the numerator of which is  
27 the average value of the taxpayer’s real and tangible personal  
28 property owned or rented and used in the targeted tax area during  
29 the taxable year, and the denominator of which is the average value  
30 of all the taxpayer’s real and tangible personal property owned or  
31 rented and used in this state during the taxable year.

32 (B) The payroll factor is a fraction, the numerator of which is  
33 the total amount paid by the taxpayer in the targeted tax area during  
34 the taxable year for compensation, and the denominator of which  
35 is the total compensation paid by the taxpayer in this state during  
36 the taxable year.

37 (4) The portion of any credit remaining, if any, after application  
38 of this subdivision, shall be carried over to succeeding taxable  
39 years, as if it were an amount exceeding the “net tax” for the  
40 taxable year, as provided in subdivision ~~(h)~~ (i).

1 (5) In the event that a credit carryover is allowable under  
 2 subdivision ~~(h)~~ (i) for any taxable year after the targeted tax area  
 3 ~~expiration date, designation has expired or been revoked,~~ the  
 4 targeted tax area shall be deemed to remain in existence for  
 5 purposes of computing the limitation specified in this subdivision.

6 (k) (1) For the 2014 calendar year, and each calendar year  
 7 thereafter until January 1, 2019, the total aggregate amount of  
 8 credits allowed pursuant to this section shall not exceed the total  
 9 aggregate amount of credits claimed pursuant to this section in the  
 10 2013 calendar year, as determined by the Franchise Tax Board.

11 (2) Upon receipt of a timely filed original return, the Franchise  
 12 Tax Board shall allocate the credit to the qualified taxpayer on a  
 13 first-come-first-served basis.

14 (l) (1) The Franchise Tax Board shall compile the certifications  
 15 submitted pursuant to paragraph (2) of subdivision (d) and shall  
 16 provide as a searchable database on its Internet Web site, for each  
 17 taxable year beginning on or after January 1, 2014, and before  
 18 January 1, 2019, the employer names, amounts of tax credit  
 19 claimed, and number of new jobs created for each taxable year  
 20 pursuant to this section, Sections 17053.46, 17053.47, 17053.74,  
 21 17053.90, 23622.7, 23622.8, 23634, ~~and~~ 23646, and 23690.

22 (2) The Franchise Tax Board may prescribe rules, guidelines,  
 23 or procedures necessary or appropriate to carry out the purposes  
 24 of this section, including any guidelines regarding the allocation  
 25 of the credit allowed under this section.

26 (m) This section shall remain in effect only until December 1,  
 27 2019, and as of that date is repealed.

28 SEC. 3. Section 17053.46 of the Revenue and Taxation Code  
 29 is amended to read:

30 17053.46. (a) (1) For each taxable year beginning on or after  
 31 January 1, 1995, and before January 1, ~~2013,~~ 2014, there shall be  
 32 allowed as a credit against the “net tax” (as defined in Section  
 33 17039) to a qualified taxpayer for hiring a qualified disadvantaged  
 34 individual or a qualified displaced employee during the taxable  
 35 year for employment in the LAMBRA. The credit shall be equal  
 36 to the sum of each of the following:

37 (A) Fifty percent of the qualified wages in the first year of  
 38 employment.

39 (B) Forty percent of the qualified wages in the second year of  
 40 employment.

1 (C) Thirty percent of the qualified wages in the third year of  
2 employment.

3 (D) Twenty percent of the qualified wages in the fourth year of  
4 employment.

5 (E) Ten percent of the qualified wages in the fifth year of  
6 employment.

7 (2) (A) For each taxable year beginning on or after January 1,  
8 ~~2013~~, 2014, and before January 1, 2019, there shall be allowed as  
9 a credit against the “net tax,” as defined in Section 17039, to a  
10 qualified taxpayer for hiring a qualified disadvantaged individual  
11 or a qualified displaced employee during the taxable year for  
12 employment in the LAMBRA. The credit shall be equal to the sum  
13 of each of the following:

14 (i) Ten percent of qualified wages in the first year of  
15 employment.

16 (ii) Ten percent of qualified wages in the second year of  
17 employment.

18 (iii) Thirty percent of qualified wages in the third year of  
19 employment.

20 (iv) Forty percent of qualified wages in the fourth year of  
21 employment.

22 (v) Fifty percent of qualified wages in the fifth year of  
23 employment.

24 (B) The credit shall be allowed only with respect to qualified  
25 wages paid for each net increase in qualified employees. A net  
26 increase shall be determined by subtracting from the amount  
27 determined in clause (i) the amount determined in clause (ii). For  
28 purposes of this subparagraph, “qualified employees” means  
29 qualified disadvantaged individuals and qualified displaced  
30 employees.

31 (i) The total number of qualified employees employed in the  
32 state in the preceding taxable year by the qualified taxpayer and  
33 by any trade or business acquired by the qualified taxpayer during  
34 the preceding taxable year.

35 (ii) The total number of qualified employees employed in the  
36 state in the current taxable year by the qualified taxpayer and by  
37 any trade or business acquired by the qualified taxpayer during  
38 the current taxable year.

39 (C) If a qualified taxpayer relocated to a LAMBRA from within  
40 the state during the taxable year for which the credit is claimed,

1 the qualified taxpayer shall be allowed a credit with respect to  
2 qualified wages for each net increase in qualified employees only  
3 if the qualified taxpayer provides each employee at the previous  
4 location or locations a written notice of transfer to the new location  
5 with comparable compensation. *The qualified taxpayer shall*  
6 *provide self-certification with documentation when submitting a*  
7 *voucher application.*

8 (b) For purposes of this section:

9 (1) “Qualified wages” means:

10 (A) That portion of wages paid or incurred by the employer  
11 during the taxable year to qualified disadvantaged individuals or  
12 qualified displaced employees that exceeds 200 percent of the  
13 minimum wage and does not exceed 500 percent of the minimum  
14 wage.

15 (B) The total amount of qualified wages which may be taken  
16 into account for purposes of claiming the credit allowed under this  
17 section shall not exceed two million dollars (\$2,000,000) per  
18 taxable year.

19 (C) Wages received during the 60-month period beginning with  
20 the first day the individual commences employment with the  
21 taxpayer. Reemployment in connection with any increase, including  
22 a regularly occurring seasonal increase, in the trade or business  
23 operations of the qualified taxpayer does not constitute  
24 commencement of employment for purposes of this section.

25 (D) Qualified wages do not include any wages paid or incurred  
26 by the qualified taxpayer on or after the LAMBRA expiration date.  
27 However, wages paid or incurred with respect to qualified  
28 disadvantaged individuals or qualified displaced employees who  
29 are employed by the qualified taxpayer within the LAMBRA within  
30 the 60-month period prior to the LAMBRA expiration date shall  
31 continue to qualify for the credit under this section after the  
32 LAMBRA expiration date, in accordance with all provisions of  
33 this section applied as if the LAMBRA designation were still in  
34 existence and binding.

35 (2) “Minimum wage” means the wage established by the  
36 Industrial Welfare Commission as provided for in Chapter 1  
37 (commencing with Section 1171) of Part 4 of Division 2 of the  
38 Labor Code.

1 (3) “LAMBRA” means a local agency military base recovery  
2 area designated in accordance with Section 7114 of the Government  
3 Code.

4 (4) “Qualified disadvantaged individual” means an individual  
5 who satisfies all of the following requirements:

6 (A) (i) At least 90 percent of whose services for the taxpayer  
7 during the taxable year are directly related to the conduct of the  
8 taxpayer’s trade or business located in a LAMBRA.

9 (ii) Who performs at least 50 percent of his or her services for  
10 the taxpayer during the taxable year in the LAMBRA.

11 (B) Who is hired by the employer after the designation of the  
12 area as a LAMBRA in which the individual’s services were  
13 primarily performed.

14 (C) Who is any of the following immediately preceding the  
15 individual’s commencement of employment with the taxpayer:

16 (i) An individual who has been determined eligible for services  
17 under the federal Workforce Investment Act of 1998 (29 U.S.C.  
18 Sec. 2801 et seq.).

19 (ii) Any voluntary or mandatory registrant under the Greater  
20 Avenues for Independence Act of 1985 as provided pursuant to  
21 Article 3.2 (commencing with Section 11320) of Chapter 2 of Part  
22 3 of Division 9 of the Welfare and Institutions Code.

23 (iii) An economically disadvantaged individual ~~age~~ 16 years *of*  
24 *age* or older.

25 (iv) A dislocated worker who meets any of the following  
26 conditions:

27 (I) Has been terminated or laid off or who has received a notice  
28 of termination or layoff from employment, is eligible for or has  
29 exhausted entitlement to unemployment insurance benefits, and  
30 is unlikely to return to his or her previous industry or occupation.

31 (II) Has been terminated or has received a notice of termination  
32 of employment as a result of any permanent closure or any  
33 substantial layoff at a plant, facility, or enterprise, including an  
34 individual who has not received written notification but whose  
35 employer has made a public announcement of the closure or layoff.

36 (III) Is long-term unemployed and has limited opportunities for  
37 employment or reemployment in the same or a similar occupation  
38 in the area in which the individual resides, including an individual  
39 55 years of age or older who may have substantial barriers to  
40 employment by reason of age.

1 (IV) Was self-employed (including farmers and ranchers) and  
2 is unemployed as a result of general economic conditions in the  
3 community in which he or she resides or because of natural  
4 disasters.

5 (V) Was a civilian employee of the Department of Defense  
6 employed at a military installation being closed or realigned under  
7 the *federal* Defense Base Closure and Realignment Act of 1990.

8 (VI) Was an active member of the Armed Forces or National  
9 Guard as of September 30, 1990, and was either involuntarily  
10 separated or separated pursuant to a special benefits program.

11 (VII) Experiences chronic seasonal unemployment and  
12 underemployment in the agriculture industry, aggravated by  
13 continual advancements in technology and mechanization.

14 (VIII) Has been terminated or laid off or has received a notice  
15 of termination or layoff as a consequence of compliance with the  
16 *federal* Clean Air Act.

17 (v) An individual who is enrolled in or has completed a state  
18 rehabilitation plan or is a service-connected disabled veteran,  
19 veteran of the Vietnam era, or veteran who is recently separated  
20 from military service.

21 (vi) An ex-offender. An individual shall be treated as convicted  
22 if he or she was placed on probation by a state court without a  
23 finding of ~~guilty~~ *guilt*.

24 (vii) A recipient of:

25 (I) Federal Supplemental Security Income benefits.

26 (II) Aid to Families with Dependent Children.

27 (III) CalFresh benefits.

28 (IV) State and local general assistance.

29 (viii) Is a member of a federally recognized Indian tribe, band,  
30 or other group of Native American descent.

31 (5) “Qualified taxpayer” means a taxpayer or partnership that  
32 conducts a trade or business within a LAMBRA and, for the first  
33 two taxable years, has a net increase in jobs (defined as 2,000 paid  
34 hours per employee per year) of one or more employees in the  
35 LAMBRA.

36 (A) The net increase in the number of jobs shall be determined  
37 by subtracting the total number of full-time employees (defined  
38 as 2,000 paid hours per employee per year) the taxpayer employed  
39 in this state in the taxable year prior to commencing business  
40 operations in the LAMBRA from the total number of full-time

1 employees the taxpayer employed in this state during the second  
2 taxable year after commencing business operations in the  
3 LAMBRA. For taxpayers ~~who~~ *that* commence doing business in  
4 this state with their LAMBRA business operation, the number of  
5 employees for the taxable year prior to commencing business  
6 operations in the LAMBRA shall be zero. If the taxpayer has a net  
7 increase in jobs in the state, the credit shall be allowed only if one  
8 or more full-time employees is employed within the LAMBRA.

9 (B) The total number of employees employed in the LAMBRA  
10 shall equal the sum of both of the following:

11 (i) The total number of hours worked in the LAMBRA for the  
12 taxpayer by employees (not to exceed 2,000 hours per employee)  
13 who are paid an hourly wage divided by 2,000.

14 (ii) The total number of months worked in the LAMBRA for  
15 the taxpayer by employees who are salaried employees divided  
16 by 12.

17 (C) In the case of a taxpayer ~~who~~ *that* first commences doing  
18 business in the LAMBRA during the taxable year, for purposes of  
19 clauses (i) and (ii), respectively, of subparagraph (B), the divisors  
20 “2,000” and “12” shall be multiplied by a fraction, the numerator  
21 of which is the number of months of the taxable year that the  
22 taxpayer was doing business in the LAMBRA and the denominator  
23 of which is 12.

24 (D) “Qualified taxpayer” shall not include employers that  
25 provide temporary help services, as described in Code 561320 of  
26 the North American Industry Classification System (NAICS)  
27 *published by the United States Office of Management and Budget,*  
28 *2012 edition.*

29 (6) “Qualified displaced employee” means an individual who  
30 satisfies all of the following requirements:

31 (A) Any civilian or military employee of a base or former base  
32 who has been displaced as a result of a federal base closure act.

33 (B) (i) At least 90 percent of whose services for the taxpayer  
34 during the taxable year are directly related to the conduct of the  
35 taxpayer’s trade or business located in a LAMBRA.

36 (ii) Who performs at least 50 percent of his or her services for  
37 the taxpayer during the taxable year in a LAMBRA.

38 (C) Who is hired by the employer after the designation of the  
39 area in which services were performed as a LAMBRA.

1 (7) “Seasonal employment” means employment by a qualified  
2 taxpayer that has regular and predictable substantial reductions in  
3 trade or business operations.

4 (8) “LAMBRA expiration date” means the date the LAMBRA  
5 designation expires, is no longer binding, or becomes inoperative.

6 (c) For qualified disadvantaged individuals or qualified displaced  
7 employees hired on or after January 1, 2001, the taxpayer shall do  
8 both of the following:

9 (1) Obtain from the Employment Development Department, as  
10 permitted by federal law, the local county or city ~~Job Training~~  
11 ~~Partnership Act Workforce Investment Act of 1998~~ administrative  
12 entity, the local county GAIN office or social services agency, or  
13 the local government administering the LAMBRA, a certification  
14 that provides that a qualified disadvantaged individual or qualified  
15 displaced employee meets the eligibility requirements specified  
16 in subparagraph (C) of paragraph (4) of subdivision (b) or  
17 subparagraph (A) of paragraph (6) of subdivision (b). The  
18 Employment Development Department may provide preliminary  
19 screening and referral to a certifying agency. The Department of  
20 Housing and Community Development shall develop regulations  
21 governing the issuance of certificates pursuant to Section 7114.2  
22 of the Government Code and shall develop forms for this purpose.

23 (2) Retain a copy of the certification and provide it to the  
24 Franchise Tax Board annually.

25 (d) (1) For purposes of this section, both of the following apply:

26 (A) All employees of trades or businesses that are under  
27 common control shall be treated as employed by a single employer.

28 (B) The credit (if any) allowable by this section with respect to  
29 each trade or business shall be determined by reference to its  
30 proportionate share of the qualified wages giving rise to the credit.

31 The regulations prescribed under this paragraph shall be based  
32 on principles similar to the principles that apply in the case of  
33 controlled groups of corporations as specified in subdivision (e)  
34 of Section 23622.

35 (2) If an employer acquires the major portion of a trade or  
36 business of another employer (hereinafter in this paragraph referred  
37 to as the “predecessor”) or the major portion of a separate unit of  
38 a trade or business of a predecessor, then, for purposes of applying  
39 this section (other than subdivision (d)) for any calendar year  
40 ending after that acquisition, the employment relationship between

1 an employee and an employer shall not be treated as terminated if  
2 the employee continues to be employed in that trade or business.

3 (e) (1) (A) If the employment, other than seasonal employment,  
4 of any employee, with respect to whom qualified wages are taken  
5 into account under subdivision (a), is terminated by the taxpayer  
6 at any time during the first 270 days of that employment (whether  
7 or not consecutive) or before the close of the 270th calendar day  
8 after the day in which that employee completes 90 days of  
9 employment with the taxpayer, the tax imposed by this part for  
10 the taxable year in which that employment is terminated shall be  
11 increased by an amount (determined under those regulations) equal  
12 to the credit allowed under subdivision (a) for that taxable year  
13 and all prior taxable years attributable to qualified wages paid or  
14 incurred with respect to that employee.

15 (B) If the seasonal employment of any qualified disadvantaged  
16 individual, with respect to whom qualified wages are taken into  
17 account under subdivision (a), is not continued by the qualified  
18 taxpayer for a period of 270 days of employment during the  
19 60-month period beginning with the day the qualified  
20 disadvantaged individual commences seasonal employment with  
21 the qualified taxpayer, the tax imposed by this part, for the taxable  
22 year that includes the 60th month following the month in which  
23 the qualified disadvantaged individual commences seasonal  
24 employment with the qualified taxpayer, shall be increased by an  
25 amount equal to the credit allowed under subdivision (a) for that  
26 taxable year and all prior taxable years attributable to qualified  
27 wages paid or incurred with respect to that qualified disadvantaged  
28 individual.

29 (2) (A) Subparagraph (A) of paragraph (1) shall not apply to  
30 any of the following:

31 (i) A termination of employment of an employee who voluntarily  
32 leaves the employment of the taxpayer.

33 (ii) A termination of employment of an individual who, before  
34 the close of the period referred to in subparagraph (A) of paragraph  
35 (1), becomes disabled to perform the services of that employment,  
36 unless that disability is removed before the close of that period  
37 and the taxpayer fails to offer reemployment to that individual.

38 (iii) A termination of employment of an individual, if it is  
39 determined that the termination was due to the misconduct (as

1 defined in Sections 1256-30 to 1256-43, inclusive, of Title 22 of  
2 the California Code of Regulations) of that individual.

3 (iv) A termination of employment of an individual due to a  
4 substantial reduction in the trade or business operations of the  
5 taxpayer.

6 (v) A termination of employment of an individual, if that  
7 individual is replaced by other qualified employees so as to create  
8 a net increase in both the number of employees and the hours of  
9 employment.

10 (B) Subparagraph (B) of paragraph (1) shall not apply to any  
11 of the following:

12 (i) A failure to continue the seasonal employment of a qualified  
13 disadvantaged individual who voluntarily fails to return to the  
14 seasonal employment of the qualified taxpayer.

15 (ii) A failure to continue the seasonal employment of a qualified  
16 disadvantaged individual who, before the close of the period  
17 referred to in subparagraph (B) of paragraph (1), becomes disabled  
18 and unable to perform the services of that seasonal employment,  
19 unless that disability is removed before the close of that period  
20 and the qualified taxpayer fails to offer seasonal employment to  
21 that individual.

22 (iii) A failure to continue the seasonal employment of a qualified  
23 disadvantaged individual, if it is determined that the failure to  
24 continue the seasonal employment was due to the misconduct (as  
25 defined in Sections 1256-30 to 1256-43, inclusive, of Title 22 of  
26 the California Code of Regulations) of that qualified disadvantaged  
27 individual.

28 (iv) A failure to continue seasonal employment of a qualified  
29 disadvantaged individual due to a substantial reduction in the  
30 regular seasonal trade or business operations of the qualified  
31 taxpayer.

32 (v) A failure to continue the seasonal employment of a qualified  
33 disadvantaged individual, if that individual is replaced by other  
34 qualified displaced employees so as to create a net increase in both  
35 the number of seasonal employees and the hours of seasonal  
36 employment.

37 (C) For purposes of paragraph (1), the employment relationship  
38 between the taxpayer and an employee shall not be treated as  
39 terminated by reason of a mere change in the form of conducting  
40 the trade or business of the taxpayer, if the employee continues to

1 be employed in that trade or business and the taxpayer retains a  
2 substantial interest in that trade or business.

3 (3) Any increase in tax under paragraph (1) shall not be treated  
4 as tax imposed by this part for purposes of determining the amount  
5 of any credit allowable under this part.

6 (4) At the close of the second taxable year, if the taxpayer has  
7 not increased the number of its employees as determined by  
8 paragraph (5) of subdivision (b), then the amount of the credit  
9 previously claimed shall be added to the taxpayer's net tax for the  
10 taxpayer's second taxable year.

11 (f) In the case of an estate or trust, both of the following apply:

12 (1) The qualified wages for any taxable year shall be apportioned  
13 between the estate or trust and the beneficiaries on the basis of the  
14 income of the estate or trust allocable to each.

15 (2) Any beneficiary to whom any qualified wages have been  
16 apportioned under paragraph (1) shall be treated (for purposes of  
17 this part) as the employer with respect to those wages.

18 (g) The credit shall be reduced by the credit allowed under  
19 Section 17053.7. The credit shall also be reduced by the federal  
20 credit allowed under Section 51 of the Internal Revenue Code.

21 In addition, any deduction otherwise allowed under this part for  
22 the wages or salaries paid or incurred by the taxpayer upon which  
23 the credit is based shall be reduced by the amount of the credit,  
24 prior to any reduction required by subdivision (h) or (i).

25 (h) In the case where the credit otherwise allowed under this  
26 section exceeds the "net tax" for the taxable year, that portion of  
27 the credit that exceeds the "net tax" may be carried over and added  
28 to the credit, if any, in succeeding years, until the credit is  
29 exhausted. The credit shall be applied first to the earliest taxable  
30 years possible.

31 (i) (1) The amount of credit otherwise allowed under this section  
32 and Section 17053.45, including prior year credit carryovers, that  
33 may reduce the "net tax" for the taxable year shall not exceed the  
34 amount of tax that would be imposed on the taxpayer's business  
35 income attributed to a LAMBRA determined as if that attributed  
36 income represented all of the net income of the taxpayer subject  
37 to tax under this part.

38 (2) Attributable income shall be that portion of the taxpayer's  
39 California source business income that is apportioned to the  
40 LAMBRA. For that purpose, the taxpayer's business income that

1 is attributable to sources in this state first shall be determined in  
2 accordance with Chapter 17 (commencing with Section 25101) of  
3 Part 11. That business income shall be further apportioned to the  
4 LAMBRA in accordance with Article 2 (commencing with Section  
5 25120) of Chapter 17 of Part 11, modified for purposes of this  
6 section in accordance with paragraph (3).

7 (3) Income shall be apportioned to a LAMBRA by multiplying  
8 the total California business income of the taxpayer by a fraction,  
9 the numerator of which is the property factor plus the payroll factor,  
10 and the denominator of which is two. For purposes of this  
11 paragraph:

12 (A) The property factor is a fraction, the numerator of which is  
13 the average value of the taxpayer's real and tangible personal  
14 property owned or rented and used in the LAMBRA during the  
15 taxable year, and the denominator of which is the average value  
16 of all the taxpayer's real and tangible personal property owned or  
17 rented and used in this state during the taxable year.

18 (B) The payroll factor is a fraction, the numerator of which is  
19 the total amount paid by the taxpayer in the LAMBRA during the  
20 taxable year for compensation, and the denominator of which is  
21 the total compensation paid by the taxpayer in this state during the  
22 taxable year.

23 (4) The portion of any credit remaining, if any, after application  
24 of this subdivision, shall be carried over to succeeding taxable  
25 years, as if it were an amount exceeding the "net tax" for the  
26 taxable year, as provided in subdivision (h).

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

31 (k) (1) For the 2014 calendar year, and each calendar year  
32 thereafter until January 1, 2019, the total aggregate amount of  
33 credits allowed pursuant to this section shall not exceed the total  
34 aggregate amount of credits claimed pursuant to this section in the  
35 2013 calendar year, as determined by the Franchise Tax Board.

36 (2) Upon receipt of a timely filed original return, the Franchise  
37 Tax Board shall allocate the credit to the qualified taxpayer on a  
38 first-come-first-served basis.

39 (l) (1) The Franchise Tax Board shall compile the certifications  
40 submitted pursuant to paragraph (2) of subdivision (c) and shall

1 provide as a searchable database on its Internet Web site, for each  
2 taxable year beginning on or after January 1, 2014, and before  
3 January 1, 2019, the employer names, amounts of tax credit  
4 claimed, and number of new jobs created for each taxable year  
5 pursuant to this section, Sections 17053.34, 17053.47, 17053.74,  
6 *17053.90*, 23622.7, 23622.8, 23634, ~~and~~ 23646, *and* 23690.

7 (2) The Franchise Tax Board may prescribe rules, guidelines,  
8 or procedures necessary or appropriate to carry out the purposes  
9 of this section, including any guidelines regarding the allocation  
10 of the credit allowed under this section.

11 (m) This section shall remain in effect only until December 1,  
12 2019, and as of that date is repealed.

13 SEC. 4. Section 17053.47 of the Revenue and Taxation Code  
14 is amended to read:

15 17053.47. (a) (1) For each taxable year beginning on or after  
16 January 1, 1998, and before January 1, ~~2013~~, *2014*, there shall be  
17 allowed a credit against the “net tax” (as defined in Section 17039)  
18 to a qualified taxpayer for hiring a qualified disadvantaged  
19 individual during the taxable year for employment in the  
20 manufacturing enhancement area. The credit shall be equal to the  
21 sum of each of the following:

22 (A) Fifty percent of the qualified wages in the first year of  
23 employment.

24 (B) Forty percent of the qualified wages in the second year of  
25 employment.

26 (C) Thirty percent of the qualified wages in the third year of  
27 employment.

28 (D) Twenty percent of the qualified wages in the fourth year of  
29 employment.

30 (E) Ten percent of the qualified wages in the fifth year of  
31 employment.

32 (2) (A) For each taxable year beginning on or after January 1,  
33 ~~2013~~, *2014*, and before January 1, 2019, there shall be allowed as  
34 a credit against the “net tax,” as defined in Section 17039, to a  
35 qualified taxpayer for hiring a qualified disadvantaged individual  
36 during the taxable year for employment in the manufacturing  
37 enhancement area. The credit shall be equal to the sum of each of  
38 the following:

39 (i) Ten percent of qualified wages in the first year of  
40 employment.

1 (ii) Ten percent of qualified wages in the second year of  
2 employment.

3 (iii) Thirty percent of qualified wages in the third year of  
4 employment.

5 (iv) Forty percent of qualified wages in the fourth year of  
6 employment.

7 (v) Fifty percent of qualified wages in the fifth year of  
8 employment.

9 (B) The credit shall be allowed only with respect to qualified  
10 wages paid for each net increase in qualified employees. A net  
11 increase shall be determined by subtracting from the amount  
12 determined in clause (i) the amount determined in clause (ii). For  
13 purposes of this subparagraph, “qualified employee” means  
14 qualified disadvantaged individual.

15 (i) The total number of qualified employees employed in the  
16 state in the preceding taxable year by the qualified taxpayer and  
17 by any trade or business acquired by the qualified taxpayer during  
18 the preceding taxable year.

19 (ii) The total number of qualified employees employed in the  
20 state in the current taxable year by the qualified taxpayer and by  
21 any trade or business acquired by the qualified taxpayer during  
22 the current taxable year.

23 (C) If a qualified taxpayer relocated to a manufacturing  
24 enhancement area from within the state during the taxable year  
25 for which the credit is claimed, the qualified taxpayer shall be  
26 allowed a credit with respect to qualified wages for each net  
27 increase in qualified employees only if the qualified taxpayer  
28 provides each employee at the previous location or locations a  
29 written notice of transfer to the new location with comparable  
30 compensation. The qualified taxpayer shall provide  
31 self-certification with documentation when submitting a voucher  
32 application.

33 (b) For purposes of this section:

34 (1) “Qualified wages” means:

35 (A) That portion of wages paid or incurred by the qualified  
36 taxpayer during the taxable year to qualified disadvantaged  
37 individuals that exceeds 200 percent of the minimum wage and  
38 does not exceed 500 percent of the minimum wage.

39 (B) The total amount of qualified wages which may be taken  
40 into account for purposes of claiming the credit allowed under this

1 section shall not exceed two million dollars (\$2,000,000) per  
2 taxable year.

3 (C) Wages received during the 60-month period beginning with  
4 the first day the qualified disadvantaged individual commences  
5 employment with the qualified taxpayer. Reemployment in  
6 connection with any increase, including a regularly occurring  
7 seasonal increase, in the trade or business operations of the taxpayer  
8 does not constitute commencement of employment for purposes  
9 of this section.

10 (D) Qualified wages do not include any wages paid or incurred  
11 by the qualified taxpayer on or after the manufacturing  
12 enhancement area expiration date. However, wages paid or incurred  
13 with respect to qualified employees who are employed by the  
14 qualified taxpayer within the manufacturing enhancement area  
15 within the 60-month period prior to the manufacturing enhancement  
16 area expiration date shall continue to qualify for the credit under  
17 this section after the manufacturing enhancement area expiration  
18 date, in accordance with all provisions of this section applied as  
19 if the manufacturing enhancement area designation were still in  
20 existence and binding.

21 (2) “Minimum wage” means the wage established by the  
22 Industrial Welfare Commission as provided for in Chapter 1  
23 (commencing with Section 1171) of Part 4 of Division 2 of the  
24 Labor Code.

25 (3) “Manufacturing enhancement area” means an area designated  
26 pursuant to Section 7073.8 of the Government Code according to  
27 the procedures of Chapter 12.8 (commencing with Section 7070)  
28 of Division 7 of Title 1 of the Government Code.

29 (4) “Manufacturing enhancement area expiration date” means  
30 the date the manufacturing enhancement area designation expires,  
31 is no longer binding, or becomes inoperative.

32 (5) “Qualified disadvantaged individual” means an individual  
33 who satisfies all of the following requirements:

34 (A) (i) At least 90 percent of whose services for the qualified  
35 taxpayer during the taxable year are directly related to the conduct  
36 of the qualified taxpayer’s trade or business located in a  
37 manufacturing enhancement area.

38 (ii) Who performs at least 50 percent of his or her services for  
39 the qualified taxpayer during the taxable year in the manufacturing  
40 enhancement area.

1 (B) Who is hired by the qualified taxpayer after the designation  
2 of the area as a manufacturing enhancement area in which the  
3 individual's services were primarily performed.

4 (C) Who is any of the following immediately preceding the  
5 individual's commencement of employment with the qualified  
6 taxpayer:

7 (i) An individual who has been determined eligible for services  
8 under the federal Workforce Investment Act of 1998 (29 U.S.C.  
9 Sec. 2801 et seq.), or its successor.

10 (ii) Any voluntary or mandatory registrant under the Greater  
11 Avenues for Independence Act of 1985, or its successor, as  
12 provided pursuant to Article 3.2 (commencing with Section 11320)  
13 of Chapter 2 of Part 3 of Division 9 of the Welfare and Institutions  
14 Code.

15 (iii) Any individual who has been certified eligible by the  
16 Employment Development Department under the federal Targeted  
17 Jobs Tax Credit ~~Program~~, *program*, or its successor, whether or  
18 not this program is in effect.

19 (6) (A) "Qualified taxpayer" means any taxpayer engaged in  
20 a trade or business within a manufacturing enhancement area  
21 designated pursuant to Section 7073.8 of the Government Code  
22 and who meets all of the following requirements:

23 (i) Is engaged in those lines of business described in Codes 0211  
24 to 0291, inclusive, Code 0723, or in Codes 2011 to 3999, inclusive,  
25 of the Standard Industrial Classification (SIC) Manual published  
26 by the United States Office of Management and Budget, 1987  
27 edition.

28 (ii) At least 50 percent of the qualified taxpayer's workforce  
29 hired after the designation of the manufacturing enhancement area  
30 is composed of individuals who, at the time of hire, are residents  
31 of the county in which the manufacturing enhancement area is  
32 located.

33 (iii) Of this percentage of local hires, at least 30 percent shall  
34 be qualified disadvantaged individuals.

35 (B) "Qualified taxpayer" shall not include employers that  
36 provide temporary help services, as described in Code 561320 of  
37 the North American Industry Classification System (NAICS)  
38 *published by the United States Office of Management and Budget,*  
39 *2012 edition.*

1 (7) “Seasonal employment” means employment by a qualified  
2 taxpayer that has regular and predictable substantial reductions in  
3 trade or business operations.

4 (c) (1) For purposes of this section, all of the following apply:

5 (A) All employees of trades or businesses that are under  
6 common control shall be treated as employed by a single qualified  
7 taxpayer.

8 (B) The credit (if any) allowable by this section with respect to  
9 each trade or business shall be determined by reference to its  
10 proportionate share of the expense of the qualified wages giving  
11 rise to the credit and shall be allocated in that manner.

12 (C) Principles that apply in the case of controlled groups of  
13 corporations, as specified in subdivision (d) of Section 23622.7,  
14 shall apply with respect to determining employment.

15 (2) If a qualified taxpayer acquires the major portion of a trade  
16 or business of another employer (hereinafter in this paragraph  
17 referred to as the “predecessor”) or the major portion of a separate  
18 unit of a trade or business of a predecessor, then, for purposes of  
19 applying this section (other than subdivision (d)) for any calendar  
20 year ending after that acquisition, the employment relationship  
21 between a qualified disadvantaged individual and a qualified  
22 taxpayer shall not be treated as terminated if the qualified  
23 disadvantaged individual continues to be employed in that trade  
24 or business.

25 (d) (1) (A) If the employment, other than seasonal employment,  
26 of any qualified disadvantaged individual, with respect to whom  
27 qualified wages are taken into account under subdivision (b) is  
28 terminated by the qualified taxpayer at any time during the first  
29 270 days of that employment (whether or not consecutive) or before  
30 the close of the 270th calendar day after the day in which that  
31 qualified disadvantaged individual completes 90 days of  
32 employment with the qualified taxpayer, the tax imposed by this  
33 part for the taxable year in which that employment is terminated  
34 shall be increased by an amount equal to the credit allowed under  
35 subdivision (a) for that taxable year and all prior taxable years  
36 attributable to qualified wages paid or incurred with respect to that  
37 qualified disadvantaged individual.

38 (B) If the seasonal employment of any qualified disadvantaged  
39 individual, with respect to whom qualified wages are taken into  
40 account under subdivision (a) is not continued by the qualified

1 taxpayer for a period of 270 days of employment during the  
2 60-month period beginning with the day the qualified  
3 disadvantaged individual commences seasonal employment with  
4 the qualified taxpayer, the tax imposed by this part, for the taxable  
5 year that includes the 60th month following the month in which  
6 the qualified disadvantaged individual commences seasonal  
7 employment with the qualified taxpayer, shall be increased by an  
8 amount equal to the credit allowed under subdivision (a) for that  
9 taxable year and all prior taxable years attributable to qualified  
10 wages paid or incurred with respect to that qualified disadvantaged  
11 individual.

12 (2) (A) Subparagraph (A) of paragraph (1) does not apply to  
13 any of the following:

14 (i) A termination of employment of a qualified disadvantaged  
15 individual who voluntarily leaves the employment of the qualified  
16 taxpayer.

17 (ii) A termination of employment of a qualified disadvantaged  
18 individual who, before the close of the period referred to in  
19 subparagraph (A) of paragraph (1), becomes disabled to perform  
20 the services of that employment, unless that disability is removed  
21 before the close of that period and the taxpayer fails to offer  
22 reemployment to that individual.

23 (iii) A termination of employment of a qualified disadvantaged  
24 individual, if it is determined that the termination was due to the  
25 misconduct (as defined in Sections 1256-30 to 1256-43, inclusive,  
26 of Title 22 of the California Code of Regulations) of that individual.

27 (iv) A termination of employment of a qualified disadvantaged  
28 individual due to a substantial reduction in the trade or business  
29 operations of the qualified taxpayer.

30 (v) A termination of employment of a qualified disadvantaged  
31 individual, if that individual is replaced by other qualified  
32 disadvantaged individuals so as to create a net increase in both the  
33 number of employees and the hours of employment.

34 (B) Subparagraph (B) of paragraph (1) shall not apply to any  
35 of the following:

36 (i) A failure to continue the seasonal employment of a qualified  
37 disadvantaged individual who voluntarily fails to return to the  
38 seasonal employment of the qualified taxpayer.

39 (ii) A failure to continue the seasonal employment of a qualified  
40 disadvantaged individual who, before the close of the period

1 referred to in subparagraph (B) of paragraph (1), becomes disabled  
2 and unable to perform the services of that seasonal employment,  
3 unless that disability is removed before the close of that period  
4 and the qualified taxpayer fails to offer seasonal employment to  
5 that qualified disadvantaged individual.

6 (iii) A failure to continue the seasonal employment of a qualified  
7 disadvantaged individual, if it is determined that the failure to  
8 continue the seasonal employment was due to the misconduct (as  
9 defined in Sections 1256-30 to 1256-43, inclusive, of Title 22 of  
10 the California Code of Regulations) of that qualified disadvantaged  
11 individual.

12 (iv) A failure to continue seasonal employment of a qualified  
13 disadvantaged individual due to a substantial reduction in the  
14 regular seasonal trade or business operations of the qualified  
15 taxpayer.

16 (v) A failure to continue the seasonal employment of a qualified  
17 disadvantaged individual, if that qualified disadvantaged individual  
18 is replaced by other qualified disadvantaged individuals so as to  
19 create a net increase in both the number of seasonal employees  
20 and the hours of seasonal employment.

21 (C) For purposes of paragraph (1), the employment relationship  
22 between the qualified taxpayer and a qualified disadvantaged  
23 individual shall not be treated as terminated by reason of a mere  
24 change in the form of conducting the trade or business of the  
25 qualified taxpayer, if the qualified disadvantaged individual  
26 continues to be employed in that trade or business and the qualified  
27 taxpayer retains a substantial interest in that trade or business.

28 (3) Any increase in tax under paragraph (1) shall not be treated  
29 as tax imposed by this part for purposes of determining the amount  
30 of any credit allowable under this part.

31 (e) In the case of an estate or trust, both of the following apply:

32 (1) The qualified wages for any taxable year shall be apportioned  
33 between the estate or trust and the beneficiaries on the basis of the  
34 income of the estate or trust allocable to each.

35 (2) Any beneficiary to whom any qualified wages have been  
36 apportioned under paragraph (1) shall be treated (for purposes of  
37 this part) as the employer with respect to those wages.

38 (f) The credit shall be reduced by the credit allowed under  
39 Section 17053.7. The credit shall also be reduced by the federal  
40 credit allowed under Section 51 of the Internal Revenue Code.

1 In addition, any deduction otherwise allowed under this part for  
2 the wages or salaries paid or incurred by the qualified taxpayer  
3 upon which the credit is based shall be reduced by the amount of  
4 the credit, prior to any reduction required by subdivision (g) or  
5 (h).

6 (g) In the case where the credit otherwise allowed under this  
7 section exceeds the “net tax” for the taxable year, that portion of  
8 the credit that exceeds the “net tax” may be carried over and added  
9 to the credit, if any, in succeeding years, until the credit is  
10 exhausted. The credit shall be applied first to the earliest taxable  
11 years possible.

12 (h) (1) The amount of credit otherwise allowed under this  
13 section, including prior year credit carryovers, that may reduce  
14 the “net tax” for the taxable year shall not exceed the amount of  
15 tax that would be imposed on the qualified taxpayer’s business  
16 income attributed to a manufacturing enhancement area determined  
17 as if that attributed income represented all of the net income of the  
18 qualified taxpayer subject to tax under this part.

19 (2) Attributable income shall be that portion of the taxpayer’s  
20 California source business income that is apportioned to the  
21 manufacturing enhancement area. For that purpose, the taxpayer’s  
22 business income that is attributable to sources in this state first  
23 shall be determined in accordance with Chapter 17 (commencing  
24 with Section 25101) of Part 11. That business income shall be  
25 further apportioned to the manufacturing enhancement area in  
26 accordance with Article 2 (commencing with Section 25120) of  
27 Chapter 17 of Part 11, modified for purposes of this section in  
28 accordance with paragraph (3).

29 (3) Income shall be apportioned to a manufacturing enhancement  
30 area by multiplying the total California business income of the  
31 taxpayer by a fraction, the numerator of which is the property  
32 factor plus the payroll factor, and the denominator of which is two.  
33 For purposes of this paragraph:

34 (A) The property factor is a fraction, the numerator of which is  
35 the average value of the taxpayer’s real and tangible personal  
36 property owned or rented and used in the manufacturing  
37 enhancement area during the taxable year, and the denominator  
38 of which is the average value of all the taxpayer’s real and tangible  
39 personal property owned or rented and used in this state during  
40 the taxable year.

1 (B) The payroll factor is a fraction, the numerator of which is  
2 the total amount paid by the taxpayer in the manufacturing  
3 enhancement area during the taxable year for compensation, and  
4 the denominator of which is the total compensation paid by the  
5 taxpayer in this state during the taxable year.

6 (4) The portion of any credit remaining, if any, after application  
7 of this subdivision, shall be carried over to succeeding taxable  
8 years, as if it were an amount exceeding the “net tax” for the  
9 taxable year, as provided in subdivision (g).

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

14 (j) The qualified taxpayer shall do both of the following:

15 (1) Obtain from the Employment Development Department, as  
16 permitted by federal law, the local county or city ~~Job Training~~  
17 ~~Partnership Act~~ *Workforce Investment Act of 1998* administrative  
18 entity, the local county GAIN office or social services agency, or  
19 the local government administering the manufacturing enhancement  
20 area, a certification that provides that a qualified disadvantaged  
21 individual meets the eligibility requirements specified in paragraph  
22 (5) of subdivision (b). The Employment Development Department  
23 may provide preliminary screening and referral to a certifying  
24 agency. The Department of Housing and Community Development  
25 shall develop regulations governing the issuance of certificates  
26 pursuant to subdivision (d) of Section 7086 of the Government  
27 Code and shall develop forms for this purpose.

28 (2) Retain a copy of the certification and provide it to the  
29 Franchise Tax Board annually.

30 (k) (1) For the 2014 calendar year, and each calendar year  
31 thereafter, until January 1, 2019, the total aggregate amount of  
32 credits allowed pursuant to this section shall not exceed the total  
33 aggregate amount of credits claimed pursuant to this section in the  
34 2013 calendar year, as determined by the Franchise Tax Board.

35 (2) Upon receipt of a timely filed original return, the Franchise  
36 Tax Board shall allocate the credit to the qualified taxpayer on a  
37 first-come-first-served basis.

38 (l) (1) The Franchise Tax Board shall compile the certifications  
39 submitted pursuant to paragraph (2) of subdivision (j) and shall  
40 provide as a searchable database on its Internet Web site, for each

1 taxable year beginning on or after January 1, 2014, and before  
2 January 1, 2019, the employer names, amounts of tax credit  
3 claimed, and number of new jobs created for each taxable year  
4 pursuant to this section, Sections 17053.34, 17053.46, 17053.74,  
5 17053.90, 23622.7, 23622.8, 23634, ~~and 23646~~, and 23690.

6 (2) The Franchise Tax Board may prescribe rules, guidelines,  
7 or procedures necessary or appropriate to carry out the purposes  
8 of this section, including any guidelines regarding the allocation  
9 of the credit allowed under this section.

10 (m) This section shall remain in effect only until December 1,  
11 2019, and as of that date is repealed.

12 SEC. 5. Section 17053.74 of the Revenue and Taxation Code  
13 is amended to read:

14 17053.74. (a) (1) There shall be allowed a credit against the  
15 “net tax” (as defined in Section 17039) to a taxpayer ~~who~~ that  
16 employs a qualified employee in an enterprise zone during the  
17 taxable year, but only if the qualified employee first commences  
18 employment with the taxpayer before January 1, 2014. The credit  
19 shall be equal to the sum of each of the following:

20 (A) Fifty percent of qualified wages in the first year of  
21 employment.

22 (B) Forty percent of qualified wages in the second year of  
23 employment.

24 (C) Thirty percent of qualified wages in the third year of  
25 employment.

26 (D) Twenty percent of qualified wages in the fourth year of  
27 employment.

28 (E) Ten percent of qualified wages in the fifth year of  
29 employment.

30 (2) If a taxpayer relocated to an enterprise zone from within the  
31 state during the taxable year for which the credit is claimed, the  
32 taxpayer shall be allowed a credit with respect to qualified wages  
33 for each net increase in qualified employees only if the taxpayer  
34 provides each employee at the previous location or locations a  
35 written notice of transfer to the new location with comparable  
36 compensation. The taxpayer shall provide self-certification with  
37 documentation when submitting voucher applications.

38 (b) For purposes of this section:

39 (1) “Qualified wages” means:

1 (A) (i) Except as provided in clause (ii), that portion of wages  
2 paid or incurred by the taxpayer during the taxable year to qualified  
3 employees that does not exceed 150 percent of the minimum wage.

4 (ii) For up to 1,350 qualified employees who are employed by  
5 the taxpayer in the Long Beach Enterprise Zone in aircraft  
6 manufacturing activities described in Codes 3721 to 3728,  
7 inclusive, and Code 3812 of the Standard Industrial Classification  
8 (SIC) Manual published by the United States Office of  
9 Management and Budget, 1987 edition, “qualified wages” means  
10 that portion of hourly wages that does not exceed 202 percent of  
11 the minimum wage.

12 (B) Wages received during the 60-month period beginning with  
13 the first day the employee commences employment with the  
14 taxpayer. Reemployment in connection with any increase, including  
15 a regularly occurring seasonal increase, in the trade or business  
16 operations of the taxpayer does not constitute commencement of  
17 employment for purposes of this section.

18 (C) Qualified wages do not include any wages paid or incurred  
19 by the taxpayer on or after the zone expiration date. However,  
20 wages paid or incurred with respect to qualified employees who  
21 are employed by the taxpayer within the enterprise zone within  
22 the 60-month period prior to the zone expiration date shall continue  
23 to qualify for the credit under this section after the zone expiration  
24 date, in accordance with all provisions of this section applied as  
25 if the enterprise zone designation were still in existence and  
26 binding.

27 (2) “Minimum wage” means the wage established by the  
28 Industrial Welfare Commission as provided for in Chapter 1  
29 (commencing with Section 1171) of Part 4 of Division 2 of the  
30 Labor Code.

31 (3) “Zone expiration date” means the date the enterprise zone  
32 designation expires, is no longer binding, or becomes inoperative.

33 (4) (A) “Qualified employee” means an individual who meets  
34 all of the following requirements:

35 (i) At least 90 percent of whose services for the taxpayer during  
36 the taxable year are directly related to the conduct of the taxpayer’s  
37 trade or business located in an enterprise zone.

38 (ii) Performs at least 50 percent of his or her services for the  
39 taxpayer during the taxable year in an enterprise zone.

- 1 (iii) Is hired by the taxpayer after the date of original designation
- 2 of the area in which services were performed as an enterprise zone.
- 3 (iv) Is any of the following:
- 4 (I) Immediately preceding the qualified employee’s
- 5 commencement of employment with the taxpayer, was a person
- 6 eligible for services under the federal Workforce Investment Act
- 7 of 1998 (29 U.S.C. Sec. 2801 et seq.), or its successor, who is
- 8 receiving, or is eligible to receive, subsidized employment, training,
- 9 or services funded by the federal Workforce Investment Act of
- 10 1998 (29 U.S.C. Sec. 2801 et seq.), or its successor.
- 11 (II) Immediately preceding the qualified employee’s
- 12 commencement of employment with the taxpayer, was a person
- 13 eligible to be a voluntary or mandatory registrant under the Greater
- 14 Avenues for Independence Act of 1985 (GAIN) provided for
- 15 pursuant to Article 3.2 (commencing with Section 11320) of
- 16 Chapter 2 of Part 3 of Division 9 of the Welfare and Institutions
- 17 Code, or its successor.
- 18 (III) Immediately preceding the qualified employee’s
- 19 commencement of employment with the taxpayer, was an
- 20 economically disadvantaged individual 14 years of age or older.
- 21 (IV) Immediately preceding the qualified employee’s
- 22 commencement of employment with the taxpayer, was a dislocated
- 23 worker who meets any of the following:
- 24 (ia) Has been terminated or laid off or who has received a notice
- 25 of termination or layoff from employment, is eligible for or has
- 26 exhausted entitlement to unemployment insurance benefits, and
- 27 is unlikely to return to his or her previous industry or occupation.
- 28 (ib) Has been terminated or has received a notice of termination
- 29 of employment as a result of any permanent closure or any
- 30 substantial layoff at a plant, facility, or enterprise, including an
- 31 individual who has not received written notification but whose
- 32 employer has made a public announcement of the closure or layoff.
- 33 (ic) Is long-term unemployed and has limited opportunities for
- 34 employment or reemployment in the same or a similar occupation
- 35 in the area in which the individual resides, including an individual
- 36 55 years of age or older who may have substantial barriers to
- 37 employment by reason of age.
- 38 (id) Was self-employed (including farmers and ranchers) and
- 39 is unemployed as a result of general economic conditions in the

1 community in which he or she resides or because of natural  
2 disasters.

3 (ie) Was a civilian employee of the Department of Defense  
4 employed at a military installation being closed or realigned under  
5 the *federal* Defense Base Closure and Realignment Act of 1990.

6 (if) Was an active member of the armed forces or National  
7 Guard as of September 30, 1990, and was either involuntarily  
8 separated or separated pursuant to a special benefits program.

9 (ig) Is a seasonal or migrant worker who experiences chronic  
10 seasonal unemployment and underemployment in the agriculture  
11 industry, aggravated by continual advancements in technology and  
12 mechanization.

13 (ih) Has been terminated or laid off, or has received a notice of  
14 termination or layoff, as a consequence of compliance with the  
15 *federal* Clean Air Act.

16 (V) Immediately preceding the qualified employee's  
17 commencement of employment with the taxpayer, was a disabled  
18 individual who is eligible for or enrolled in, or has completed a  
19 state rehabilitation plan or is a service-connected disabled veteran,  
20 veteran of the Vietnam era, or veteran who is recently separated  
21 from military service.

22 (VI) Immediately preceding the qualified employee's  
23 commencement of employment with the taxpayer, was an  
24 ex-offender. An individual shall be treated as convicted if he or  
25 she was placed on probation by a state court without a finding of  
26 guilt.

27 (VII) Immediately preceding the qualified employee's  
28 commencement of employment with the taxpayer, was a person  
29 eligible for or a recipient of any of the following:

30 (ia) Federal Supplemental Security Income benefits.

31 (ib) Aid to Families with Dependent Children.

32 (ic) CalFresh benefits.

33 (id) State and local general assistance.

34 (VIII) Immediately preceding the qualified employee's  
35 commencement of employment with the taxpayer, was a member  
36 of a federally recognized Indian tribe, band, or other group of  
37 Native American descent.

38 (IX) Immediately preceding the qualified employee's  
39 commencement of employment with the taxpayer, was a resident

1 of a targeted employment area, as defined in Section 7072 of the  
2 Government Code.

3 (X) An employee who qualified the taxpayer for the enterprise  
4 zone hiring credit under former Section 17053.8 or the program  
5 area hiring credit under former Section 17053.11.

6 (XI) Immediately preceding the qualified employee's  
7 commencement of employment with the taxpayer, was a member  
8 of a targeted group, as defined in Section 51(d) of the Internal  
9 Revenue Code, or its successor.

10 (B) Priority for employment shall be provided to an individual  
11 who is enrolled in a qualified program under the federal Workforce  
12 Investment Act of 1998 (29 U.S.C. Sec. 2801 et seq.), *or its*  
13 *successor*; or the Greater Avenues for Independence Act of 1985  
14 or who is eligible as a member of a targeted group under the Work  
15 Opportunity Tax Credit (Section 51 of the Internal Revenue Code),  
16 or its successor.

17 (5) (A) "Taxpayer" means a person or entity engaged in a trade  
18 or business within an enterprise zone designated pursuant to  
19 Chapter 12.8 (commencing with Section 7070) of the Government  
20 Code.

21 (B) "Taxpayer" shall not include employers that provide  
22 temporary help services, as described in Code 561320 of the North  
23 American Industry Classification System (NAICS) *published by*  
24 *the United States Office of Management and Budget, 2012 edition.*

25 (6) "Seasonal employment" means employment by a taxpayer  
26 that has regular and predictable substantial reductions in trade or  
27 business operations.

28 (c) The taxpayer shall do the following:

29 (1) (A) Obtain from the Employment Development Department,  
30 as permitted by federal law, the local county or city Workforce  
31 Investment Act of 1998 (29 U.S.C. Sec. 2801 et seq.); *seq.*)  
32 administrative entity, the local county GAIN office or social  
33 services agency, or the local government administering the  
34 enterprise zone, a certification which provides that a qualified  
35 employee meets the eligibility requirements specified in clause  
36 (iv) of subparagraph (A) of paragraph (4) of subdivision (b). The  
37 Employment Development Department may provide preliminary  
38 screening and referral to a certifying agency. The Employment  
39 Development Department shall develop a form for this purpose.  
40 The Department of Housing and Community Development shall

1 develop regulations governing the issuance of certificates by local  
2 governments pursuant to subdivision (a) of Section 7086 of the  
3 Government Code.

4 (B) (i) For any otherwise qualified employee for whom a  
5 certification as described in subparagraph (A) has not been obtained  
6 and for whom a request for certification as described in  
7 subparagraph (A) has not been previously submitted, the request  
8 certification required under subparagraph (A) with respect to that  
9 otherwise qualified employee shall be submitted to the certifying  
10 entity no later than one year after the operative date of the act  
11 amending this section.

12 (ii) Notwithstanding anything to the contrary, a credit shall not  
13 be allowed under this section with respect to any otherwise  
14 qualified employee described in clause (i) unless the request for  
15 certification required under subparagraph (A) was timely submitted  
16 in accordance with clause (i).

17 (2) Retain a copy of the certification and provide it to the  
18 Franchise Tax Board annually.

19 (d) (1) For purposes of this section:

20 (A) All employees of trades or businesses, which are not  
21 incorporated, that are under common control shall be treated as  
22 employed by a single taxpayer.

23 (B) The credit, if any, allowable by this section with respect to  
24 each trade or business shall be determined by reference to its  
25 proportionate share of the expense of the qualified wages giving  
26 rise to the credit, and shall be allocated in that manner.

27 (C) Principles that apply in the case of controlled groups of  
28 corporations, as specified in subdivision (d) of Section 23622.7,  
29 shall apply with respect to determining employment.

30 (2) If an employer acquires the major portion of a trade or  
31 business of another employer (hereinafter in this paragraph referred  
32 to as the “predecessor”) or the major portion of a separate unit of  
33 a trade or business of a predecessor, then, for purposes of applying  
34 this section (other than subdivision (e)) for any calendar year  
35 ending after that acquisition, the employment relationship between  
36 a qualified employee and an employer shall not be treated as  
37 terminated if the employee continues to be employed in that trade  
38 or business.

39 (e) (1) (A) If the employment, other than seasonal employment,  
40 of any qualified employee, with respect to whom qualified wages

1 are taken into account under subdivision (a), is terminated by the  
2 taxpayer at any time during the first 270 days of that employment  
3 (whether or not consecutive) or before the close of the 270th  
4 calendar day after the day in which that employee completes 90  
5 days of employment with the taxpayer, the tax imposed by this  
6 part for the taxable year in which that employment is terminated  
7 shall be increased by an amount equal to the credit allowed under  
8 subdivision (a) for that taxable year and all prior taxable years  
9 attributable to qualified wages paid or incurred with respect to that  
10 employee.

11 (B) If the seasonal employment of any qualified employee, with  
12 respect to whom qualified wages are taken into account under  
13 subdivision (a), is not continued by the taxpayer for a period of  
14 270 days of employment during the 60-month period beginning  
15 with the day the qualified employee commences seasonal  
16 employment with the taxpayer, the tax imposed by this part, for  
17 the taxable year that includes the 60th month following the month  
18 in which the qualified employee commences seasonal employment  
19 with the taxpayer, shall be increased by an amount equal to the  
20 credit allowed under subdivision (a) for that taxable year and all  
21 prior taxable years attributable to qualified wages paid or incurred  
22 with respect to that qualified employee.

23 (2) (A) Subparagraph (A) of paragraph (1) shall not apply to  
24 any of the following:

25 (i) A termination of employment of a qualified employee who  
26 voluntarily leaves the employment of the taxpayer.

27 (ii) A termination of employment of a qualified employee who,  
28 before the close of the period referred to in paragraph (1), becomes  
29 disabled and unable to perform the services of that employment,  
30 unless that disability is removed before the close of that period  
31 and the taxpayer fails to offer reemployment to that employee.

32 (iii) A termination of employment of a qualified employee, if  
33 it is determined that the termination was due to the misconduct (as  
34 defined in Sections 1256-30 to 1256-43, inclusive, of Title 22 of  
35 the California Code of Regulations) of that employee.

36 (iv) A termination of employment of a qualified employee due  
37 to a substantial reduction in the trade or business operations of the  
38 taxpayer.

39 (v) A termination of employment of a qualified employee, if  
40 that employee is replaced by other qualified employees so as to

1 create a net increase in both the number of employees and the  
2 hours of employment.

3 (B) Subparagraph (B) of paragraph (1) shall not apply to any  
4 of the following:

5 (i) A failure to continue the seasonal employment of a qualified  
6 employee who voluntarily fails to return to the seasonal  
7 employment of the taxpayer.

8 (ii) A failure to continue the seasonal employment of a qualified  
9 employee who, before the close of the period referred to in  
10 subparagraph (B) of paragraph (1), becomes disabled and unable  
11 to perform the services of that seasonal employment, unless that  
12 disability is removed before the close of that period and the  
13 taxpayer fails to offer seasonal employment to that qualified  
14 employee.

15 (iii) A failure to continue the seasonal employment of a qualified  
16 employee, if it is determined that the failure to continue the  
17 seasonal employment was due to the misconduct (as defined in  
18 Sections 1256-30 to 1256-43, inclusive, of Title 22 of the California  
19 Code of Regulations) of that qualified employee.

20 (iv) A failure to continue seasonal employment of a qualified  
21 employee due to a substantial reduction in the regular seasonal  
22 trade or business operations of the taxpayer.

23 (v) A failure to continue the seasonal employment of a qualified  
24 employee, if that qualified employee is replaced by other qualified  
25 employees so as to create a net increase in both the number of  
26 seasonal employees and the hours of seasonal employment.

27 (C) For purposes of paragraph (1), the employment relationship  
28 between the taxpayer and a qualified employee shall not be treated  
29 as terminated by reason of a mere change in the form of conducting  
30 the trade or business of the taxpayer, if the qualified employee  
31 continues to be employed in that trade or business and the taxpayer  
32 retains a substantial interest in that trade or business.

33 (3) Any increase in tax under paragraph (1) shall not be treated  
34 as tax imposed by this part for purposes of determining the amount  
35 of any credit allowable under this part.

36 (f) In the case of an estate or trust, both of the following apply:

37 (1) The qualified wages for any taxable year shall be apportioned  
38 between the estate or trust and the beneficiaries on the basis of the  
39 income of the estate or trust allocable to each.

1 (2) Any beneficiary to whom any qualified wages have been  
2 apportioned under paragraph (1) shall be treated, for purposes of  
3 this part, as the employer with respect to those wages.

4 (g) For purposes of this section, “enterprise zone” means an  
5 area designated as an enterprise zone pursuant to Chapter 12.8  
6 (commencing with Section 7070) of Division 7 of Title 1 of the  
7 Government Code.

8 (h) The credit allowable under this section shall be reduced by  
9 the credit allowed under Sections 17053.10, 17053.17, and  
10 17053.46 claimed for the same employee. The credit shall also be  
11 reduced by the federal credit allowed under Section 51 of the  
12 Internal Revenue Code.

13 In addition, any deduction otherwise allowed under this part for  
14 the wages or salaries paid or incurred by the taxpayer upon which  
15 the credit is based shall be reduced by the amount of the credit,  
16 prior to any reduction required by subdivision (i) or (j).

17 (i) In the case where the credit otherwise allowed under this  
18 section exceeds the “net tax” for the taxable year, that portion of  
19 the credit that exceeds the “net tax” may be carried over and added  
20 to the credit, if any, in succeeding taxable years, until the credit is  
21 exhausted. The credit shall be applied first to the earliest taxable  
22 years possible.

23 (j) (1) The amount of the credit otherwise allowed under this  
24 section and Section 17053.70, including any credit carryover from  
25 prior years, that may reduce the “net tax” for the taxable year shall  
26 not exceed the amount of tax which would be imposed on the  
27 taxpayer’s business income attributable to the enterprise zone  
28 determined as if that attributable income represented all of the  
29 income of the taxpayer subject to tax under this part.

30 (2) Attributable income shall be that portion of the taxpayer’s  
31 California source business income that is apportioned to the  
32 enterprise zone. For that purpose, the taxpayer’s business income  
33 attributable to sources in this state first shall be determined in  
34 accordance with Chapter 17 (commencing with Section 25101) of  
35 Part 11. That business income shall be further apportioned to the  
36 enterprise zone in accordance with Article 2 (commencing with  
37 Section 25120) of Chapter 17 of Part 11, modified for purposes  
38 of this section in accordance with paragraph (3).

39 (3) Business income shall be apportioned to the enterprise zone  
40 by multiplying the total California business income of the taxpayer

1 by a fraction, the numerator of which is the property factor plus  
2 the payroll factor, and the denominator of which is two. For  
3 purposes of this paragraph:

4 (A) The property factor is a fraction, the numerator of which is  
5 the average value of the taxpayer's real and tangible personal  
6 property owned or rented and used in the enterprise zone during  
7 the taxable year, and the denominator of which is the average value  
8 of all the taxpayer's real and tangible personal property owned or  
9 rented and used in this state during the taxable year.

10 (B) The payroll factor is a fraction, the numerator of which is  
11 the total amount paid by the taxpayer in the enterprise zone during  
12 the taxable year for compensation, and the denominator of which  
13 is the total compensation paid by the taxpayer in this state during  
14 the taxable year.

15 (4) The portion of any credit remaining, if any, after application  
16 of this subdivision, shall be carried over to succeeding taxable  
17 years, as if it were an amount exceeding the "net tax" for the  
18 taxable year, as provided in subdivision (i).

19 (k) The changes made to this section by the act adding this  
20 subdivision shall apply to taxable years beginning on or after  
21 January 1, 1997.

22 (l) The Franchise Tax Board shall compile the certifications  
23 submitted pursuant to paragraph (2) of subdivision (c) and shall  
24 provide as a searchable database on its Internet Web site, for each  
25 taxable year beginning on or after January 1, 2014, and before  
26 January 1, 2019, the employer names, amounts of tax credit  
27 claimed, and number of new jobs created for each taxable year  
28 pursuant to this section, and Sections 17053.34, 17053.46,  
29 17053.47, 17053.90, 23622.7, 23622.8, 23634, ~~and~~ 23646, *and*  
30 23690.

31 ~~(m) This section shall cease to be operative for taxable years~~  
32 ~~beginning on or after January 1, 2019, and is repealed as of~~  
33 ~~December 1, 2019.~~

34 *(m) This section shall remain in effect only until December 1,*  
35 *2019, and as of that date is repealed.*

36 SEC. 6. Section 17053.90 is added to the Revenue and Taxation  
37 Code, to read:

38 17053.90. (a) (1) For each taxable year beginning on or after  
39 January 1, 2014, *and before January 1, 2019*, there shall be allowed  
40 to a qualified taxpayer ~~who~~ *that* hires a qualified full-time

1 employee and pays or incurs qualified wages attributable to work  
2 performed by the qualified full-time employee in an enterprise  
3 zone during the taxable year a credit against the “net tax,” as  
4 defined in Section 17039, in an amount calculated under this  
5 section.

6 (2) The amount of the credit allowable under this section for a  
7 taxable year shall be equal to the product of the tentative credit  
8 amount for the taxable year and the applicable percentage for that  
9 taxable year.

10 (3) *If a qualified taxpayer relocated to an enterprise zone from*  
11 *within the state during the taxable year for which the credit is*  
12 *claimed, the qualified taxpayer shall be allowed a credit with*  
13 *respect to qualified wages for each net increase in qualified*  
14 *employees only if the qualified taxpayer provides each employee*  
15 *at the previous location or locations a written notice of transfer*  
16 *to the new location with comparable compensation. The qualified*  
17 *taxpayer shall provide self-certification with documentation when*  
18 *submitting a voucher application.*

19 (b) For purposes of this section:

20 (1) The “tentative credit amount” for a taxable year shall be  
21 equal to the sum of the following amounts:

22 (A) For the first year of employment of a qualified employee,  
23 10 percent of qualified wages paid during the taxable year.

24 (B) For the second year of employment of a qualified employee,  
25 30 percent of qualified wages paid during the taxable year.

26 (C) For the third year of employment of a qualified employee,  
27 50 percent of qualified wages paid during the taxable year.

28 (D) For the fourth year of employment of a qualified employee,  
29 30 percent of qualified wages paid during the taxable year.

30 (E) For the fifth year of employment of a qualified employee,  
31 10 percent of qualified wages paid during the taxable year.

32 (2) The “applicable percentage” for a taxable year is equal to a  
33 fraction, the numerator of which is the net increase in the total  
34 number of full-time employees employed in this state during the  
35 taxable year, determined on an annual full-time equivalent basis,  
36 as compared with the total number of full-time employees  
37 employed in this state during the base year, determined on the  
38 same basis, and the denominator of which is the total number of  
39 qualified full-time employees employed in this state during the

1 taxable year. The applicable percentage shall not exceed 100  
2 percent.

3 (3) “Base year” means 2013, or in the case of a qualified  
4 taxpayer ~~who~~ *that* first hires a qualified full-time employee *in this*  
5 *state* in a taxable year beginning on or after January 2015, the  
6 taxable year immediately preceding the taxable year in which the  
7 qualified employee was hired.

8 (4) (A) “Qualified wages” means both of the following:

9 ~~(A)~~

10 (i) That portion of wages paid or incurred by the qualified  
11 taxpayer during the taxable year to each qualified full-time  
12 employee in excess of 200 percent of the minimum wage, but not  
13 in excess of 400 percent of the minimum wage.

14 ~~(B)~~

15 (ii) Wages received during the 60-month period beginning with  
16 the first day the qualified employee commences employment with  
17 the qualified taxpayer.

18 (B) *Except as provided in paragraph (2) of subdivision (m),*  
19 *qualified wages do not include any wages paid or incurred by the*  
20 *qualified taxpayer on or after the zone expiration date.*

21 (5) “Minimum wage” means the wage established pursuant to  
22 Chapter 1 (commencing with Section 1171) of Part 4 of Division  
23 2 of the Labor Code.

24 (6) “Zone expiration date” *means the date that the enterprise*  
25 *zone designation expires, is no longer binding, or becomes*  
26 *inoperative.*

27 ~~(6)~~

28 (7) “Acquired” includes any gift, inheritance, transfer incident  
29 to divorce, or any other transfer, whether or not for consideration.

30 ~~(7)~~

31 (8) (A) ~~“Qualified”~~ “Qualified full-time employee” means an  
32 individual who meets all of the following requirements:

33 (i) First commences employment with the qualified taxpayer  
34 on or after January 1, 2014.

35 (ii) *At least 90 percent of whose services for the taxpayer during*  
36 *the taxable year are directly related to the conduct of the*  
37 *taxpayer’s trade or business located in an enterprise zone.*

38 (iii) *Performs at least 50 percent of his or her services for the*  
39 *taxpayer during the taxable year in an enterprise zone.*

- 1 (iv) *Is hired by the taxpayer after the date of original designation*
- 2 *of the area in which services were performed as an enterprise*
- 3 *zone.*
- 4 (ii)
- 5 (v) Satisfies either of the following conditions:
- 6 (I) Is paid qualified wages by the qualified taxpayer for services
- 7 not less than an average of 35 hours per week.
- 8 (II) Is a salaried employee and was paid compensation during
- 9 the taxable year for full-time employment, within the meaning of
- 10 Section 515 of the Labor Code, by the qualified taxpayer.
- 11 (iii)
- 12 (vi) Is any of the following:
- 13 (I) Immediately preceding the qualified employee’s
- 14 commencement of employment with the qualified taxpayer, was
- 15 a person eligible for services under the federal Workforce
- 16 Investment Act of 1998 (29 U.S.C. Sec. 2801 et seq.), or its
- 17 successor, who is receiving, or is eligible to receive, subsidized
- 18 employment, training, or services funded by the federal Workforce
- 19 Investment Act of 1998, or its successor.
- 20 (II) Immediately preceding the qualified employee’s
- 21 commencement of employment with the qualified taxpayer, was
- 22 a person eligible to be a voluntary or mandatory registrant under
- 23 the Greater Avenues for Independence Act of 1985 (GAIN)
- 24 provided for pursuant to Article 3.2 (commencing with Section
- 25 11320) of Chapter 2 of Part 3 of Division 9 of the Welfare and
- 26 Institutions Code, or its successor.
- 27 (III) Immediately preceding the qualified employee’s
- 28 commencement of employment with the qualified taxpayer, was
- 29 an economically disadvantaged individual 14 years of age or older.
- 30 (IV) Immediately preceding the qualified employee’s
- 31 commencement of employment with the qualified taxpayer, was
- 32 a dislocated worker who meets any of the following:
- 33 (ia) Has been terminated or laid off or has received a notice of
- 34 termination or layoff from employment, is eligible for or has
- 35 exhausted entitlement to unemployment insurance benefits, and
- 36 is unlikely to return to his or her previous industry or occupation.
- 37 (ib) Has been terminated or has received a notice of termination
- 38 of employment as a result of any permanent closure or any
- 39 substantial layoff at a plant, facility, or enterprise, including an

1 individual who has not received written notification but whose  
2 employer has made a public announcement of the closure or layoff.

3 (ic) Is long-term unemployed and has limited opportunities for  
4 employment or reemployment in the same or a similar occupation  
5 in the area in which the individual resides, including an individual  
6 55 years of age or older who may have substantial barriers to  
7 employment by reason of age.

8 (id) Was self-employed, including farmers and ranchers, and is  
9 unemployed as a result of general economic conditions in the  
10 community in which he or she resides or because of natural  
11 disasters.

12 (ie) Was a civilian employee of the Department of Defense  
13 employed at a military installation being closed or realigned under  
14 the *federal* Defense Base Closure and Realignment Act of 1990.

15 (if) Was an active member of the Armed Forces or National  
16 Guard as of September 30, 1990, and was either involuntarily  
17 separated or separated pursuant to a special benefits program.

18 (ig) Is a seasonal or migrant worker who experiences chronic  
19 seasonal unemployment and underemployment in the agriculture  
20 industry, aggravated by continual advancements in technology and  
21 mechanization.

22 (ih) Has been terminated or laid off, or has received a notice of  
23 termination or layoff, as a consequence of compliance with the  
24 *federal* Clean Air Act.

25 (V) Immediately preceding the qualified employee's  
26 commencement of employment with the qualified taxpayer, was  
27 a disabled individual who is eligible for, is enrolled in, or has  
28 completed a state rehabilitation plan or is a service-connected  
29 disabled veteran, veteran of the Vietnam era, or veteran who is  
30 recently separated from military service.

31 (VI) Immediately preceding the qualified employee's  
32 commencement of employment with the qualified taxpayer, was  
33 an ex-offender. An individual shall be treated as convicted if he  
34 or she was placed on probation by a state court without a finding  
35 of guilt.

36 (VII) Immediately preceding the qualified employee's  
37 commencement of employment with the qualified taxpayer, was  
38 a person eligible for or a recipient of any of the following:

39 (ia) Federal Supplemental Security Income benefits.

40 (ib) Aid to Families with Dependent Children, or its successor.

1 (ic) CalFresh benefits.

2 (id) State and local general assistance.

3 (VIII) Immediately preceding the qualified employee’s  
4 commencement of employment with the qualified taxpayer, was  
5 a member of a federally recognized Indian tribe, band, or other  
6 group of Native American descent.

7 (IX) Immediately preceding the qualified employee’s  
8 commencement of employment with the qualified taxpayer, was  
9 a resident of a targeted employment area, as defined in Section  
10 7072 of the Government Code.

11 (X) Is an employee who qualified the qualified taxpayer for the  
12 enterprise zone hiring credit under former Section 17053.8 or the  
13 program area hiring credit under former Section 17053.11.

14 (XI) Immediately preceding the qualified employee’s  
15 commencement of employment with the qualified taxpayer, was  
16 a member of a targeted group, as defined in Section 51(d) of the  
17 Internal Revenue Code, or its successor.

18 (B) An individual may only be considered a qualified full-time  
19 employee for the period of time commencing with the date the  
20 individual is first employed by the qualified taxpayer and ending  
21 60 months thereafter.

22 (C) Priority for employment shall be provided to an individual  
23 who is enrolled in a qualified program under the federal Workforce  
24 Investment Act of 1998, *or its successor*, or the Greater Avenues  
25 for Independence Act of 1985 or who is eligible as a member of  
26 a targeted group under the Work Opportunity Tax Credit (Section  
27 51 of the Internal Revenue Code), or its successor.

28 (8)

29 (9) (A) ~~Qualified~~ “*Qualified taxpayer*” means a person or  
30 entity engaged in a trade or business *within an enterprise zone* that  
31 meets both of the following requirements during the taxable year:

32 (i) Pays or incurs qualified wages.

33 (ii) Has a net increase in full-time employees.

34 (B) In the case of any pass-thru entity, the determination of  
35 whether a taxpayer is a qualified taxpayer under this section shall  
36 be made at the entity level and any credit under this section or  
37 Section ~~23691~~ 23690 shall be allowed to the pass-thru entity and  
38 passed through to the partners and shareholders in accordance with  
39 applicable provisions of this part or Part 11 (commencing with

1 Section 23001). For purposes of this subdivision, the term  
2 “pass-thru entity” means any partnership or ~~S~~ “S” corporation.

3 (C) “*Qualified taxpayer*” shall not include employers that  
4 provide temporary help services, as described in Code 561320 of  
5 the North American Industry Classification System (NAICS)  
6 published by the United States Office of Management and Budget,  
7 2012 edition.

8 ~~(9)~~

9 (10) “Seasonal employment” means employment by a qualified  
10 taxpayer that has regular and predictable substantial reductions in  
11 trade or business operations.

12 ~~(10)~~

13 (11) “Annual full-time equivalent” means all of the following:

14 (A) Either of the following:

15 (i) In the case of a full-time employee paid hourly qualified  
16 wages, “annual full-time equivalent” means the total number of  
17 hours worked for the qualified taxpayer by the employee, not to  
18 exceed 2,000 hours per employee, divided by 2,000.

19 (ii) In the case of a salaried full-time employee, “annual full-time  
20 equivalent” means the total number of weeks worked for the  
21 qualified taxpayer by the employee, divided by 52.

22 (B) All employees of the trades or businesses that are treated  
23 as related under either Section 267, 318, or 707 of the Internal  
24 Revenue Code shall be treated as employed by a single taxpayer.

25 (C) In determining whether the qualified taxpayer has first  
26 commenced doing business in this state during the taxable year,  
27 subdivision (f) of Section 17276.20, without application of  
28 paragraph (7) of that subdivision, shall apply.

29 (c) The “net increase in total full-time employees” of a qualified  
30 taxpayer shall be determined as provided by this subdivision:

31 (1) (A) (i) The net increase in full-time employees in this state  
32 shall be determined on an annual full-time equivalent basis.

33 (ii) The amount determined under clause (i) shall include the  
34 fractional amount, if any, of the increase for the taxable year.

35 (B) The net increase in the total number of full-time employees  
36 shall be determined by subtracting the amount determined under  
37 clause (ii) from the amount determined under clause (i). If the  
38 amount determined under clause (ii) is equal to or exceeds the  
39 amount determined under clause (i), the amount determined under  
40 this subparagraph shall be zero.

1 (i) The total number of full-time employees in this state  
2 employed in the current taxable year by the qualified taxpayer and  
3 by any trade or business acquired by the qualified taxpayer during  
4 the current taxable year.

5 (ii) The total number of full-time employees in this state  
6 employed in the base year by the qualified taxpayer and by any  
7 trade or business acquired by the qualified taxpayer during the  
8 current taxable year.

9 (2) For qualified taxpayers ~~who~~ *that* first commence doing  
10 business in this state during the taxable year, the number of  
11 full-time employees in this state under clause (ii) of subparagraph  
12 (B) of paragraph (1) ~~of this subdivision~~ for the base year shall be  
13 zero.

14 (3) For purposes of determining the number of full-time  
15 employees of the qualified taxpayer who are employed in this state  
16 under this section, only those employees who receive wages that  
17 are subject to Division 6 (commencing with Section 13000) of the  
18 Unemployment Insurance Code from the qualified taxpayer  
19 comprising more than 50 percent of that employee's total wages  
20 received from the qualified taxpayer for the taxable year shall be  
21 included.

22 (d) (1) Any qualified wages taken into account under this  
23 section in computing this credit shall not be taken into account in  
24 computing any other credit otherwise allowable under this part or  
25 Part 11: (commencing with Section 23001).

26 (2) Notwithstanding anything to the contrary, any employee  
27 whose wages, in whole or in part, are eligible to be taken into  
28 account in computing a credit under Section 17053.74 or 23622.7  
29 shall not be treated as a qualified full-time employee under this  
30 section.

31 (e) (1) The qualified taxpayer shall do both of the following:

32 (A) Obtain from the Employment Development Department,  
33 as permitted by federal law, the local county or city Workforce  
34 Investment Act *of 1998* administrative entity, the local county  
35 GAIN office or social services agency, or the local government  
36 *administering the enterprise zone*, a certification that provides that  
37 a qualified employee meets the eligibility requirements specified  
38 in clause ~~(iv)~~ *(vi)* of subparagraph (A) of paragraph ~~(4)~~ *(8)* of  
39 subdivision (b). The Employment Development Department may  
40 provide preliminary screening and referral to a certifying agency.

1 The Employment Development Department shall develop a form  
2 for this purpose. The Department of Housing and Community  
3 Development shall develop regulations governing the issuance of  
4 certificates by local governments pursuant to subdivision (a) of  
5 Section 7086 of the Government Code.

6 (B) Retain a copy of the certification and provide it to the  
7 Franchise Tax Board annually.

8 (2) The credit allowed by this section ~~shall be claimed on a~~  
9 ~~timely filed original return of the qualified taxpayer.~~ *may only be*  
10 *claimed on an original or amended return of the qualified taxpayer*  
11 *filed no later than one year after the original due date, without*  
12 *regard to extension, of the qualified taxpayer's return for the year*  
13 *for which the credit is claimed.*

14 (f) (1) For purposes of this section:

15 (A) All employees of trades or businesses that are not  
16 incorporated, and that are under common control, shall be treated  
17 as employed by a single taxpayer.

18 (B) The credit, if any, allowable by this section with respect to  
19 each trade or business shall be determined by reference to its  
20 proportionate share of the expense of the qualified wages giving  
21 rise to the credit, and shall be allocated in that manner.

22 (C) Principles that apply in the case of controlled groups of  
23 corporations, as specified in subdivision (d) of Section 23622.7,  
24 shall apply with respect to determining employment.

25 (2) If an employer acquires the major portion of a trade or  
26 business of another employer (hereinafter in this paragraph referred  
27 to as the "predecessor") or the major portion of a separate unit of  
28 a trade or business of a predecessor, then, for purposes of applying  
29 this section for any calendar year ending after that acquisition, the  
30 employment relationship between a qualified employee and an  
31 employer shall not be treated as terminated if the employee  
32 continues to be employed in that trade or business.

33 (g) In the case of an estate or trust, both of the following apply:

34 (1) The qualified wages for any taxable year shall be apportioned  
35 between the estate or trust and the beneficiaries on the basis of the  
36 income of the estate or trust allocable to each.

37 (2) Any beneficiary to whom any qualified wages have been  
38 apportioned under paragraph (1) shall be treated, for purposes of  
39 this part, as the employer with respect to those wages.

40 (h)

1 (h) For purposes of this section, “enterprise zone” means an  
2 area designated as an enterprise zone pursuant to Chapter 12.8  
3 (commencing with Section 7070) of Division 7 of Title 1 of the  
4 Government Code.

5 (i) (1) The credit allowable under this section shall be reduced  
6 by the credit allowed under ~~Sections 17053.10, 17053.17, and~~  
7 Section 17053.46 claimed for the same employee. The credit shall  
8 also be reduced by the federal credit allowed under Section 51 of  
9 the Internal Revenue Code, as applicable for federal purposes.

10 (2) In addition, any deduction otherwise allowed under this part  
11 for the wages or salaries paid or incurred by the qualified taxpayer  
12 upon which the credit is based shall be reduced by the amount of  
13 the credit, prior to any reduction required by subdivision ~~(i)~~. (j) or  
14 (k).

15 (i)

16 (j) In the case where the credit allowed by this section exceeds  
17 the “net tax,” the excess may be carried over to reduce the “net  
18 tax” in the following year, and the succeeding six years if  
19 necessary, until the credit is exhausted.

20 ~~(j) This section shall cease to be operative for taxable years~~  
21 ~~beginning on or after January 1, \_\_\_\_\_, and shall be repealed on~~  
22 ~~December 1, \_\_\_\_\_.~~

23 (k) (1) The amount of the credit otherwise allowed under this  
24 section and Section 23690, including any credit carryover from  
25 prior years, that may reduce the “net tax” for the taxable year  
26 shall not exceed the amount of tax that would be imposed on the  
27 qualified taxpayer’s business income attributable to the enterprise  
28 zone determined as if that attributable income represented all of  
29 the income of the qualified taxpayer subject to tax under this part.

30 (2) Attributable income shall be that portion of the qualified  
31 taxpayer’s California source business income that is apportioned  
32 to the enterprise zone. For that purpose, the qualified taxpayer’s  
33 business income attributable to sources in this state first shall be  
34 determined in accordance with Chapter 17 (commencing with  
35 Section 25101) of Part 11. That business income shall be further  
36 apportioned to the enterprise zone in accordance with Article 2  
37 (commencing with Section 25120) of Chapter 17 of Part 11,  
38 modified for purposes of this section in accordance with paragraph  
39 (3).

1 (3) *Business income shall be apportioned to the enterprise zone*  
2 *by multiplying the total California business income of the qualified*  
3 *taxpayer by a fraction, the numerator of which is the property*  
4 *factor plus the payroll factor, and the denominator of which is*  
5 *two. For purposes of this paragraph:*

6 (A) *The property factor is a fraction, the numerator of which is*  
7 *the average value of the qualified taxpayer's real and tangible*  
8 *personal property owned or rented and used in the enterprise zone*  
9 *during the taxable year, and the denominator of which is the*  
10 *average value of all the qualified taxpayer's real and tangible*  
11 *personal property owned or rented and used in this state during*  
12 *the taxable year.*

13 (B) *The payroll factor is a fraction, the numerator of which is*  
14 *the total amount paid by the qualified taxpayer in the enterprise*  
15 *zone during the taxable year for compensation, and the*  
16 *denominator of which is the total compensation paid by the*  
17 *qualified taxpayer in this state during the taxable year.*

18 (4) *The portion of any credit remaining, if any, after application*  
19 *of this subdivision, shall be carried over to succeeding taxable*  
20 *years, as if it were an amount exceeding the "net tax" for the*  
21 *taxable year, as provided in subdivision (j).*

22 (l) (1) *The Franchise Tax Board shall compile the certifications*  
23 *submitted pursuant to subparagraph (B) of paragraph (1) of*  
24 *subdivision (e) and shall provide as a searchable database on its*  
25 *Internet Web site, for each taxable year beginning on or after*  
26 *January 1, 2014, and before January 1, 2019, the employer names,*  
27 *amounts of tax credit claimed, and number of new jobs created*  
28 *for each taxable year pursuant to this section, Sections 17053.34,*  
29 *17053.46, 17053.47, 17053.74, 17053.90, 23622.7, 23622.8, 23634,*  
30 *23646, and 23690.*

31 (2) *The Franchise Tax Board may prescribe rules, guidelines,*  
32 *or procedures necessary or appropriate to carry out the purposes*  
33 *of this section, including any guidelines regarding the allocation*  
34 *of the credit allowed under this section.*

35 (m) (1) *This section shall remain in effect only until December*  
36 *1, 2019, and as of that date is repealed.*

37 (2) *Notwithstanding paragraph (1), this section shall remain*  
38 *operative for any qualified taxpayer with respect to any qualified*  
39 *full-time employee after the zone expiration date for the remaining*  
40 *period, if any, of the 60-month period after the original date of*

1 *hiring of an otherwise qualified full-time employee, and any wages*  
 2 *paid or incurred with respect to those qualified full-time employees*  
 3 *after the zone expiration date shall be treated as qualified wages*  
 4 *under this section, provided the employee satisfies any other*  
 5 *requirements of paragraphs (4) and (8) of subdivision (b), as if*  
 6 *the enterprise zone designation were still in existence and binding.*

7 SEC. 7. Section 23622.7 of the Revenue and Taxation Code  
 8 is amended to read:

9 23622.7. (a) (1) There shall be allowed a credit against the  
 10 “tax” (as defined by Section 23036) to a taxpayer that employs a  
 11 qualified employee in an enterprise zone during the taxable year,  
 12 but only if the qualified employee first commences employment  
 13 with the taxpayer before January 1, 2014. The credit shall be equal  
 14 to the sum of each of the following:

15 (A) Fifty percent of qualified wages in the first year of  
 16 employment.

17 (B) Forty percent of qualified wages in the second year of  
 18 employment.

19 (C) Thirty percent of qualified wages in the third year of  
 20 employment.

21 (D) Twenty percent of qualified wages in the fourth year of  
 22 employment.

23 (E) Ten percent of qualified wages in the fifth year of  
 24 employment.

25 (2) If a taxpayer relocated to an enterprise zone from within the  
 26 state during the taxable year for which the credit is claimed, the  
 27 taxpayer shall be allowed a credit with respect to qualified wages  
 28 for each net increase in qualified employees only if the taxpayer  
 29 provides each employee at the previous location or locations a  
 30 written notice of transfer to the new location with comparable  
 31 compensation. The taxpayer shall provide self-certification with  
 32 documentation when submitting voucher applications.

33 (b) For purposes of this section:

34 (1) “Qualified wages” means:

35 (A) (i) Except as provided in clause (ii), that portion of wages  
 36 paid or incurred by the taxpayer during the taxable year to qualified  
 37 employees that does not exceed 150 percent of the minimum wage.

38 (ii) For up to 1,350 qualified employees who are employed by  
 39 the taxpayer in the Long Beach Enterprise Zone in aircraft  
 40 manufacturing activities described in Codes 3721 to 3728,

1 inclusive, and Code 3812 of the Standard Industrial Classification  
2 (SIC) Manual published by the United States Office of  
3 Management and Budget, 1987 edition, “qualified wages” means  
4 that portion of hourly wages that does not exceed 202 percent of  
5 the minimum wage.

6 (B) Wages received during the 60-month period beginning with  
7 the first day the employee commences employment with the  
8 taxpayer. Reemployment in connection with any increase, including  
9 a regularly occurring seasonal increase, in the trade or business  
10 operations of the taxpayer does not constitute commencement of  
11 employment for purposes of this section.

12 (C) Qualified wages do not include any wages paid or incurred  
13 by the taxpayer on or after the zone expiration date. However,  
14 wages paid or incurred with respect to qualified employees who  
15 are employed by the taxpayer within the enterprise zone within  
16 the 60-month period prior to the zone expiration date shall continue  
17 to qualify for the credit under this section after the zone expiration  
18 date, in accordance with all provisions of this section applied as  
19 if the enterprise zone designation were still in existence and  
20 binding.

21 (2) “Minimum wage” means the wage established by the  
22 Industrial Welfare Commission as provided for in Chapter 1  
23 (commencing with Section 1171) of Part 4 of Division 2 of the  
24 Labor Code.

25 (3) “Zone expiration date” means the date the enterprise zone  
26 designation expires, is no longer binding, or becomes inoperative.

27 (4) (A) “Qualified employee” means an individual who meets  
28 all of the following requirements:

29 (i) At least 90 percent of whose services for the taxpayer during  
30 the taxable year are directly related to the conduct of the taxpayer’s  
31 trade or business located in an enterprise zone.

32 (ii) Performs at least 50 percent of his or her services for the  
33 taxpayer during the taxable year in an enterprise zone.

34 (iii) Is hired by the taxpayer after the date of original designation  
35 of the area in which services were performed as an enterprise zone.

36 (iv) Is any of the following:

37 (I) Immediately preceding the qualified employee’s  
38 commencement of employment with the taxpayer, was a person  
39 eligible for services under the federal Workforce Investment Act  
40 of 1998 (29 U.S.C. Sec. 2801 et seq.), or its successor, who is

1 receiving, or is eligible to receive, subsidized employment, training,  
2 or services funded by the federal Workforce Investment Act of  
3 1998 (29 U.S.C. Sec. 2801 et seq.), or its successor.

4 (II) Immediately preceding the qualified employee's  
5 commencement of employment with the taxpayer, was a person  
6 eligible to be a voluntary or mandatory registrant under the Greater  
7 Avenues for Independence Act of 1985 (GAIN) provided for  
8 pursuant to Article 3.2 (commencing with Section 11320) of  
9 Chapter 2 of Part 3 of Division 9 of the Welfare and Institutions  
10 Code, or its successor.

11 (III) Immediately preceding the qualified employee's  
12 commencement of employment with the taxpayer, was an  
13 economically disadvantaged individual 14 years of age or older.

14 (IV) Immediately preceding the qualified employee's  
15 commencement of employment with the taxpayer, was a dislocated  
16 worker who meets any of the following:

17 (ia) Has been terminated or laid off or who has received a notice  
18 of termination or layoff from employment, is eligible for or has  
19 exhausted entitlement to unemployment insurance benefits, and  
20 is unlikely to return to his or her previous industry or occupation.

21 (ib) Has been terminated or has received a notice of termination  
22 of employment as a result of any permanent closure or any  
23 substantial layoff at a plant, facility, or enterprise, including an  
24 individual who has not received written notification but whose  
25 employer has made a public announcement of the closure or layoff.

26 (ic) Is long-term unemployed and has limited opportunities for  
27 employment or reemployment in the same or a similar occupation  
28 in the area in which the individual resides, including an individual  
29 55 years of age or older who may have substantial barriers to  
30 employment by reason of age.

31 (id) Was self-employed (including farmers and ranchers) and  
32 is unemployed as a result of general economic conditions in the  
33 community in which he or she resides or because of natural  
34 disasters.

35 (ie) Was a civilian employee of the Department of Defense  
36 employed at a military installation being closed or realigned under  
37 the *federal* Defense Base Closure and Realignment Act of 1990.

38 (if) Was an active member of the armed forces or National  
39 Guard as of September 30, 1990, and was either involuntarily  
40 separated or separated pursuant to a special benefits program.

1 (ig) Is a seasonal or migrant worker who experiences chronic  
2 seasonal unemployment and underemployment in the agriculture  
3 industry, aggravated by continual advancements in technology and  
4 mechanization.

5 (ih) Has been terminated or laid off, or has received a notice of  
6 termination or layoff, as a consequence of compliance with the  
7 *federal* Clean Air Act.

8 (V) Immediately preceding the qualified employee's  
9 commencement of employment with the taxpayer, was a disabled  
10 individual who is eligible for or enrolled in, or has completed a  
11 state rehabilitation plan or is a service-connected disabled veteran,  
12 veteran of the Vietnam era, or veteran who is recently separated  
13 from military service.

14 (VI) Immediately preceding the qualified employee's  
15 commencement of employment with the taxpayer, was an  
16 ex-offender. An individual shall be treated as convicted if he or  
17 she was placed on probation by a state court without a finding of  
18 guilt.

19 (VII) Immediately preceding the qualified employee's  
20 commencement of employment with the taxpayer, was a person  
21 eligible for or a recipient of any of the following:

22 (ia) Federal Supplemental Security Income benefits.

23 (ib) Aid to Families with Dependent Children.

24 (ic) CalFresh benefits.

25 (id) State and local general assistance.

26 (VIII) Immediately preceding the qualified employee's  
27 commencement of employment with the taxpayer, was a member  
28 of a federally recognized Indian tribe, band, or other group of  
29 Native American descent.

30 (IX) Immediately preceding the qualified employee's  
31 commencement of employment with the taxpayer, was a resident  
32 of a targeted employment area (as defined in Section 7072 of the  
33 Government Code).

34 (X) An employee who qualified the taxpayer for the enterprise  
35 zone hiring credit under former Section 23622 or the program area  
36 hiring credit under former Section 23623.

37 (XI) Immediately preceding the qualified employee's  
38 commencement of employment with the taxpayer, was a member  
39 of a targeted group, as defined in Section 51(d) of the Internal  
40 Revenue Code, or its successor.

1 (B) Priority for employment shall be provided to an individual  
2 who is enrolled in a qualified program under the federal Workforce  
3 Investment Act of 1998 (29 U.S.C. Sec. 2801 et seq.), *or its*  
4 *successor*, or the Greater Avenues for Independence Act of 1985  
5 or who is eligible as a member of a targeted group under the Work  
6 Opportunity Tax Credit (Section 51 of the Internal Revenue Code),  
7 or its successor.

8 (5) (A) “Taxpayer” means a corporation engaged in a trade or  
9 business within an enterprise zone designated pursuant to Chapter  
10 12.8 (commencing with Section 7070) of Division 7 of Title 1 of  
11 the Government Code.

12 (B) “Taxpayer” shall not include employers that provide  
13 temporary help services, as described in Code 561320 of the North  
14 American Industry Classification System (NAICS) *published by*  
15 *the United States Office of Management and Budget, 2012 edition.*

16 (6) “Seasonal employment” means employment by a taxpayer  
17 that has regular and predictable substantial reductions in trade or  
18 business operations.

19 (c) The taxpayer shall do the following:

20 (1) (A) Obtain from the Employment Development Department,  
21 as permitted by federal law, the local county or city Workforce  
22 Investment Act of 1998 (~~29 U.S.C. Sec. 2801 et seq.~~)  
23 administrative entity, the local county GAIN office or social  
24 services agency, or the local government administering the  
25 enterprise zone, a certification that provides that a qualified  
26 employee meets the eligibility requirements specified in clause  
27 (iv) of subparagraph (A) of paragraph (4) of subdivision (b). The  
28 Employment Development Department may provide preliminary  
29 screening and referral to a certifying agency. The Employment  
30 Development Department shall develop a form for this purpose.  
31 The Department of Housing and Community Development shall  
32 develop regulations governing the issuance of certificates by local  
33 governments pursuant to subdivision (a) of Section 7086 of the  
34 Government Code.

35 (B) (i) For any otherwise qualified employee for whom a  
36 certification as described in subparagraph (A) has not been obtained  
37 and for whom a request for certification described in subparagraph  
38 (A) has not been previously submitted, the request certification  
39 required under subparagraph (A) with respect to that otherwise  
40 qualified employee shall be submitted to the certifying entity no

1 later than one year after the operative date of the act amending this  
2 section.

3 (ii) Notwithstanding anything to the contrary, a credit shall not  
4 be allowed under this section with respect to any otherwise  
5 qualified employee described in clause (i) unless the request for  
6 certification required under subparagraph (A) was timely submitted  
7 in accordance with clause (i).

8 (2) Retain a copy of the certification and provide it to the  
9 Franchise Tax Board annually.

10 (d) (1) For purposes of this section:

11 (A) All employees of all corporations which are members of  
12 the same controlled group of corporations shall be treated as  
13 employed by a single taxpayer.

14 (B) The credit, if any, allowable by this section to each member  
15 shall be determined by reference to its proportionate share of the  
16 expense of the qualified wages giving rise to the credit, and shall  
17 be allocated in that manner.

18 (C) For purposes of this subdivision, “controlled group of  
19 corporations” means “controlled group of corporations” as defined  
20 in Section 1563(a) of the Internal Revenue Code, except that:

21 (i) “More than 50 percent” shall be substituted for “at least 80  
22 percent” each place it appears in Section 1563(a)(1) of the Internal  
23 Revenue Code.

24 (ii) The determination shall be made without regard to  
25 subsections (a)(4) and (e)(3)(C) of Section 1563 of the Internal  
26 Revenue Code.

27 (2) If an employer acquires the major portion of a trade or  
28 business of another employer (hereinafter in this paragraph referred  
29 to as the “predecessor”) or the major portion of a separate unit of  
30 a trade or business of a predecessor, then, for purposes of applying  
31 this section (other than subdivision (e)) for any calendar year  
32 ending after that acquisition, the employment relationship between  
33 a qualified employee and an employer shall not be treated as  
34 terminated if the employee continues to be employed in that trade  
35 or business.

36 (e) (1) (A) If the employment, other than seasonal employment,  
37 of any qualified employee with respect to whom qualified wages  
38 are taken into account under subdivision (a) is terminated by the  
39 taxpayer at any time during the first 270 days of that employment,  
40 whether or not consecutive, or before the close of the 270th

1 calendar day after the day in which that employee completes 90  
2 days of employment with the taxpayer, the tax imposed by this  
3 part for the taxable year in which that employment is terminated  
4 shall be increased by an amount equal to the credit allowed under  
5 subdivision (a) for that taxable year and all prior taxable years  
6 attributable to qualified wages paid or incurred with respect to that  
7 employee.

8 (B) If the seasonal employment of any qualified employee, with  
9 respect to whom qualified wages are taken into account under  
10 subdivision (a) is not continued by the taxpayer for a period of  
11 270 days of employment during the 60-month period beginning  
12 with the day the qualified employee commences seasonal  
13 employment with the taxpayer, the tax imposed by this part, for  
14 the taxable year that includes the 60th month following the month  
15 in which the qualified employee commences seasonal employment  
16 with the taxpayer, shall be increased by an amount equal to the  
17 credit allowed under subdivision (a) for that taxable year and all  
18 prior taxable years attributable to qualified wages paid or incurred  
19 with respect to that qualified employee.

20 (2) (A) Subparagraph (A) of paragraph (1) shall not apply to  
21 any of the following:

22 (i) A termination of employment of a qualified employee who  
23 voluntarily leaves the employment of the taxpayer.

24 (ii) A termination of employment of a qualified employee who,  
25 before the close of the period referred to in subparagraph (A) of  
26 paragraph (1), becomes disabled and unable to perform the services  
27 of that employment, unless that disability is removed before the  
28 close of that period and the taxpayer fails to offer reemployment  
29 to that employee.

30 (iii) A termination of employment of a qualified employee, if  
31 it is determined that the termination was due to the misconduct (as  
32 defined in Sections 1256-30 to 1256-43, inclusive, of Title 22 of  
33 the California Code of Regulations) of that employee.

34 (iv) A termination of employment of a qualified employee due  
35 to a substantial reduction in the trade or business operations of the  
36 taxpayer.

37 (v) A termination of employment of a qualified employee, if  
38 that employee is replaced by other qualified employees so as to  
39 create a net increase in both the number of employees and the  
40 hours of employment.

1 (B) Subparagraph (B) of paragraph (1) shall not apply to any  
2 of the following:

3 (i) A failure to continue the seasonal employment of a qualified  
4 employee who voluntarily fails to return to the seasonal  
5 employment of the taxpayer.

6 (ii) A failure to continue the seasonal employment of a qualified  
7 employee who, before the close of the period referred to in  
8 subparagraph (B) of paragraph (1), becomes disabled and unable  
9 to perform the services of that seasonal employment, unless that  
10 disability is removed before the close of that period and the  
11 taxpayer fails to offer seasonal employment to that qualified  
12 employee.

13 (iii) A failure to continue the seasonal employment of a qualified  
14 employee, if it is determined that the failure to continue the  
15 seasonal employment was due to the misconduct (as defined in  
16 Sections 1256-30 to 1256-43, inclusive, of Title 22 of the California  
17 Code of Regulations) of that qualified employee.

18 (iv) A failure to continue seasonal employment of a qualified  
19 employee due to a substantial reduction in the regular seasonal  
20 trade or business operations of the taxpayer.

21 (v) A failure to continue the seasonal employment of a qualified  
22 employee, if that qualified employee is replaced by other qualified  
23 employees so as to create a net increase in both the number of  
24 seasonal employees and the hours of seasonal employment.

25 (C) For purposes of paragraph (1), the employment relationship  
26 between the taxpayer and a qualified employee shall not be treated  
27 as terminated by either of the following:

28 (i) By a transaction to which Section 381(a) of the Internal  
29 Revenue Code applies, if the qualified employee continues to be  
30 employed by the acquiring corporation.

31 (ii) By reason of a mere change in the form of conducting the  
32 trade or business of the taxpayer, if the qualified employee  
33 continues to be employed in that trade or business and the taxpayer  
34 retains a substantial interest in that trade or business.

35 (3) Any increase in tax under paragraph (1) shall not be treated  
36 as tax imposed by this part for purposes of determining the amount  
37 of any credit allowable under this part.

38 (f) Rules similar to the rules provided in ~~Section 46(e) and (h)~~  
39 *subsections (e) and (h) of Section 46* of the Internal Revenue Code  
40 shall apply to both of the following:

1 (1) An organization to which Section 593 of the Internal  
2 Revenue Code applies.

3 (2) A regulated investment company or a real estate investment  
4 trust subject to taxation under this part.

5 (g) For purposes of this section, “enterprise zone” means an  
6 area designated as an enterprise zone pursuant to Chapter 12.8  
7 (commencing with Section 7070) of Division 7 of Title 1 of the  
8 Government Code.

9 (h) The credit allowable under this section shall be reduced by  
10 the credit allowed under Sections 23623.5, 23625, and 23646  
11 claimed for the same employee. The credit shall also be reduced  
12 by the federal credit allowed under Section 51 of the Internal  
13 Revenue Code.

14 In addition, any deduction otherwise allowed under this part for  
15 the wages or salaries paid or incurred by the taxpayer upon which  
16 the credit is based shall be reduced by the amount of the credit,  
17 prior to any reduction required by subdivision (i) or (j).

18 (i) In the case where the credit otherwise allowed under this  
19 section exceeds the “tax” for the taxable year, that portion of the  
20 credit that exceeds the “tax” may be carried over and added to the  
21 credit, if any, in succeeding taxable years, until the credit is  
22 exhausted. The credit shall be applied first to the earliest taxable  
23 years possible.

24 (j) (1) The amount of the credit otherwise allowed under this  
25 section and Section 23612.2, including any credit carryover from  
26 prior years, that may reduce the “tax” for the taxable year shall  
27 not exceed the amount of tax which would be imposed on the  
28 taxpayer’s business income attributable to the enterprise zone  
29 determined as if that attributable income represented all of the  
30 income of the taxpayer subject to tax under this part.

31 (2) Attributable income shall be that portion of the taxpayer’s  
32 California source business income that is apportioned to the  
33 enterprise zone. For that purpose, the taxpayer’s business  
34 attributable to sources in this state first shall be determined in  
35 accordance with Chapter 17 (commencing with Section 25101).  
36 That business income shall be further apportioned to the enterprise  
37 zone in accordance with Article 2 (commencing with Section  
38 25120) of Chapter 17, modified for purposes of this section in  
39 accordance with paragraph (3).

1 (3) Business income shall be apportioned to the enterprise zone  
2 by multiplying the total California business income of the taxpayer  
3 by a fraction, the numerator of which is the property factor plus  
4 the payroll factor, and the denominator of which is two. For  
5 purposes of this paragraph:

6 (A) The property factor is a fraction, the numerator of which is  
7 the average value of the taxpayer's real and tangible personal  
8 property owned or rented and used in the enterprise zone during  
9 the income year, and the denominator of which is the average value  
10 of all the taxpayer's real and tangible personal property owned or  
11 rented and used in this state during the income year.

12 (B) The payroll factor is a fraction, the numerator of which is  
13 the total amount paid by the taxpayer in the enterprise zone during  
14 the income year for compensation, and the denominator of which  
15 is the total compensation paid by the taxpayer in this state during  
16 the income year.

17 (4) The portion of any credit remaining, if any, after application  
18 of this subdivision, shall be carried over to succeeding taxable  
19 years, as if it were an amount exceeding the "tax" for the taxable  
20 year, as provided in subdivision (i).

21 (k) The changes made to this section by the act adding this  
22 subdivision shall apply to taxable years on or after January 1, 1997.

23 (l) The Franchise Tax Board shall compile the certifications  
24 submitted pursuant to paragraph (2) of subdivision (c) and shall  
25 provide as a searchable database on its Internet Web site, for each  
26 taxable year beginning on or after January 1, 2014, and before  
27 January 1, 2019, the employer names, amounts of tax credit  
28 claimed, and number of new jobs created for each taxable year  
29 pursuant to this section, and Sections 17053.34, 17053.46,  
30 17053.47, 17053.90, 23622.7, 23622.8, 23634, ~~and~~ 23646, *and*  
31 23690.

32 ~~(m) This section shall cease to be operative for taxable years~~  
33 ~~beginning on or after January 1, 2019, and is repealed as of~~  
34 ~~December 1, 2019.~~

35 *(m) This section shall remain in effect only until December 1,*  
36 *2019, and as of that date is repealed.*

37 SEC. 8. Section 23622.8 of the Revenue and Taxation Code  
38 is amended to read:

39 23622.8. (a) (1) For each taxable year beginning on or after  
40 January 1, 1998, and before January 1, ~~2013,~~ 2014, there shall be

1 allowed a credit against the “tax” (as defined in Section 23036) to  
2 a qualified taxpayer for hiring a qualified disadvantaged individual  
3 during the taxable year for employment in the manufacturing  
4 enhancement area. The credit shall be equal to the sum of each of  
5 the following:

6 (A) Fifty percent of the qualified wages in the first year of  
7 employment.

8 (B) Forty percent of the qualified wages in the second year of  
9 employment.

10 (C) Thirty percent of the qualified wages in the third year of  
11 employment.

12 (D) Twenty percent of the qualified wages in the fourth year of  
13 employment.

14 (E) Ten percent of the qualified wages in the fifth year of  
15 employment.

16 (2) (A) For each taxable year beginning on or after January 1,  
17 ~~2013~~, 2014, and before January 1, 2019, there shall be allowed as  
18 a credit against the “net tax,” as defined in Section 23036, to a  
19 qualified taxpayer for hiring a qualified disadvantaged individual  
20 during the taxable year for employment in the manufacturing  
21 enhancement area. The credit shall be equal to the sum of each of  
22 the following:

23 (i) Ten percent of qualified wages in the first year of  
24 employment.

25 (ii) Ten percent of qualified wages in the second year of  
26 employment.

27 (iii) Thirty percent of qualified wages in the third year of  
28 employment.

29 (iv) Forty percent of qualified wages in the fourth year of  
30 employment.

31 (v) Fifty percent of qualified wages in the fifth year of  
32 employment.

33 (B) The credit shall be allowed only with respect to qualified  
34 wages paid for each net increase in qualified employees. A net  
35 increase shall be determined by subtracting from the amount  
36 determined in clause (i) the amount determined in clause (ii). For  
37 purposes of this subparagraph, “qualified employee” means  
38 qualified disadvantaged individual.

39 (i) The total number of qualified employees employed in the  
40 state in the preceding taxable year by the qualified taxpayer and

1 by any trade or business acquired by the qualified taxpayer during  
2 the preceding taxable year.

3 (ii) The total number of qualified employees employed in the  
4 state in the current taxable year by the qualified taxpayer and by  
5 any trade or business acquired by the qualified taxpayer during  
6 the current taxable year.

7 (C) If a qualified taxpayer relocated to a manufacturing  
8 enhancement area from within the state during the taxable year  
9 for which the credit is claimed, the qualified taxpayer shall be  
10 allowed a credit with respect to qualified wages for each net  
11 increase in qualified employees only if the qualified taxpayer  
12 provides each employee at the previous location or locations a  
13 written notice of transfer to the new location with comparable  
14 compensation. The qualified taxpayer shall provide  
15 self-certification with documentation when submitting a voucher  
16 application.

17 (b) For purposes of this section:

18 (1) “Qualified wages” means:

19 (A) That portion of wages paid or incurred by the qualified  
20 taxpayer during the taxable year to qualified disadvantaged  
21 individuals that exceeds 200 percent of the minimum wage and  
22 does not exceed 500 percent of the minimum wage.

23 (B) The total amount of qualified wages which may be taken  
24 into account for purposes of claiming the credit allowed under this  
25 section shall not exceed two million dollars (\$2,000,000) per  
26 taxable year.

27 (C) Wages received during the 60-month period beginning with  
28 the first day the qualified disadvantaged individual commences  
29 employment with the qualified taxpayer. Reemployment in  
30 connection with any increase, including a regularly occurring  
31 seasonal increase, in the trade or business operations of the  
32 qualified taxpayer does not constitute commencement of  
33 employment for purposes of this section.

34 (D) Qualified wages do not include any wages paid or incurred  
35 by the qualified taxpayer on or after the manufacturing  
36 enhancement area expiration date. However, wages paid or incurred  
37 with respect to qualified employees who are employed by the  
38 qualified taxpayer within the manufacturing enhancement area  
39 within the 60-month period prior to the manufacturing enhancement  
40 area expiration date shall continue to qualify for the credit under

1 this section after the manufacturing enhancement area expiration  
2 date, in accordance with all provisions of this section applied as  
3 if the manufacturing enhancement area designation were still in  
4 existence and binding.

5 (2) “Minimum wage” means the wage established by the  
6 Industrial Welfare Commission as provided for in Chapter 1  
7 (commencing with Section 1171) of Part 4 of Division 2 of the  
8 Labor Code.

9 (3) “Manufacturing enhancement area” means an area designated  
10 pursuant to Section 7073.8 of the Government Code according to  
11 the procedures of Chapter 12.8 (commencing with Section 7070)  
12 of Division 7 of Title 1 of the Government Code.

13 (4) “Manufacturing enhancement area expiration date” means  
14 the date the manufacturing enhancement area designation expires,  
15 is no longer binding, or becomes inoperative.

16 (5) “Qualified disadvantaged individual” means an individual  
17 who satisfies all of the following requirements:

18 (A) (i) At least 90 percent of whose services for the qualified  
19 taxpayer during the taxable year are directly related to the conduct  
20 of the qualified taxpayer’s trade or business located in a  
21 manufacturing enhancement area.

22 (ii) Who performs at least 50 percent of his or her services for  
23 the qualified taxpayer during the taxable year in the manufacturing  
24 enhancement area.

25 (B) Who is hired by the qualified taxpayer after the designation  
26 of the area as a manufacturing enhancement area in which the  
27 individual’s services were primarily performed.

28 (C) Who is any of the following immediately preceding the  
29 individual’s commencement of employment with the qualified  
30 taxpayer:

31 (i) An individual who has been determined eligible for services  
32 under the federal ~~Job Training Partnership Act~~ *Workforce*  
33 *Investment Act of 1998* (29 U.S.C. Sec. ~~1501~~ 2801 et seq.), or its  
34 successor.

35 (ii) Any voluntary or mandatory registrant under the Greater  
36 Avenues for Independence Act of 1985, or its successor, as  
37 provided pursuant to Article 3.2 (commencing with Section 11320)  
38 of Chapter 2 of Part 3 of Division 9 of the Welfare and Institutions  
39 Code.

1 (iii) Any individual who has been certified eligible by the  
2 Employment Development Department under the federal Targeted  
3 Jobs Tax Credit ~~Program~~, *program*, or its successor, whether or  
4 not this program is in effect.

5 (6) (A) “Qualified taxpayer” means any corporation engaged  
6 in a trade or business within a manufacturing enhancement area  
7 designated pursuant to Section 7073.8 of the Government Code  
8 and that meets all of the following requirements:

9 (i) Is engaged in those lines of business described in Codes 0211  
10 to 0291, inclusive, Code 0723, or in Codes 2011 to 3999, inclusive,  
11 of the Standard Industrial Classification (SIC) Manual published  
12 by the United States Office of Management and Budget, 1987  
13 edition.

14 (ii) At least 50 percent of the qualified taxpayer’s workforce  
15 hired after the designation of the manufacturing enhancement area  
16 is composed of individuals who, at the time of hire, are residents  
17 of the county in which the manufacturing enhancement area is  
18 located.

19 (iii) Of this percentage of local hires, at least 30 percent shall  
20 be qualified disadvantaged individuals.

21 (B) “Qualified taxpayer” shall not include employers that  
22 provide temporary help services, as described in Code 561320 of  
23 the North American Industry Classification System (NAICS)  
24 *published by the United States Office of Management and Budget,*  
25 *2012 edition.*

26 (7) “Seasonal employment” means employment by a qualified  
27 taxpayer that has regular and predictable substantial reductions in  
28 trade or business operations.

29 (c) (1) For purposes of this section, all of the following apply:

30 (A) All employees of all corporations that are members of the  
31 same controlled group of corporations shall be treated as employed  
32 by a single qualified taxpayer.

33 (B) The credit (if any) allowable by this section with respect to  
34 each member shall be determined by reference to its proportionate  
35 share of the expenses of the qualified wages giving rise to the  
36 credit and shall be allocated in that manner.

37 (C) Principles that apply in the case of controlled groups of  
38 corporations, as specified in subdivision (d) of Section 23622.7,  
39 shall apply with respect to determining employment.

1 (2) If a qualified taxpayer acquires the major portion of a trade  
2 or business of another employer (hereinafter in this paragraph  
3 referred to as the “predecessor”) or the major portion of a separate  
4 unit of a trade or business of a predecessor, then, for purposes of  
5 applying this section (other than subdivision (d)) for any calendar  
6 year ending after that acquisition, the employment relationship  
7 between a qualified disadvantaged individual and a qualified  
8 taxpayer shall not be treated as terminated if the qualified  
9 disadvantaged individual continues to be employed in that trade  
10 or business.

11 (d) (1) (A) If the employment, other than seasonal employment,  
12 of any qualified disadvantaged individual, with respect to whom  
13 qualified wages are taken into account under subdivision (b) is  
14 terminated by the qualified taxpayer at any time during the first  
15 270 days of that employment (whether or not consecutive) or before  
16 the close of the 270th calendar day after the day in which that  
17 qualified disadvantaged individual completes 90 days of  
18 employment with the qualified taxpayer, the tax imposed by this  
19 part for the taxable year in which that employment is terminated  
20 shall be increased by an amount equal to the credit allowed under  
21 subdivision (a) for that taxable year and all prior taxable years  
22 attributable to qualified wages paid or incurred with respect to that  
23 qualified disadvantaged individual.

24 (B) If the seasonal employment of any qualified disadvantaged  
25 individual, with respect to whom qualified wages are taken into  
26 account under subdivision (a) is not continued by the qualified  
27 taxpayer for a period of 270 days of employment during the  
28 60-month period beginning with the day the qualified  
29 disadvantaged individual commences seasonal employment with  
30 the qualified taxpayer, the tax imposed by this part, for the income  
31 year that includes the 60th month following the month in which  
32 the qualified disadvantaged individual commences seasonal  
33 employment with the qualified taxpayer, shall be increased by an  
34 amount equal to the credit allowed under subdivision (a) for that  
35 taxable year and all prior taxable years attributable to qualified  
36 wages paid or incurred with respect to that qualified disadvantaged  
37 individual.

38 (2) (A) Subparagraph (A) of paragraph (1) does not apply to  
39 any of the following:

1 (i) A termination of employment of a qualified disadvantaged  
2 individual who voluntarily leaves the employment of the qualified  
3 taxpayer.

4 (ii) A termination of employment of a qualified disadvantaged  
5 individual who, before the close of the period referred to in  
6 subparagraph (A) of paragraph (1), becomes disabled to perform  
7 the services of that employment, unless that disability is removed  
8 before the close of that period and the qualified taxpayer fails to  
9 offer reemployment to that individual.

10 (iii) A termination of employment of a qualified disadvantaged  
11 individual, if it is determined that the termination was due to the  
12 misconduct (as defined in Sections 1256-30 to 1256-43, inclusive,  
13 of Title 22 of the California Code of Regulations) of that individual.

14 (iv) A termination of employment of a qualified disadvantaged  
15 individual due to a substantial reduction in the trade or business  
16 operations of the qualified taxpayer.

17 (v) A termination of employment of a qualified disadvantaged  
18 individual, if that individual is replaced by other qualified  
19 disadvantaged individuals so as to create a net increase in both the  
20 number of employees and the hours of employment.

21 (B) Subparagraph (B) of paragraph (1) shall not apply to any  
22 of the following:

23 (i) A failure to continue the seasonal employment of a qualified  
24 disadvantaged individual who voluntarily fails to return to the  
25 seasonal employment of the qualified taxpayer.

26 (ii) A failure to continue the seasonal employment of a qualified  
27 disadvantaged individual who, before the close of the period  
28 referred to in subparagraph (B) of paragraph (1), becomes disabled  
29 and unable to perform the services of that seasonal employment,  
30 unless that disability is removed before the close of that period  
31 and the qualified taxpayer fails to offer seasonal employment to  
32 that qualified disadvantaged individual.

33 (iii) A failure to continue the seasonal employment of a qualified  
34 disadvantaged individual, if it is determined that the failure to  
35 continue the seasonal employment was due to the misconduct (as  
36 defined in Sections 1256-30 to 1256-43, inclusive, of Title 22 of  
37 the California Code of Regulations) of that qualified disadvantaged  
38 individual.

39 (iv) A failure to continue seasonal employment of a qualified  
40 disadvantaged individual due to a substantial reduction in the

1 regular seasonal trade or business operations of the qualified  
2 taxpayer.

3 (v) A failure to continue the seasonal employment of a qualified  
4 disadvantaged individual, if that qualified disadvantaged individual  
5 is replaced by other qualified disadvantaged individuals so as to  
6 create a net increase in both the number of seasonal employees  
7 and the hours of seasonal employment.

8 (C) For purposes of paragraph (1), the employment relationship  
9 between the qualified taxpayer and a qualified disadvantaged  
10 individual shall not be treated as terminated by either of the  
11 following:

12 (i) By a transaction to which Section 381(a) of the Internal  
13 Revenue Code applies, if the qualified disadvantaged individual  
14 continues to be employed by the acquiring corporation.

15 (ii) By reason of a mere change in the form of conducting the  
16 trade or business of the qualified taxpayer, if the qualified  
17 disadvantaged individual continues to be employed in that trade  
18 or business and the qualified taxpayer retains a substantial interest  
19 in that trade or business.

20 (3) Any increase in tax under paragraph (1) shall not be treated  
21 as tax imposed by this part for purposes of determining the amount  
22 of any credit allowable under this part.

23 (e) The credit shall be reduced by the credit allowed under  
24 Section 23621. The credit shall also be reduced by the federal  
25 credit allowed under Section 51 of the Internal Revenue Code.

26 In addition, any deduction otherwise allowed under this part for  
27 the wages or salaries paid or incurred by the qualified taxpayer  
28 upon which the credit is based shall be reduced by the amount of  
29 the credit, prior to any reduction required by subdivision (f) or (g).

30 (f) In the case where the credit otherwise allowed under this  
31 section exceeds the “tax” for the taxable year, that portion of the  
32 credit that exceeds the “tax” may be carried over and added to the  
33 credit, if any, in succeeding years, until the credit is exhausted.  
34 The credit shall be applied first to the earliest taxable years  
35 possible.

36 (g) (1) The amount of credit otherwise allowed under this  
37 section, including prior year credit carryovers, that may reduce  
38 the “tax” for the taxable year shall not exceed the amount of tax  
39 that would be imposed on the qualified taxpayer’s business income  
40 attributed to a manufacturing enhancement area determined as if

1 that attributed income represented all of the net income of the  
2 qualified taxpayer subject to tax under this part.

3 (2) Attributable income is that portion of the taxpayer's  
4 California source business income that is apportioned to the  
5 manufacturing enhancement area. For that purpose, the taxpayer's  
6 business income attributable to sources in this state first shall be  
7 determined in accordance with Chapter 17 (commencing with  
8 Section 25101). That business income shall be further apportioned  
9 to the manufacturing enhancement area in accordance with Article  
10 2 (commencing with Section 25120) of Chapter 17, modified for  
11 purposes of this section in accordance with paragraph (3).

12 (3) Income shall be apportioned to a manufacturing enhancement  
13 area by multiplying the total California business income of the  
14 taxpayer by a fraction, the numerator of which is the property  
15 factor plus the payroll factor, and the denominator of which is two.  
16 For the purposes of this paragraph:

17 (A) The property factor is a fraction, the numerator of which is  
18 the average value of the taxpayer's real and tangible personal  
19 property owned or rented and used in the manufacturing  
20 enhancement area during the taxable year, and the denominator  
21 of which is the average value of all the taxpayer's real and tangible  
22 personal property owned or rented and used in this state during  
23 the taxable year.

24 (B) The payroll factor is a fraction, the numerator of which is  
25 the total amount paid by the taxpayer in the manufacturing  
26 enhancement area during the taxable year for compensation, and  
27 the denominator of which is the total compensation paid by the  
28 taxpayer in this state during the taxable year.

29 (4) The portion of any credit remaining, if any, after application  
30 of this subdivision, shall be carried over to succeeding taxable  
31 years, as if it were an amount exceeding the "tax" for the taxable  
32 year, as provided in subdivision ~~(g)~~ (f).

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

37 (i) The qualified taxpayer shall do both of the following:

38 (1) Obtain from the Employment Development Department, as  
39 permitted by federal law, the local county or city ~~Job Training~~  
40 ~~Partnership Act Workforce Investment Act of 1998~~ administrative

1 entity, the local county GAIN office or social services agency, or  
 2 the local government administering the manufacturing enhancement  
 3 area, a certification that provides that a qualified disadvantaged  
 4 individual meets the eligibility requirements specified in paragraph  
 5 (5) of subdivision (b). The Employment Development Department  
 6 may provide preliminary screening and referral to a certifying  
 7 agency. The Department of Housing and Community Development  
 8 shall develop regulations governing the issuance of certificates  
 9 pursuant to subdivision (d) of Section 7086 of the Government  
 10 Code and shall develop forms for this purpose.

11 (2) Retain a copy of the certification and provide it to the  
 12 Franchise Tax Board annually.

13 (j) (1) For the 2014 calendar year, and each calendar year  
 14 thereafter, until January 1, 2019, the total aggregate amount of  
 15 credits allowed pursuant to this section shall not exceed the total  
 16 aggregate amount of credits claimed pursuant to this section in the  
 17 2013 calendar year, as determined by the Franchise Tax Board.

18 (2) Upon receipt of a timely filed original return, the Franchise  
 19 Tax Board shall allocate the credit to the qualified taxpayer on a  
 20 first-come-first-served basis.

21 (k) (1) The Franchise Tax Board shall compile the certifications  
 22 submitted pursuant to paragraph (2) of subdivision (i) and shall  
 23 provide as a searchable database on its Internet Web site, for each  
 24 taxable year beginning on or after January 1, 2014, and before  
 25 January 1, 2019, the employer names, amounts of tax credit  
 26 claimed, and number of new jobs created for each taxable year  
 27 pursuant to this section, Sections 17053.34, 17053.46, 17053.47,  
 28 17053.74, 17053.90, 23622.7, 23634, ~~and~~ 23646, *and* 23690.

29 (2) The Franchise Tax Board may prescribe rules, guidelines,  
 30 or procedures necessary or appropriate to carry out the purposes  
 31 of this section, including any guidelines regarding the allocation  
 32 of the credit allowed under this section.

33 (l) This section shall remain in effect only until December 1,  
 34 2019, and as of that date is repealed.

35 SEC. 9. Section 23634 of the Revenue and Taxation Code is  
 36 amended to read:

37 23634. (a) (1) For each taxable year beginning on or after  
 38 January 1, 1998, and before January 1, ~~2013~~, 2014, there shall be  
 39 allowed a credit against the "tax" (as defined by Section 23036)  
 40 to a qualified taxpayer ~~who~~ *that* employs a qualified employee in

1 a targeted tax area during the taxable year. The credit shall be equal  
2 to the sum of each of the following:

3 (A) Fifty percent of qualified wages in the first year of  
4 employment.

5 (B) Forty percent of qualified wages in the second year of  
6 employment.

7 (C) Thirty percent of qualified wages in the third year of  
8 employment.

9 (D) Twenty percent of qualified wages in the fourth year of  
10 employment.

11 (E) Ten percent of qualified wages in the fifth year of  
12 employment.

13 (2) (A) For each taxable year beginning on or after January 1,  
14 ~~2013~~, 2014, and before January 1, 2019, there shall be allowed a  
15 credit against the “net tax,” as defined in Section 23036, to a  
16 qualified taxpayer ~~who~~ that employs a qualified employee in a  
17 targeted tax area during the taxable year. The credit shall be equal  
18 to the sum of each of the following:

19 (i) Ten percent of qualified wages in the first year of  
20 employment.

21 (ii) Ten percent of qualified wages in the second year of  
22 employment.

23 (iii) Thirty percent of qualified wages in the third year of  
24 employment.

25 (iv) Forty percent of qualified wages in the fourth year of  
26 employment.

27 (v) Fifty percent of qualified wages in the fifth year of  
28 employment.

29 (B) The credit shall be allowed only with respect to qualified  
30 wages paid for each net increase in qualified employees. A net  
31 increase shall be determined by subtracting from the amount  
32 determined in clause (i) the amount determined in clause (ii).

33 (i) The total number of qualified employees employed in the  
34 state in the preceding taxable year by the qualified taxpayer and  
35 by any trade or business acquired by the qualified taxpayer during  
36 the preceding taxable year.

37 (ii) The total number of qualified employees employed in the  
38 state in the current taxable year by the qualified taxpayer and by  
39 any trade or business acquired by the qualified taxpayer during  
40 the current taxable year.

1 (C) If a qualified taxpayer relocated to a targeted tax area from  
 2 within the state during the taxable year for which the credit is  
 3 claimed, the qualified taxpayer shall be allowed a credit with  
 4 respect to qualified wages for each net increase in qualified  
 5 employees only if the qualified taxpayer provides each employee  
 6 at the previous location or locations a written notice of transfer to  
 7 the new location with comparable compensation. The qualified  
 8 taxpayer shall provide self-certification with documentation when  
 9 submitting a voucher application.

10 (b) For purposes of this section:

11 (1) “Qualified wages” means:

12 (A) That portion of wages paid or incurred by the qualified  
 13 taxpayer during the taxable year to qualified employees that  
 14 exceeds 200 percent of the minimum wage and does not exceed  
 15 500 percent of the minimum wage.

16 (B) Wages received during the 60-month period beginning with  
 17 the first day the employee commences employment with the  
 18 qualified taxpayer. Reemployment in connection with any increase,  
 19 including a regularly occurring seasonal increase, in the trade or  
 20 business operations of the qualified taxpayer does not constitute  
 21 commencement of employment for purposes of this section.

22 (C) Qualified wages do not include any wages paid or incurred  
 23 by the qualified taxpayer on or after the targeted tax area expiration  
 24 date. However, wages paid or incurred with respect to qualified  
 25 employees who are employed by the qualified taxpayer within the  
 26 targeted tax area within the 60-month period prior to the targeted  
 27 tax area expiration date shall continue to qualify for the credit  
 28 under this section after the targeted tax area expiration date, in  
 29 accordance with all provisions of this section applied as if the  
 30 targeted tax area designation were still in existence and binding.

31 (2) “Minimum wage” means the wage established by the  
 32 Industrial Welfare Commission as provided for in Chapter 1  
 33 (commencing with Section 1171) of Part 4 of Division 2 of the  
 34 Labor Code.

35 (3) “Targeted tax area expiration date” means the date the  
 36 targeted tax area designation expires, is revoked, is no longer  
 37 binding, or becomes inoperative.

38 (4) (A) “Qualified employee” means an individual who meets  
 39 all of the following requirements:

- 1 (i) At least 90 percent of his or her services for the qualified  
2 taxpayer during the taxable year are directly related to the conduct  
3 of the qualified taxpayer's trade or business located in a targeted  
4 tax area.
- 5 (ii) Performs at least 50 percent of his or her services for the  
6 qualified taxpayer during the taxable year in a targeted tax area.
- 7 (iii) Is hired by the qualified taxpayer after the date of original  
8 designation of the area in which services were performed as a  
9 targeted tax area.
- 10 (iv) Is any of the following:
  - 11 (I) Immediately preceding the qualified employee's  
12 commencement of employment with the qualified taxpayer, was  
13 a person eligible for services under the federal ~~Job Training~~  
14 ~~Partnership Act~~ *Workforce Investment Act of 1998* (29 U.S.C. Sec.  
15 ~~1504~~ 2801 et seq.), or its successor, who is receiving, or is eligible  
16 to receive, subsidized employment, training, or services funded  
17 by the federal Workforce Investment Act of 1998 (29 U.S.C. Sec.  
18 2801 et seq.), or its successor.
  - 19 (II) Immediately preceding the qualified employee's  
20 commencement of employment with the qualified taxpayer, was  
21 a person eligible to be a voluntary or mandatory registrant under  
22 the Greater Avenues for Independence Act of 1985 (GAIN)  
23 provided for pursuant to Article 3.2 (commencing with Section  
24 11320) of Chapter 2 of Part 3 of Division 9 of the Welfare and  
25 Institutions Code, or its successor.
  - 26 (III) Immediately preceding the qualified employee's  
27 commencement of employment with the qualified taxpayer, was  
28 an economically disadvantaged individual 14 years of age or older.
  - 29 (IV) Immediately preceding the qualified employee's  
30 commencement of employment with the qualified taxpayer, was  
31 a dislocated worker who meets any of the following:
    - 32 (ia) Has been terminated or laid off or who has received a notice  
33 of termination or layoff from employment, is eligible for or has  
34 exhausted entitlement to unemployment insurance benefits, and  
35 is unlikely to return to his or her previous industry or occupation.
    - 36 (ib) Has been terminated or has received a notice of termination  
37 of employment as a result of any permanent closure or any  
38 substantial layoff at a plant, facility, or enterprise, including an  
39 individual who has not received written notification but whose  
40 employer has made a public announcement of the closure or layoff.

- 1 (ic) Is long-term unemployed and has limited opportunities for  
2 employment or reemployment in the same or a similar occupation  
3 in the area in which the individual resides, including an individual  
4 55 years of age or older who may have substantial barriers to  
5 employment by reason of age.
- 6 (id) Was self-employed (including farmers and ranchers) and  
7 is unemployed as a result of general economic conditions in the  
8 community in which he or she resides or because of natural  
9 disasters.
- 10 (ie) Was a civilian employee of the Department of Defense  
11 employed at a military installation being closed or realigned under  
12 the *federal* Defense Base Closure and Realignment Act of 1990.
- 13 (if) Was an active member of the Armed Forces or National  
14 Guard as of September 30, 1990, and was either involuntarily  
15 separated or separated pursuant to a special benefits program.
- 16 (ig) Is a seasonal or migrant worker who experiences chronic  
17 seasonal unemployment and underemployment in the agriculture  
18 industry, aggravated by continual advancements in technology and  
19 mechanization.
- 20 (ih) Has been terminated or laid off, or has received a notice of  
21 termination or layoff, as a consequence of compliance with the  
22 *federal* Clean Air Act.
- 23 (V) Immediately preceding the qualified employee's  
24 commencement of employment with the qualified taxpayer, was  
25 a disabled individual who is eligible for or enrolled in, or has  
26 completed a state rehabilitation plan or is a service-connected  
27 disabled veteran, veteran of the Vietnam era, or veteran who is  
28 recently separated from military service.
- 29 (VI) Immediately preceding the qualified employee's  
30 commencement of employment with the qualified taxpayer, was  
31 an ex-offender. An individual shall be treated as convicted if he  
32 or she was placed on probation by a state court without a finding  
33 of guilt.
- 34 (VII) Immediately preceding the qualified employee's  
35 commencement of employment with the qualified taxpayer, was  
36 a person eligible for or a recipient of any of the following:
- 37 (ia) Federal Supplemental Security Income benefits.  
38 (ib) Aid to Families with Dependent Children.  
39 (ic) CalFresh benefits.  
40 (id) State and local general assistance.

1 (VIII) Immediately preceding the qualified employee's  
2 commencement of employment with the qualified taxpayer, was  
3 a member of a federally recognized Indian tribe, band, or other  
4 group of Native American descent.

5 (IX) Immediately preceding the qualified employee's  
6 commencement of employment with the qualified taxpayer, was  
7 a resident of a targeted tax area.

8 (X) Immediately preceding the qualified employee's  
9 commencement of employment with the taxpayer, was a member  
10 of a targeted group, as defined in Section 51(d) of the Internal  
11 Revenue Code, or its successor.

12 (B) Priority for employment shall be provided to an individual  
13 who is enrolled in a qualified program under the federal ~~Job~~  
14 ~~Training Partnership Act~~ *Workforce Investment Act of 1998*, or its  
15 *successor*, or the Greater Avenues for Independence Act of 1985  
16 or who is eligible as a member of a targeted group under the Work  
17 Opportunity Tax Credit (Section 51 of the Internal Revenue Code),  
18 or its successor.

19 (5) (A) "Qualified taxpayer" means a person or entity that meets  
20 both of the following:

21 (i) Is engaged in a trade or business within a targeted tax area  
22 designated pursuant to Chapter 12.93 (commencing with Section  
23 7097) of Division 7 of Title 1 of the Government Code.

24 (ii) Is engaged in those lines of business described in Codes  
25 2000 to 2099, inclusive; 2200 to 3999, inclusive; 4200 to 4299,  
26 inclusive; 4500 to 4599, inclusive; and 4700 to 5199, inclusive,  
27 of the Standard Industrial Classification (SIC) Manual published  
28 by the United States Office of Management and Budget, 1987  
29 edition.

30 (B) In the case of any ~~passthrough~~ *pass-thru* entity, the  
31 determination of whether a taxpayer is a qualified taxpayer under  
32 this section shall be made at the entity level and any credit under  
33 this section or Section 17053.34 shall be allowed to the ~~passthrough~~  
34 *pass-thru* entity and passed through to the partners or shareholders  
35 in accordance with applicable provisions of this part or Part 10  
36 (commencing with Section 17001). For purposes of this  
37 subparagraph, the term ~~"passthrough entity"~~ "*pass-thru entity*"  
38 means any partnership or "S" corporation.

39 (C) "Qualified taxpayer" shall not include employers that  
40 provide temporary help services, as described in Code 561320 of

1 the North American Industry Classification System (NAICS)  
2 *published by the United States Office of Management and Budget,*  
3 *2012 edition.*

4 (6) “Seasonal employment” means employment by a qualified  
5 taxpayer that has regular and predictable substantial reductions in  
6 trade or business operations.

7 (c) If the qualified taxpayer is allowed a credit for qualified  
8 wages pursuant to this section, only one credit shall be allowed to  
9 the taxpayer under this part with respect to those qualified wages.

10 (d) The qualified taxpayer shall do both of the following:

11 (1) Obtain from the Employment Development Department, as  
12 permitted by federal law, the local county or city ~~Job Training~~  
13 ~~Partnership Act~~ *Workforce Investment Act of 1998* administrative  
14 entity, the local county GAIN office or social services agency, or  
15 the local government administering the targeted tax area, a  
16 certification that provides that a qualified employee meets the  
17 eligibility requirements specified in clause (iv) of subparagraph  
18 (A) of paragraph (4) of subdivision (b). The Employment  
19 Development Department may provide preliminary screening and  
20 referral to a certifying agency. The Department of Housing and  
21 Community Development shall develop regulations ~~for governing~~  
22 the issuance of certificates pursuant to subdivision (g) of Section  
23 7097 of the Government Code, and shall develop forms for this  
24 purpose.

25 (2) Retain a copy of the certification and provide it to the  
26 Franchise Tax Board annually.

27 (e) (1) For purposes of this section:

28 (A) All employees of all corporations that are members of the  
29 same controlled group of corporations shall be treated as employed  
30 by a single taxpayer.

31 (B) The credit, if any, allowable by this section to each member  
32 shall be determined by reference to its proportionate share of the  
33 expense of the qualified wages giving rise to the credit, and shall  
34 be allocated in that manner.

35 (C) For purposes of this subdivision, “controlled group of  
36 corporations” means “controlled group of corporations” as defined  
37 in Section 1563(a) of the Internal Revenue Code, except that:

38 (i) “More than 50 percent” shall be substituted for “at least 80  
39 percent” each place it appears in Section 1563(a)(1) of the Internal  
40 Revenue Code.

1 (ii) The determination shall be made without regard to  
2 subsections (a)(4) and (e)(3)(C) of Section 1563 of the Internal  
3 Revenue Code.

4 (2) If an employer acquires the major portion of a trade or  
5 business of another employer (hereinafter in this paragraph referred  
6 to as the “predecessor”) or the major portion of a separate unit of  
7 a trade or business of a predecessor, then, for purposes of applying  
8 this section (other than subdivision (f)) for any calendar year ending  
9 after that acquisition, the employment relationship between a  
10 qualified employee and an employer shall not be treated as  
11 terminated if the employee continues to be employed in that trade  
12 or business.

13 (f) (1) (A) If the employment, other than seasonal employment,  
14 of any qualified employee with respect to whom qualified wages  
15 are taken into account under subdivision (a) is terminated by the  
16 qualified taxpayer at any time during the first 270 days of that  
17 employment (whether or not consecutive) or before the close of  
18 the 270th calendar day after the day in which that employee  
19 completes 90 days of employment with the qualified taxpayer, the  
20 tax imposed by this part for the taxable year in which that  
21 employment is terminated shall be increased by an amount equal  
22 to the credit allowed under subdivision (a) for that taxable year  
23 and all prior taxable years attributable to qualified wages paid or  
24 incurred with respect to that employee.

25 (B) If the seasonal employment of any qualified employee, with  
26 respect to whom qualified wages are taken into account under  
27 subdivision (a) is not continued by the qualified taxpayer for a  
28 period of 270 days of employment during the 60-month period  
29 beginning with the day the qualified employee commences seasonal  
30 employment with the qualified taxpayer, the tax imposed by this  
31 part, for the taxable year that includes the 60th month following  
32 the month in which the qualified employee commences seasonal  
33 employment with the qualified taxpayer, shall be increased by an  
34 amount equal to the credit allowed under subdivision (a) for that  
35 taxable year and all prior taxable years attributable to qualified  
36 wages paid or incurred with respect to that qualified employee.

37 (2) (A) Subparagraph (A) of paragraph (1) shall not apply to  
38 any of the following:

39 (i) A termination of employment of a qualified employee who  
40 voluntarily leaves the employment of the qualified taxpayer.

1 (ii) A termination of employment of a qualified employee who,  
2 before the close of the period referred to in subparagraph (A) of  
3 paragraph (1), becomes disabled and unable to perform the services  
4 of that employment, unless that disability is removed before the  
5 close of that period and the qualified taxpayer fails to offer  
6 reemployment to that employee.

7 (iii) A termination of employment of a qualified employee, if  
8 it is determined that the termination was due to the misconduct (as  
9 defined in Sections 1256-30 to 1256-43, inclusive, of Title 22 of  
10 the California Code of Regulations) of that employee.

11 (iv) A termination of employment of a qualified employee due  
12 to a substantial reduction in the trade or business operations of the  
13 *qualified* taxpayer.

14 (v) A termination of employment of a qualified employee, if  
15 that employee is replaced by other qualified employees so as to  
16 create a net increase in both the number of employees and the  
17 hours of employment.

18 (B) Subparagraph (B) of paragraph (1) shall not apply to any  
19 of the following:

20 (i) A failure to continue the seasonal employment of a qualified  
21 employee who voluntarily fails to return to the seasonal  
22 employment of the qualified taxpayer.

23 (ii) A failure to continue the seasonal employment of a qualified  
24 employee who, before the close of the period referred to in  
25 subparagraph (B) of paragraph (1), becomes disabled and unable  
26 to perform the services of that seasonal employment, unless that  
27 disability is removed before the close of that period and the  
28 qualified taxpayer fails to offer seasonal employment to that  
29 qualified employee.

30 (iii) A failure to continue the seasonal employment of a qualified  
31 employee, if it is determined that the failure to continue the  
32 seasonal employment was due to the misconduct (as defined in  
33 Sections 1256-30 to 1256-43, inclusive, of Title 22 of the California  
34 Code of Regulations) of that qualified employee.

35 (iv) A failure to continue seasonal employment of a qualified  
36 employee due to a substantial reduction in the regular seasonal  
37 trade or business operations of the qualified taxpayer.

38 (v) A failure to continue the seasonal employment of a qualified  
39 employee, if that qualified employee is replaced by other qualified

1 employees so as to create a net increase in both the number of  
2 seasonal employees and the hours of seasonal employment.

3 (C) For purposes of paragraph (1), the employment relationship  
4 between the qualified taxpayer and a qualified employee shall not  
5 be treated as terminated by either of the following:

6 (i) By a transaction to which Section 381(a) of the Internal  
7 Revenue Code applies, if the qualified employee continues to be  
8 employed by the acquiring corporation.

9 (ii) By reason of a mere change in the form of conducting the  
10 trade or business of the qualified taxpayer, if the qualified  
11 employee continues to be employed in that trade or business and  
12 the qualified taxpayer retains a substantial interest in that trade or  
13 business.

14 (3) Any increase in tax under paragraph (1) shall not be treated  
15 as tax imposed by this part for purposes of determining the amount  
16 of any credit allowable under this part.

17 (g) Rules similar to the rules provided in ~~Sections 46(e) and (h)~~  
18 *subsections (e) and (h) of Section 46* of the Internal Revenue Code  
19 shall apply to both of the following:

20 (1) An organization to which Section 593 of the Internal  
21 Revenue Code applies.

22 (2) A regulated investment company or a real estate investment  
23 trust subject to taxation under this part.

24 (h) For purposes of this section, “targeted tax area” means an  
25 area designated pursuant to Chapter 12.93 (commencing with  
26 Section 7097) of Division 7 of Title 1 of the Government Code.

27 (i) In the case where the credit otherwise allowed under this  
28 section exceeds the “tax” for the taxable year, that portion of the  
29 credit that exceeds the “tax” may be carried over and added to the  
30 credit, if any, in succeeding taxable years, until the credit is  
31 exhausted. The credit shall be applied first to the earliest taxable  
32 years possible.

33 (j) (1) The amount of the credit otherwise allowed under this  
34 section and Section 23633, including any credit carryover from  
35 prior years, that may reduce the “tax” for the taxable year shall  
36 not exceed the amount of tax that would be imposed on the  
37 qualified taxpayer’s business income attributable to the targeted  
38 tax area determined as if that attributable income represented all  
39 of the income of the qualified taxpayer subject to tax under this  
40 part.

1 (2) Attributable income shall be that portion of the taxpayer's  
2 California source business income that is apportioned to the  
3 targeted tax area. For that purpose, the taxpayer's business income  
4 attributable to sources in this state first shall be determined in  
5 accordance with Chapter 17 (commencing with Section 25101).  
6 That business income shall be further apportioned to the targeted  
7 tax area in accordance with Article 2 (commencing with Section  
8 25120) of Chapter 17, modified for purposes of this section in  
9 accordance with paragraph (3).

10 (3) Business income shall be apportioned to the targeted tax  
11 area by multiplying the total California business income of the  
12 taxpayer by a fraction, the numerator of which is the property  
13 factor plus the payroll factor, and the denominator of which is two.  
14 For purposes of this paragraph:

15 (A) The property factor is a fraction, the numerator of which is  
16 the average value of the taxpayer's real and tangible personal  
17 property owned or rented and used in the targeted tax area during  
18 the taxable year, and the denominator of which is the average value  
19 of all the taxpayer's real and tangible personal property owned or  
20 rented and used in this state during the taxable year.

21 (B) The payroll factor is a fraction, the numerator of which is  
22 the total amount paid by the taxpayer in the targeted tax area during  
23 the taxable year for compensation, and the denominator of which  
24 is the total compensation paid by the taxpayer in this state during  
25 the taxable year.

26 (4) The portion of any credit remaining, if any, after application  
27 of this subdivision, shall be carried over to succeeding taxable  
28 years, as if it were an amount exceeding the "tax" for the taxable  
29 year, as provided in subdivision ~~(h)~~ (i).

30 (5) In the event that a credit carryover is allowable under  
31 subdivision ~~(h)~~ (i) for any taxable year after the targeted tax area  
32 designation has expired or been revoked, the targeted tax area shall  
33 be deemed to remain in existence for purposes of computing the  
34 limitation specified in this subdivision.

35 (k) (1) For the 2014 calendar year, and each calendar year  
36 thereafter, until January 1, 2019, the total aggregate amount of  
37 credits allowed pursuant to this section shall not exceed the total  
38 aggregate amount of credits claimed pursuant to this section in the  
39 2013 calendar year, as determined by the Franchise Tax Board.

1 (2) Upon receipt of a timely filed original return, the Franchise  
2 Tax Board shall allocate the credit to the qualified taxpayer on a  
3 first-come-first-served basis.

4 (l) (1) The Franchise Tax Board shall compile the certifications  
5 submitted pursuant to paragraph (2) of subdivision (d) and shall  
6 provide as a searchable database on its Internet Web site, for each  
7 taxable year beginning on or after January 1, 2014, and before  
8 January 1, 2019, the employer names, amounts of tax credit  
9 claimed, and number of new jobs created for each taxable year  
10 pursuant to this section, Sections 17053.34, 17053.46, 17053.47,  
11 17053.74, 17053.90, 23622.7, 23622.8, ~~and 23646, and 23690.~~

12 (2) The Franchise Tax Board may prescribe rules, guidelines,  
13 or procedures necessary or appropriate to carry out the purposes  
14 of this section, including any guidelines regarding the allocation  
15 of the credit allowed under this section.

16 (m) This section shall remain in effect only until December 1,  
17 2019, and as of that date is repealed.

18 SEC. 10. Section 23646 of the Revenue and Taxation Code is  
19 amended to read:

20 23646. (a) (1) For each taxable year beginning on or after  
21 January 1, 1995, and before January 1, ~~2013, 2014,~~ there shall be  
22 allowed as a credit against the “tax” (as defined in Section 23036)  
23 to a qualified taxpayer for hiring a qualified disadvantaged  
24 individual or a qualified displaced employee during the taxable  
25 year for employment in the LAMBRA. The credit shall be equal  
26 to the sum of each of the following:

27 (A) Fifty percent of the qualified wages in the first year of  
28 employment.

29 (B) Forty percent of the qualified wages in the second year of  
30 employment.

31 (C) Thirty percent of the qualified wages in the third year of  
32 employment.

33 (D) Twenty percent of the qualified wages in the fourth year of  
34 employment.

35 (E) Ten percent of the qualified wages in the fifth year of  
36 employment.

37 (2) (A) For each taxable year beginning on or after January 1,  
38 ~~2013, 2014,~~ and before January 1, 2019, there shall be allowed as  
39 a credit against the “net tax,” as defined in Section 17039, to a  
40 qualified taxpayer for hiring a qualified disadvantaged individual

1 or a qualified displaced employee during the taxable year for  
2 employment in the LAMBRA. The credit shall be equal to the sum  
3 of each of the following:

4 (i) Ten percent of qualified wages in the first year of  
5 employment.

6 (ii) Ten percent of qualified wages in the second year of  
7 employment.

8 (iii) Thirty percent of qualified wages in the third year of  
9 employment.

10 (iv) Forty percent of qualified wages in the fourth year of  
11 employment.

12 (v) Fifty percent of qualified wages in the fifth year of  
13 employment.

14 (B) The credit shall be allowed only with respect to qualified  
15 wages paid for each net increase in qualified employees. A net  
16 increase shall be determined by subtracting from the amount  
17 determined in clause (i) the amount determined in clause (ii). For  
18 purposes of this subparagraph, “qualified employees” means  
19 qualified disadvantaged individuals and qualified displaced  
20 employees.

21 (i) The total number of qualified employees employed in the  
22 state in the preceding taxable year by the qualified taxpayer and  
23 by any trade or business acquired by the qualified taxpayer during  
24 the preceding taxable year.

25 (ii) The total number of qualified employees employed in the  
26 state in the current taxable year by the qualified taxpayer and by  
27 any trade or business acquired by the qualified taxpayer during  
28 the current taxable year.

29 (C) If a qualified taxpayer relocated to a LAMBRA from within  
30 the state during the taxable year for which the credit is claimed,  
31 the qualified taxpayer shall be allowed a credit with respect to  
32 qualified wages for each net increase in qualified employees only  
33 if the qualified taxpayer provides each employee at the previous  
34 location or locations a written notice of transfer to the new location  
35 with comparable compensation. The qualified taxpayer shall  
36 provide self-certification with documentation when submitting a  
37 voucher application.

38 (b) For purposes of this section:

39 (1) “Qualified wages” means:

1 (A) That portion of wages paid or incurred by the employer  
2 during the taxable year to qualified disadvantaged individuals or  
3 qualified displaced employees that exceeds 200 percent of the  
4 minimum wage and does not exceed 500 percent of the minimum  
5 wage.

6 (B) The total amount of qualified wages which may be taken  
7 into account for purposes of claiming the credit allowed under this  
8 section shall not exceed two million dollars (\$2,000,000) per  
9 taxable year.

10 (C) Wages received during the 60-month period beginning with  
11 the first day the individual commences employment with the  
12 taxpayer. Reemployment in connection with any increase, including  
13 a regularly occurring seasonal increase, in the trade or business  
14 operation of the qualified taxpayer does not constitute  
15 commencement of employment for purposes of this section.

16 (D) Qualified wages do not include any wages paid or incurred  
17 by the qualified taxpayer on or after the LAMBRA expiration date.  
18 However, wages paid or incurred with respect to qualified  
19 disadvantaged individuals or qualified displaced employees who  
20 are employed by the qualified taxpayer within the LAMBRA within  
21 the 60-month period prior to the LAMBRA expiration date shall  
22 continue to qualify for the credit under this section after the  
23 LAMBRA expiration date, in accordance with all provisions of  
24 this section applied as if the LAMBRA designation were still in  
25 existence and binding.

26 (2) “Minimum wage” means the wage established by the  
27 Industrial Welfare Commission as provided for in Chapter 1  
28 (commencing with Section 1171) of Part 4 of Division 2 of the  
29 Labor Code.

30 (3) “LAMBRA” means a local agency military base recovery  
31 area designated in accordance with the provisions of Section 7114  
32 of the Government Code.

33 (4) “Qualified disadvantaged individual” means an individual  
34 who satisfies all of the following requirements:

35 (A) (i) At least 90 percent of whose services for the taxpayer  
36 during the taxable year are directly related to the conduct of the  
37 taxpayer’s trade or business located in a LAMBRA.

38 (ii) Who performs at least 50 percent of his or her services for  
39 the taxpayer during the taxable year in the LAMBRA.

- 1 (B) Who is hired by the employer after the designation of the  
2 area as a LAMBRA in which the individual’s services were  
3 primarily performed.
- 4 (C) Who is any of the following immediately preceding the  
5 individual’s commencement of employment with the taxpayer:
  - 6 (i) An individual who has been determined eligible for services  
7 under the federal Workforce Investment Act of 1998 (29 U.S.C.  
8 Sec. 2801 et seq.), or its successor.
  - 9 (ii) Any voluntary or mandatory registrant under the Greater  
10 Avenues for Independence Act of 1985 provided for pursuant to  
11 Article 3.2 (commencing with Section 11320) of Chapter 2 of Part  
12 3 of Division 9 of the Welfare and Institutions Code.
  - 13 (iii) An economically disadvantaged individual 16 years of age  
14 or older.
  - 15 (iv) A dislocated worker who meets any of the following  
16 conditions:
    - 17 (I) Has been terminated or laid off or who has received a notice  
18 of termination or layoff from employment, is eligible for or has  
19 exhausted entitlement to unemployment insurance benefits, and  
20 is unlikely to return to his or her previous industry or occupation.
    - 21 (II) Has been terminated or has received a notice of termination  
22 of employment as a result of any permanent closure or any  
23 substantial layoff at a plant, facility, or enterprise, including an  
24 individual who has not received written notification but whose  
25 employer has made a public announcement of the closure or layoff.
    - 26 (III) Is long-term unemployed and has limited opportunities for  
27 employment or reemployment in the same or a similar occupation  
28 in the area in which the individual resides, including an individual  
29 55 years of age or older who may have substantial barriers to  
30 employment by reason of age.
    - 31 (IV) Was self-employed (including farmers and ranchers) and  
32 is unemployed as a result of general economic conditions in the  
33 community in which he or she resides or because of natural  
34 disasters.
    - 35 (V) Was a civilian employee of the Department of Defense  
36 employed at a military installation being closed or realigned under  
37 the *federal* Defense Base Closure and Realignment Act of 1990.
    - 38 (VI) Was an active member of the Armed Forces or National  
39 Guard as of September 30, 1990, and was either involuntarily  
40 separated or separated pursuant to a special benefits program.

1 (VII) Experiences chronic seasonal unemployment and  
2 underemployment in the agriculture industry, aggravated by  
3 continual advancements in technology and mechanization.

4 (VIII) Has been terminated or laid off or has received a notice  
5 of termination or layoff as a consequence of compliance with the  
6 *federal* Clean Air Act.

7 (v) An individual who is enrolled in or has completed a state  
8 rehabilitation plan or is a service-connected disabled veteran,  
9 veteran of the Vietnam era, or veteran who is recently separated  
10 from military service.

11 (vi) An ex-offender. An individual shall be treated as convicted  
12 if he or she was placed on probation by a state court without a  
13 finding of ~~guilty~~ *guilt*.

14 (vii) A recipient of:

15 (I) Federal Supplemental Security Income benefits.

16 (II) Aid to Families with Dependent Children.

17 (III) CalFresh benefits.

18 (IV) State and local general assistance.

19 (viii) Is a member of a federally recognized Indian tribe, band,  
20 or other group of Native American descent.

21 (5) “Qualified taxpayer” means a corporation that conducts a  
22 trade or business within a LAMBRA and, for the first two taxable  
23 years, has a net increase in jobs (defined as 2,000 paid hours per  
24 employee per year) of one or more employees as determined below  
25 in the LAMBRA.

26 (A) The net increase in the number of jobs shall be determined  
27 by subtracting the total number of full-time employees (defined  
28 as 2,000 paid hours per employee per year) the taxpayer employed  
29 in this state in the taxable year prior to commencing business  
30 operations in the LAMBRA from the total number of full-time  
31 employees the taxpayer employed in this state during the second  
32 taxable year after commencing business operations in the  
33 LAMBRA. For taxpayers who commence doing business in this  
34 state with their LAMBRA business operation, the number of  
35 employees for the taxable year prior to commencing business  
36 operations in the LAMBRA shall be zero. If the taxpayer has a net  
37 increase in jobs in the state, the credit shall be allowed only if one  
38 or more full-time employees is employed within the LAMBRA.

39 (B) The total number of employees employed in the LAMBRA  
40 shall equal the sum of both of the following:

1 (i) The total number of hours worked in the LAMBRA for the  
2 taxpayer by employees (not to exceed 2,000 hours per employee)  
3 who are paid an hourly wage divided by 2,000.

4 (ii) The total number of months worked in the LAMBRA for  
5 the taxpayer by employees who are salaried employees divided  
6 by 12.

7 (C) In the case of a qualified taxpayer that first commences  
8 doing business in the LAMBRA during the taxable year, for  
9 purposes of clauses (i) and (ii), respectively, of subparagraph (B)  
10 the divisors “2,000” and “12” shall be multiplied by a fraction, the  
11 numerator of which is the number of months of the taxable year  
12 that the taxpayer was doing business in the LAMBRA and the  
13 denominator of which is 12.

14 (D) “Qualified taxpayer” shall not include employers that  
15 provide temporary help services, as described in Code 561320 of  
16 the North American Industry Classification System (NAICS)  
17 *published by the United States Office of Management and Budget,*  
18 *2012 edition.*

19 (6) “Qualified displaced employee” means an individual who  
20 satisfies all of the following requirements:

21 (A) Any civilian or military employee of a base or former base  
22 ~~that~~ *who* has been displaced as a result of a federal base closure  
23 act.

24 (B) (i) At least 90 percent of whose services for the taxpayer  
25 during the taxable year are directly related to the conduct of the  
26 taxpayer’s trade or business located in a LAMBRA.

27 (ii) Who performs at least 50 percent of his or her services for  
28 the taxpayer during the taxable year in a LAMBRA.

29 (C) Who is hired by the employer after the designation of the  
30 area in which services were performed as a LAMBRA.

31 (7) “Seasonal employment” means employment by a qualified  
32 taxpayer that has regular and predictable substantial reductions in  
33 trade or business operations.

34 (8) “LAMBRA expiration date” means the date the LAMBRA  
35 designation expires, is no longer binding, or becomes inoperative.

36 (c) For qualified disadvantaged individuals or qualified displaced  
37 employees hired on or after January 1, 2001, the taxpayer shall do  
38 both of the following:

39 (1) Obtain from the Employment Development Department, as  
40 permitted by federal law, the administrative entity of the local

1 county or city for the federal Workforce Investment Act of 1998  
2 (29 U.S.C. Sec. 2801 et seq.), or its successor, the local county  
3 GAIN office or social services agency, or the local government  
4 administering the LAMBRA, a certification that provides that a  
5 qualified disadvantaged individual or qualified displaced employee  
6 meets the eligibility requirements specified in subparagraph (C)  
7 of paragraph (4) of subdivision (b) or subparagraph (A) of  
8 paragraph (6) of subdivision (b). The Employment Development  
9 Department may provide preliminary screening and referral to a  
10 certifying agency. The Department of Housing and Community  
11 Development shall develop regulations governing the issuance of  
12 certificates pursuant to Section 7114.2 of the Government Code  
13 and shall develop forms for this purpose.

14 (2) Retain a copy of the certification and provide it to the  
15 Franchise Tax Board annually.

16 (d) (1) For purposes of this section, both of the following apply:

17 (A) All employees of all corporations that are members of the  
18 same controlled group of corporations shall be treated as employed  
19 by a single employer.

20 (B) The credit (if any) allowable by this section to each member  
21 shall be determined by reference to its proportionate share of the  
22 qualified wages giving rise to the credit.

23 (2) For purposes of this subdivision, “controlled group of  
24 corporations” has the meaning given to that term by Section  
25 1563(a) of the Internal Revenue Code, except that both of the  
26 following apply:

27 (A) “More than 50 percent” shall be substituted for “at least 80  
28 percent” each place it appears in Section 1563(a)(1) of the Internal  
29 Revenue Code.

30 (B) The determination shall be made without regard to ~~Section~~  
31 ~~1563(a)(4) and Section 1563(e)(3)(C)~~ *subsections (a)(4) and*  
32 *(e)(3)(C) of Section 1563* of the Internal Revenue Code.

33 (3) If an employer acquires the major portion of a trade or  
34 business of another employer (hereinafter in this paragraph referred  
35 to as the “predecessor”) or the major portion of a separate unit of  
36 a trade or business of a predecessor, then, for purposes of applying  
37 this section (other than subdivision (e)) for any calendar year  
38 ending after that acquisition, the employment relationship between  
39 an employee and an employer shall not be treated as terminated if  
40 the employee continues to be employed in that trade or business.

1 (e) (1) (A) If the employment of any employee, other than  
2 seasonal employment, with respect to whom qualified wages are  
3 taken into account under subdivision (a) is terminated by the  
4 taxpayer at any time during the first 270 days of that employment  
5 (whether or not consecutive) or before the close of the 270th  
6 calendar day after the day in which that employee completes 90  
7 days of employment with the taxpayer, the tax imposed by this  
8 part for the taxable year in which that employment is terminated  
9 shall be increased by an amount equal to the credit allowed under  
10 subdivision (a) for that taxable year and all prior ~~income~~ *taxable*  
11 years attributable to qualified wages paid or incurred with respect  
12 to that employee.

13 (B) If the seasonal employment of any qualified disadvantaged  
14 individual, with respect to whom qualified wages are taken into  
15 account under subdivision (a) is not continued by the qualified  
16 taxpayer for a period of 270 days of employment during the  
17 60-month period beginning with the day the qualified  
18 disadvantaged individual commences seasonal employment with  
19 the qualified taxpayer, the tax imposed by this part, for the taxable  
20 year that includes the 60th month following the month in which  
21 the qualified disadvantaged individual commences seasonal  
22 employment with the qualified taxpayer, shall be increased by an  
23 amount equal to the credit allowed under subdivision (a) for that  
24 taxable year and all prior taxable years attributable to qualified  
25 wages paid or incurred with respect to that qualified disadvantaged  
26 individual.

27 (2) (A) Subparagraph (A) of paragraph (1) shall not apply to  
28 any of the following:

29 (i) A termination of employment of an employee who voluntarily  
30 leaves the employment of the taxpayer.

31 (ii) A termination of employment of an individual who, before  
32 the close of the period referred to in paragraph (1), becomes  
33 disabled to perform the services of that employment, unless that  
34 disability is removed before the close of that period and the  
35 taxpayer fails to offer reemployment to that individual.

36 (iii) A termination of employment of an individual, if it is  
37 determined that the termination was due to the misconduct (as  
38 defined in Sections 1256-30 to 1256-43, inclusive, of Title 22 of  
39 the California Code of Regulations) of that individual.

1 (iv) A termination of employment of an individual due to a  
2 substantial reduction in the trade or business operations of the  
3 taxpayer.

4 (v) A termination of employment of an individual, if that  
5 individual is replaced by other qualified employees so as to create  
6 a net increase in both the number of employees and the hours of  
7 employment.

8 (B) Subparagraph (B) of paragraph (1) shall not apply to any  
9 of the following:

10 (i) A failure to continue the seasonal employment of a qualified  
11 disadvantaged individual who voluntarily fails to return to the  
12 seasonal employment of the qualified taxpayer.

13 (ii) A failure to continue the seasonal employment of a qualified  
14 disadvantaged individual who, before the close of the period  
15 referred to in subparagraph (B) of paragraph (1), becomes disabled  
16 and unable to perform the services of that seasonal employment,  
17 unless that disability is removed before the close of that period  
18 and the qualified taxpayer fails to offer seasonal employment to  
19 that qualified disadvantaged individual.

20 (iii) A failure to continue the seasonal employment of a qualified  
21 disadvantaged individual, if it is determined that the failure to  
22 continue the seasonal employment was due to the misconduct (as  
23 defined in Sections 1256-30 to 1256-43, inclusive, of Title 22 of  
24 the California Code of Regulations) of that individual.

25 (iv) A failure to continue seasonal employment of a qualified  
26 disadvantaged individual due to a substantial reduction in the  
27 regular seasonal trade or business operations of the qualified  
28 taxpayer.

29 (v) A failure to continue the seasonal employment of a qualified  
30 disadvantaged individual, if that individual is replaced by other  
31 qualified disadvantaged individuals so as to create a net increase  
32 in both the number of seasonal employees and the hours of seasonal  
33 employment.

34 (C) For purposes of paragraph (1), the employment relationship  
35 between the taxpayer and an employee shall not be treated as  
36 terminated by either of the following:

37 (i) A transaction to which Section 381(a) of the Internal Revenue  
38 Code applies, if the employee continues to be employed by the  
39 acquiring corporation.

1 (ii) A mere change in the form of conducting the trade or  
2 business of the taxpayer, if the employee continues to be employed  
3 in that trade or business and the taxpayer retains a substantial  
4 interest in that trade or business.

5 (3) Any increase in tax under paragraph (1) shall not be treated  
6 as tax imposed by this part for purposes of determining the amount  
7 of any credit allowable under this part.

8 (4) At the close of the second taxable year, if the taxpayer has  
9 not increased the number of its employees as determined by  
10 paragraph (5) of subdivision (b), then the amount of the credit  
11 previously claimed shall be added to the taxpayer's tax for the  
12 taxpayer's second taxable year.

13 (f) In the case of an organization to which Section 593 of the  
14 Internal Revenue Code applies, and a regulated investment  
15 company or a real estate investment trust subject to taxation under  
16 this part, rules similar to the rules provided in ~~Section 46(e) and~~  
17 ~~Section 46(h)~~ *subsections (e) and (h) of Section 46* of the Internal  
18 Revenue Code shall apply.

19 (g) The credit shall be reduced by the credit allowed under  
20 Section 23621. The credit shall also be reduced by the federal  
21 credit allowed under Section 51 of the Internal Revenue Code.

22 In addition, any deduction otherwise allowed under this part for  
23 the wages or salaries paid or incurred by the taxpayer upon which  
24 the credit is based shall be reduced by the amount of the credit,  
25 prior to any reduction required by subdivision (h) or (i).

26 (h) In the case where the credit otherwise allowed under this  
27 section exceeds the "tax" for the taxable year, that portion of the  
28 credit that exceeds the "tax" may be carried over and added to the  
29 credit, if any, in succeeding years, until the credit is exhausted.  
30 The credit shall be applied first to the earliest taxable years  
31 possible.

32 (i) (1) The amount of credit otherwise allowed under this section  
33 and Section 23645, including any prior year carryovers, that may  
34 reduce the "tax" for the taxable year shall not exceed the amount  
35 of tax that would be imposed on the taxpayer's business income  
36 attributed to a LAMBRA determined as if that attributed income  
37 represented all of the income of the taxpayer subject to tax under  
38 this part.

39 (2) Attributable income shall be that portion of the taxpayer's  
40 California source business income that is apportioned to the

1 LAMBRA. For that purpose, the taxpayer’s business income that  
2 is attributable to sources in this state first shall be determined in  
3 accordance with Chapter 17 (commencing with Section 25101).  
4 That business income shall be further apportioned to the LAMBRA  
5 in accordance with Article 2 (commencing with Section 25120)  
6 of Chapter 17, modified for purposes of this section in accordance  
7 with paragraph (3).

8 (3) Income shall be apportioned to a LAMBRA by multiplying  
9 the total California business income of the taxpayer by a fraction,  
10 the numerator of which is the property factor plus the payroll factor,  
11 and the denominator of which is two. For purposes of this  
12 paragraph:

13 (A) The property factor is a fraction, the numerator of which is  
14 the average value of the taxpayer’s real and tangible personal  
15 property owned or rented and used in the LAMBRA during the  
16 taxable year, and the denominator of which is the average value  
17 of all the taxpayer’s real and tangible personal property owned or  
18 rented and used in this state during the taxable year.

19 (B) The payroll factor is a fraction, the numerator of which is  
20 the total amount paid by the taxpayer in the LAMBRA during the  
21 taxable year for compensation, and the denominator of which is  
22 the total compensation paid by the taxpayer in this state during the  
23 taxable year.

24 (4) The portion of any credit remaining, if any, after application  
25 of this subdivision, shall be carried over to succeeding taxable  
26 years, as if it were an amount exceeding the “tax” for the taxable  
27 year, as provided in subdivision (h).

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

32 (k) (1) For the 2014 calendar year, and each calendar year  
33 thereafter, until January 1, 2019, the total aggregate amount of  
34 credits allowed pursuant to this section shall not exceed the total  
35 aggregate amount of credits claimed pursuant to this section in the  
36 2013 calendar year, as determined by the Franchise Tax Board.

37 (2) Upon receipt of a timely filed original return, the Franchise  
38 Tax Board shall allocate the credit to the qualified taxpayer on a  
39 first-come-first-served basis.

1 (l) (1) The Franchise Tax Board shall compile the certifications  
2 submitted pursuant to paragraph (2) of subdivision (c) and shall  
3 provide as a searchable database on its Internet Web site, for each  
4 taxable year beginning on or after January 1, 2014, and before  
5 January 1, 2019, the employer names, amounts of tax credit  
6 claimed, and number of new jobs created for each taxable year  
7 pursuant to this section, Sections 17053.34, 17053.46, 17053.47,  
8 17053.74, 17053.90, 23622.7, 23622.8, ~~and 23634,~~ and 23690.

9 (2) The Franchise Tax Board may prescribe rules, guidelines,  
10 or procedures necessary or appropriate to carry out the purposes  
11 of this section, including any guidelines regarding the allocation  
12 of the credit allowed under this section.

13 (m) This section shall remain in effect only until December 1,  
14 2019, and as of that date is repealed.

15 SEC. 11. Section 23690 is added to the Revenue and Taxation  
16 Code, to read:

17 23690. (a) (1) For each taxable year beginning on or after  
18 January 1, 2014, *and before January 1, 2019*, there shall be allowed  
19 to a qualified taxpayer that hires a qualified full-time employee  
20 *and pays or incurs qualified wages attributable to work performed*  
21 *by the qualified full-time employee in an enterprise zone during*  
22 *the taxable year* a credit against the “tax,” as defined by Section  
23 23036, in an amount calculated under this section.

24 (2) The amount of the credit allowable under this section for a  
25 taxable year shall be equal to the product of the tentative credit  
26 amount for the taxable year and the applicable percentage for that  
27 taxable year.

28 (3) *If a qualified taxpayer relocated to an enterprise zone from*  
29 *within the state during the taxable year for which the credit is*  
30 *claimed, the qualified taxpayer shall be allowed a credit with*  
31 *respect to qualified wages for each net increase in qualified*  
32 *employees only if the qualified taxpayer provides each employee*  
33 *at the previous location or locations a written notice of transfer*  
34 *to the new location with comparable compensation. The qualified*  
35 *taxpayer shall provide self-certification with documentation when*  
36 *submitting a voucher application.*

37 (b) For purposes of this section:

38 (1) The “tentative credit amount” for a taxable year shall be  
39 equal to the sum of the following amounts:

1 (A) For the first year of employment of a qualified employee,  
2 10 percent of qualified wages paid during the taxable year.

3 (B) For the second year of employment of a qualified employee,  
4 30 percent of qualified wages paid during the taxable year.

5 (C) For the third year of employment of a qualified employee,  
6 50 percent of qualified wages paid during the taxable year.

7 (D) For the fourth year of employment of a qualified employee,  
8 30 percent of qualified wages paid during the taxable year.

9 (E) For the fifth year of employment of a qualified employee,  
10 10 percent of qualified wages paid during the taxable year.

11 (2) The “applicable percentage” for a taxable year is equal to a  
12 fraction, the numerator of which is the net increase in the total  
13 number of full-time employees who are employed in this state  
14 during the taxable year, determined on an annual full-time  
15 equivalent basis, as compared with the total number of full-time  
16 employees employed in this state during the base year, determined  
17 on the same basis, and the denominator of which is the total number  
18 of qualified full-time employees employed in this state during the  
19 taxable year. The applicable percentage shall not exceed 100  
20 percent.

21 (3) “Base year” means 2013, or in the case of a qualified  
22 taxpayer that first hires a qualified full-time employee *in this state*  
23 in a taxable year beginning on or after January 1, 2015, the taxable  
24 year immediately preceding the taxable year in which the qualified  
25 employee was hired.

26 (4) (A) “Qualified wages” means both of the following:

27 ~~(A)~~

28 (i) That portion of wages paid or incurred during the taxable  
29 year to each qualified full-time employee in excess of 200 percent  
30 of the minimum wage, but not in excess of 400 percent of the  
31 minimum wage.

32 ~~(B)~~

33 (ii) Wages received during the 60-month period beginning with  
34 the first day the qualified employee commences employment with  
35 the qualified taxpayer.

36 (B) *Except as provided in paragraph (2) of subdivision (m),*  
37 *qualified wages do not include any wages paid or incurred by the*  
38 *qualified taxpayer on or after the zone expiration date.*

1 (5) “Minimum wage” means the wage established pursuant to  
2 Chapter 1 (commencing with Section 1171) of Part 4 of Division  
3 2 of the Labor Code.

4 (6) “Zone expiration date” means the date that the enterprise  
5 zone designation expires, is no longer binding, or becomes  
6 inoperative.

7 ~~(6)~~

8 (7) “Acquired” includes any gift, inheritance, transfer incident  
9 to divorce, or any other transfer, whether or not for consideration.

10 ~~(7)~~

11 (8) (A) “Qualified full-time employee” means an individual  
12 who meets all of the following requirements:

13 (i) First commences employment with the qualified taxpayer  
14 on or after January 1, 2014.

15 (ii) At least 90 percent of whose services for the taxpayer during  
16 the taxable year are directly related to the conduct of the  
17 taxpayer’s trade or business located in an enterprise zone.

18 (iii) Performs at least 50 percent of his or her services for the  
19 taxpayer during the taxable year in an enterprise zone.

20 (iv) Is hired by the taxpayer after the date of original designation  
21 of the area in which services were performed as an enterprise  
22 zone.

23 ~~(ii)~~

24 (v) Satisfies either of the following conditions:

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

27 (II) Is a salaried employee and was paid compensation during  
28 the taxable year for full-time employment, within the meaning of  
29 Section 515 of the Labor Code, by the qualified taxpayer.

30 ~~(iii)~~

31 (vi) Is any of the following:

32 (I) Immediately preceding the qualified employee’s  
33 commencement of employment with the qualified taxpayer, was  
34 a person eligible for services under the federal Workforce  
35 Investment Act of 1998 (29 U.S.C. Sec. 2801 et seq.), or its  
36 successor, who is receiving, or is eligible to receive, subsidized  
37 employment, training, or services funded by the federal Workforce  
38 Investment Act of 1998, or its successor.

39 (II) Immediately preceding the qualified employee’s  
40 commencement of employment with the qualified taxpayer, was

1 a person eligible to be a voluntary or mandatory registrant under  
2 the Greater Avenues for Independence Act of 1985 (GAIN)  
3 provided for pursuant to Article 3.2 (commencing with Section  
4 11320) of Chapter 2 of Part 3 of Division 9 of the Welfare and  
5 Institutions Code, or its successor.

6 (III) Immediately preceding the qualified employee's  
7 commencement of employment with the qualified taxpayer, was  
8 an economically disadvantaged individual 14 years of age or older.

9 (IV) Immediately preceding the qualified employee's  
10 commencement of employment with the qualified taxpayer, was  
11 a dislocated worker who meets any of the following:

12 (ia) Has been terminated or laid off or has received a notice of  
13 termination or layoff from employment, is eligible for or has  
14 exhausted entitlement to unemployment insurance benefits, and  
15 is unlikely to return to his or her previous industry or occupation.

16 (ib) Has been terminated or has received a notice of termination  
17 of employment as a result of any permanent closure or any  
18 substantial layoff at a plant, facility, or enterprise, including an  
19 individual who has not received written notification but whose  
20 employer has made a public announcement of the closure or layoff.

21 (ic) Is long-term unemployed and has limited opportunities for  
22 employment or reemployment in the same or a similar occupation  
23 in the area in which the individual resides, including an individual  
24 55 years of age or older who may have substantial barriers to  
25 employment by reason of age.

26 (id) Was self-employed, including farmers and ranchers, and is  
27 unemployed as a result of general economic conditions in the  
28 community in which he or she resides or because of natural  
29 disasters.

30 (ie) Was a civilian employee of the Department of Defense  
31 employed at a military installation being closed or realigned under  
32 the *federal* Defense Base Closure and Realignment Act of 1990.

33 (if) Was an active member of the Armed Forces or National  
34 Guard as of September 30, 1990, and was either involuntarily  
35 separated or separated pursuant to a special benefits program.

36 (ig) Is a seasonal or migrant worker who experiences chronic  
37 seasonal unemployment and underemployment in the agriculture  
38 industry, aggravated by continual advancements in technology and  
39 mechanization.

- 1 (ih) Has been terminated or laid off, or has received a notice of
- 2 termination or layoff, as a consequence of compliance with the
- 3 *federal* Clean Air Act.
- 4 (V) Immediately preceding the qualified employee’s
- 5 commencement of employment with the qualified taxpayer, was
- 6 a disabled individual who is eligible for, is enrolled in, or has
- 7 completed a state rehabilitation plan or is a service-connected
- 8 disabled veteran, veteran of the Vietnam era, or veteran who is
- 9 recently separated from military service.
- 10 (VI) Immediately preceding the qualified employee’s
- 11 commencement of employment with the qualified taxpayer, was
- 12 an ex-offender. An individual shall be treated as convicted if he
- 13 or she was placed on probation by a state court without a finding
- 14 of guilt.
- 15 (VII) Immediately preceding the qualified employee’s
- 16 commencement of employment with the qualified taxpayer, was
- 17 a person eligible for or a recipient of any of the following:
- 18 (ia) Federal Supplemental Security Income benefits.
- 19 (ib) Aid to Families with Dependent Children, or its successor.
- 20 (ic) CalFresh benefits.
- 21 (id) State and local general assistance.
- 22 (VIII) Immediately preceding the qualified employee’s
- 23 commencement of employment with the qualified taxpayer, was
- 24 a member of a federally recognized Indian tribe, band, or other
- 25 group of Native American descent.
- 26 (IX) Immediately preceding the qualified employee’s
- 27 commencement of employment with the qualified taxpayer, was
- 28 a resident of a targeted employment area, as defined in Section
- 29 7072 of the Government Code.
- 30 (X) Is an employee who qualified the qualified taxpayer for the
- 31 enterprise zone hiring credit under former Section 17053.8 or the
- 32 program area hiring credit under former Section 17053.11.
- 33 (XI) Immediately preceding the qualified employee’s
- 34 commencement of employment with the qualified taxpayer, was
- 35 a member of a targeted group, as defined in Section 51(d) of the
- 36 Internal Revenue Code, or its successor.
- 37 (B) An individual may only be considered a qualified full-time
- 38 employee for the period of time commencing with the date the
- 39 individual is first employed by the qualified taxpayer and ending
- 40 60 months thereafter.

1 (C) Priority for employment shall be provided to an individual  
 2 who is enrolled in a qualified program under the federal Workforce  
 3 Investment Act of 1998, *or its successor*, or the Greater Avenues  
 4 for Independence Act of 1985 or who is eligible as a member of  
 5 a targeted group under the Work Opportunity Tax Credit (Section  
 6 51 of the Internal Revenue Code), or its successor.

7 ~~(8)~~

8 (9) (A) ~~“Qualified~~ *“Qualified taxpayer”* means ~~a person or~~  
 9 ~~entity~~ *corporation* engaged in a trade or business *within an*  
 10 *enterprise zone* that meets both of the following requirements  
 11 during the taxable year:

- 12 (i) Pays or incurs qualified wages.
- 13 (ii) Has a net increase in full-time employees.

14 (B) In the case of any pass-thru entity, the determination of  
 15 whether a taxpayer is a qualified taxpayer under this section shall  
 16 be made at the entity level and any credit under this section or  
 17 Section 17053.90 shall be allowed to the pass-thru entity and  
 18 passed through to the partners and shareholders in accordance with  
 19 applicable provisions of this part or Part 10 (commencing with  
 20 Section 17001). For purposes of this subdivision, the term  
 21 “pass-thru entity” means any partnership or ~~S~~ “S” corporation.

22 ~~(9)~~

23 (C) *“Qualified taxpayer” shall not include employers that*  
 24 *provide temporary help services, as described in Code 561320 of*  
 25 *the North American Industry Classification System (NAICS)*  
 26 *published by the United States Office of Management and Budget,*  
 27 *2012 edition.*

28 (10) “Seasonal employment” means employment by a qualified  
 29 taxpayer that has regular and predictable substantial reductions in  
 30 trade or business operations.

31 ~~(10)~~

32 (11) “Annual full-time equivalent” means all of the following:

- 33 (A) Either of the following:
  - 34 (i) In the case of a full-time employee paid hourly qualified  
 35 wages, “annual full-time equivalent” means the total number of  
 36 hours worked for the qualified taxpayer by the employee, not to  
 37 exceed 2,000 hours per employee, divided by 2,000.
  - 38 (ii) In the case of a salaried full-time employee, “annual full-time  
 39 equivalent” means the total number of weeks worked for the  
 40 qualified taxpayer by the employee, divided by 52.

1 (B) All employees of the trades or businesses that are treated  
2 as related under either Section 267, 318, or 707 of the Internal  
3 Revenue Code shall be treated as employed by a single qualified  
4 taxpayer.

5 (C) In determining whether the qualified taxpayer has first  
6 commenced doing business in this state during the taxable year,  
7 subdivision ~~(f)~~ (g) of Section 24416.20, without application of  
8 paragraph (7) of that subdivision, shall apply.

9 (c) The “net increase in total full-time employees” of a qualified  
10 employer shall be determined as provided by this subdivision:

11 (1) (A) (i) The net increase in full-time employees shall be  
12 determined on an annual full-time equivalent basis.

13 (ii) The amount determined under clause (i) shall include the  
14 fractional amount, if any, of the increase for the taxable year.

15 (B) The net increase in the total number of full-time employees  
16 shall be determined by subtracting the amount determined under  
17 clause (ii) from the amount determined under clause (i). If the  
18 amount determined under clause (ii) is equal to or exceeds the  
19 amount determined under clause (i), the amount determined under  
20 this subparagraph shall be zero.

21 (i) The total number of full-time employees employed in the  
22 current taxable year by the qualified taxpayer and by any trade or  
23 business acquired by the qualified taxpayer during the current  
24 taxable year.

25 (ii) The total number of full-time employees employed in the  
26 base year by the qualified taxpayer and by any trade or business  
27 acquired by the qualified taxpayer during the current taxable year.

28 (2) For qualified taxpayers that first commence doing business  
29 in this state during the taxable year, the number of full-time  
30 employees under clause (ii) of subparagraph (B) of paragraph (1)  
31 of this subdivision for the base year shall be zero.

32 (3) For purposes of determining the number of full-time  
33 employees of the qualified taxpayer who are employed in this state  
34 under this section, only those employees who receive wages that  
35 are subject to Division 6 (commencing with Section 13000) of the  
36 Unemployment Insurance Code from the qualified taxpayer  
37 comprising more than 50 percent of that employee’s total wages  
38 received from the qualified taxpayer for the taxable year shall be  
39 included.

1 (d) (1) Any qualified wages taken into account under this  
2 section in computing this credit shall not be taken into account in  
3 computing any other credit otherwise allowable under this part or  
4 Part 10 (commencing with Section 17001).

5 (2) Notwithstanding anything to the contrary, any employee  
6 whose wages, in whole or in part, are eligible to be taken into  
7 account in computing a credit under Section 17053.74 or 23622.7  
8 shall not be treated as a qualified full-time employee under this  
9 section.

10 (e) (1) The qualified taxpayer shall do both of the following:

11 (A) Obtain from the Employment Development Department,  
12 as permitted by federal law, the local county or city Workforce  
13 Investment Act of 1998 administrative entity, the local county  
14 GAIN office or social services agency, or the local government  
15 *administering the enterprise zone*, a certification that provides that  
16 a qualified employee meets the eligibility requirements specified  
17 in clause ~~(iv)~~ (vi) of subparagraph (A) of paragraph ~~(4)~~ (8) of  
18 subdivision (b). The Employment Development Department may  
19 provide preliminary screening and referral to a certifying agency.  
20 The Employment Development Department shall develop a form  
21 for this purpose. The Department of Housing and Community  
22 Development shall develop regulations governing the issuance of  
23 certificates by local governments pursuant to subdivision (a) of  
24 Section 7086 of the Government Code.

25 (B) Retain a copy of the certification and provide it to the  
26 Franchise Tax Board annually.

27 (2) The credit allowed by this section ~~must be claimed on a~~  
28 ~~timely filed original return of the qualified taxpayer.~~ *may only be*  
29 *claimed on an original or amended return of the qualified taxpayer*  
30 *filed no later than one year after the original due date, without*  
31 *regard to extension, of the qualified taxpayer's return for the year*  
32 *for which the credit is claimed.*

33 (f) (1) For purposes of this section:

34 (A) All employees of all corporations that are members of the  
35 same controlled group of corporations shall be treated as employed  
36 by a single qualified taxpayer.

37 (B) The credit, if any, allowable by this section to each member  
38 shall be determined by reference to its proportionate share of the  
39 expense of the qualified wages giving rise to the credit, and shall  
40 be allocated in that manner.

1 (C) For purposes of this subdivision, “controlled group of  
2 corporations” means “controlled group of corporations” as defined  
3 in Section 1563(a) of the Internal Revenue Code, except that:

4 (i) “More than 50 percent” shall be substituted for “at least 80  
5 percent” each place it appears in Section 1563(a)(1) of the Internal  
6 Revenue Code.

7 (ii) The determination shall be made without regard to  
8 subsections (a)(4) and (e)(3)(C) of Section 1563 of the Internal  
9 Revenue Code.

10 (2) If a qualified taxpayer acquires the major portion of a trade  
11 or business of another taxpayer (hereinafter in this paragraph  
12 referred to as the “predecessor”) or the major portion of a separate  
13 unit of a trade or business of a predecessor, then, for purposes of  
14 applying this section for any calendar year ending after that  
15 acquisition, the employment relationship between a qualified  
16 employee and a qualified taxpayer shall not be treated as terminated  
17 if the employee continues to be employed in that trade or business.

18 (g) Rules similar to the rules provided in ~~Section 46(e) and (h)~~  
19 *subsections (e) and (h) of Section 46* of the Internal Revenue Code  
20 shall apply to both of the following:

21 (1) An organization to which Section 593 of the Internal  
22 Revenue Code applies.

23 (2) A regulated investment company or a real estate investment  
24 trust subject to taxation under this part.

25 ~~(h)~~

26 (h) *For purposes of this section, “enterprise zone” means an*  
27 *area designated as an enterprise zone pursuant to Chapter 12.8*  
28 *(commencing with Section 7070) of Division 7 of Title 1 of the*  
29 *Government Code.*

30 (i) (1) The credit allowable under this section shall be reduced  
31 by the credit allowed under ~~Sections 23623.5, 23625, and Section~~  
32 ~~23646~~ claimed for the same employee. The credit shall also be  
33 reduced by the federal credit allowed under Section 51 of the  
34 Internal Revenue Code, as applicable for federal purposes.

35 (2) In addition, any deduction otherwise allowed under this part  
36 for the wages or salaries paid or incurred by the qualified taxpayer  
37 upon which the credit is based shall be reduced by the amount of  
38 the credit, prior to any reduction required by subdivision ~~(i)~~ (j) or  
39 (k).

40 ~~(i)~~

1 (j) 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 the succeeding six years if necessary, until  
4 exhausted.

5 ~~(j) This section shall cease to be operative for taxable years~~  
6 ~~beginning on or after January 1, \_\_\_\_\_, and shall be repealed on~~  
7 ~~December 1, \_\_\_\_\_.~~

8 (k) (1) *The amount of the credit otherwise allowed under this*  
9 *section and Section 17053.90, including any credit carryover from*  
10 *prior years, that may reduce the “tax” for the taxable year shall*  
11 *not exceed the amount of tax that would be imposed on the qualified*  
12 *taxpayer’s business income attributable to the enterprise zone*  
13 *determined as if that attributable income represented all of the*  
14 *income of the qualified taxpayer subject to tax under this part.*

15 (2) *Attributable income shall be that portion of the qualified*  
16 *taxpayer’s California source business income that is apportioned*  
17 *to the enterprise zone. For that purpose, the qualified taxpayer’s*  
18 *business income attributable to sources in this state first shall be*  
19 *determined in accordance with Chapter 17 (commencing with*  
20 *Section 25101) of Part 11. That business income shall be further*  
21 *apportioned to the enterprise zone in accordance with Article 2*  
22 *(commencing with Section 25120) of Chapter 17 of Part 11,*  
23 *modified for purposes of this section in accordance with paragraph*  
24 *(3).*

25 (3) *Business income shall be apportioned to the enterprise zone*  
26 *by multiplying the total California business income of the qualified*  
27 *taxpayer by a fraction, the numerator of which is the property*  
28 *factor plus the payroll factor, and the denominator of which is*  
29 *two. For purposes of this paragraph:*

30 (A) *The property factor is a fraction, the numerator of which is*  
31 *the average value of the qualified taxpayer’s real and tangible*  
32 *personal property owned or rented and used in the enterprise zone*  
33 *during the taxable year, and the denominator of which is the*  
34 *average value of all the qualified taxpayer’s real and tangible*  
35 *personal property owned or rented and used in this state during*  
36 *the taxable year.*

37 (B) *The payroll factor is a fraction, the numerator of which is*  
38 *the total amount paid by the qualified taxpayer in the enterprise*  
39 *zone during the taxable year for compensation, and the*

1 denominator of which is the total compensation paid by the  
 2 qualified taxpayer in this state during the taxable year.

3 (4) The portion of any credit remaining, if any, after application  
 4 of this subdivision, shall be carried over to succeeding taxable  
 5 years, as if it were an amount exceeding the “tax” for the taxable  
 6 year, as provided in subdivision (j).

7 (l) (1) The Franchise Tax Board shall compile the certifications  
 8 submitted pursuant to subparagraph (B) of paragraph (1) of  
 9 subdivision (e) and shall provide as a searchable database on its  
 10 Internet Web site, for each taxable year beginning on or after  
 11 January 1, 2014, and before January 1, 2019, the employer names,  
 12 amounts of tax credit claimed, and number of new jobs created  
 13 for each taxable year pursuant to this section, Sections 17053.34,  
 14 17053.46, 17053.47, 17053.74, 17053.90, 23622.7, 23622.8, 23634,  
 15 and 23646.

16 (2) The Franchise Tax Board may prescribe rules, guidelines,  
 17 or procedures necessary or appropriate to carry out the purposes  
 18 of this section, including any guidelines regarding the allocation  
 19 of the credit allowed under this section.

20 (m) This section shall remain in effect only until December 1,  
 21 2019, and as of that date is repealed.

22 (2) Notwithstanding paragraph (1) of this subdivision, this  
 23 section shall remain operative for any qualified taxpayer with  
 24 respect to any qualified full-time employee after the zone expiration  
 25 date for the remaining period, if any, of the 60-month period after  
 26 the original date of hiring of an otherwise qualified full-time  
 27 employee and any wages paid or incurred with respect to those  
 28 qualified full-time employees after the zone expiration date shall  
 29 be treated as qualified wages under this section, provided the  
 30 employee satisfies any other requirements of paragraphs (4) and  
 31 (8) of subdivision (b), as if the enterprise zone designation were  
 32 still in existence and binding.

33 SEC. 12. No reimbursement is required by this act pursuant to  
 34 Section 6 of Article XIII B of the California Constitution because  
 35 the only costs that may be incurred by a local agency or school  
 36 district will be incurred because this act creates a new crime or  
 37 infraction, eliminates a crime or infraction, or changes the penalty  
 38 for a crime or infraction, within the meaning of Section 17556 of  
 39 the Government Code, or changes the definition of a crime within

1 the meaning of Section 6 of Article XIII B of the California  
2 Constitution.  
3 SEC. 13. This act provides for a tax levy within the meaning  
4 of Article IV of the Constitution and shall go into immediate effect.

O