

AMENDED IN SENATE APRIL 12, 2016

SENATE BILL

No. 1272

Introduced by Senator Runner

February 18, 2016

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

LEGISLATIVE COUNSEL'S DIGEST

SB 1272, as amended, Runner. Income taxes: credit: small business employee savings plan.

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

This bill would allow, for taxable years beginning on or after January 1, 2016, and before January 1, 2021, a tax credit under both laws in an amount equal to 50% of the qualified taxpayer's contributions to ~~a qualified employee savings plan~~, *an Employee Savings Match Plan*, as provided.

This bill would take effect immediately as a tax levy.

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

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

1 SECTION 1. Section 17053.50 is added to the Revenue and
2 Taxation Code, to read:
3 17053.50. (a) For taxable years beginning on or after January
4 1, 2016, and before January 1, 2021, there shall be allowed to a
5 qualified taxpayer a credit against the "net tax," as defined in

1 Section 17039, in an amount equal to 50 percent of the qualified
2 taxpayer's contributions to a ~~qualified employee savings plan, an~~
3 *Employee Savings Match Plan* not to exceed two thousand dollars
4 (\$2,000) per employee per taxable year.

5 (b) For purposes of this section:

6 ~~(1) "Qualified employee savings plan" means an employee~~
7 ~~savings plan where at least half of the recipient employees earn~~
8 ~~less than forty thousand dollars (\$40,000) in wages received from~~
9 ~~the qualified taxpayer per taxable year.~~

10 (1) *"Employee Savings Match Plan" means a savings plan*
11 *established by a qualified taxpayer that meets all of the following*
12 *conditions:*

13 (A) *The employer may match voluntary contributions of*
14 *participating employees, described in subparagraph (B), without*
15 *limitation.*

16 (B) *Any employee who has an annual salary of at least twelve*
17 *thousand dollars (\$12,000) and has been continuously employed*
18 *by the qualified taxpayer for at least six months may participate*
19 *in an Employee Savings Match Plan.*

20 (C) *At least one-half of the participating employees, described*
21 *in subparagraph (B), earn less than forty thousand dollars*
22 *(\$40,000) during the calendar year in wages for work performed*
23 *for the employer contributing to the plan.*

24 (D) *Deposits are held in an insured bank or other financial*
25 *institution subject to withdrawal by employees, as provided in*
26 *subparagraph (E).*

27 (E) *Any employee who withdraws funds from an Employee*
28 *Savings Match Plan less than one year after the employee's first*
29 *contribution, or less than one year after a previous withdrawal*
30 *shall not be eligible to participate in that plan for the remainder*
31 *of the year in which that withdrawal was made or during the next*
32 *calendar year. A transfer of funds from an Employee Savings*
33 *Match Plan into an IRA or other deferred compensation plan shall*
34 *not be considered a withdrawal for purposes of this subparagraph.*

35 (2) "Qualified taxpayer" means a taxpayer that is a small
36 business as defined in Section 14837 of the Government Code.

37 (c) *In the case where the credit allowed by this section exceeds*
38 *the "net tax" the excess may be carried over to reduce the "net*
39 *tax," in the following year, and succeeding three years if necessary,*
40 *until the credit is exhausted.*

1 (d) Contributions to, and income from, an Employee Savings
2 Match Plan shall be treated as ordinary income.

3 (e)

4 (e) This section shall remain in effect only until December 1,
5 2021, and as of that date is repealed.

6 SEC. 2. Section 23650 is added to the Revenue and Taxation
7 Code, to read:

8 23650. (a) For taxable years beginning on or after January 1,
9 2016, and before January 1, 2021, there shall be allowed to a
10 qualified taxpayer a credit against the ~~“net tax,”~~ “tax,” as defined
11 in Section ~~17039, 23036,~~ in an amount equal to 50 percent of the
12 qualified taxpayer’s contributions to ~~a qualified employee savings~~
13 ~~plan,~~ *an Employee Savings Match Plan*, not to exceed two thousand
14 dollars (\$2,000) per employee per taxable year.

15 (b) For purposes of this section:

16 (1) ~~“Qualified employee savings plan” means an employee~~
17 ~~savings plan where at least half of the recipient employees earn~~
18 ~~less than forty thousand dollars (\$40,000) in wages received from~~
19 ~~the qualified taxpayer per taxable year.~~

20 (I) *“Employee Savings Match Plan” means a savings plan*
21 *established by a qualified taxpayer that meets all of the following*
22 *conditions:*

23 (A) *The employer may match voluntary contributions of*
24 *participating employees, described in subparagraph (B), without*
25 *limitation.*

26 (B) *Any employee who has an annual salary of at least twelve*
27 *thousand dollars (\$12,000) and has been continuously employed*
28 *by the qualified taxpayer for at least six months may participate*
29 *in an Employee Savings Match Plan.*

30 (C) *At least one-half of the participating employees, described*
31 *in subparagraph (B), earn less than forty thousand dollars*
32 *(\$40,000) during the calendar year in wages for work performed*
33 *for the employer contributing to the plan.*

34 (D) *Deposits are held in an insured bank or other financial*
35 *institution subject to withdrawal by employees, as provided in*
36 *subparagraph (E).*

37 (E) *Any employee who withdraws funds from an Employee*
38 *Savings Match Plan less than one year after the employee’s first*
39 *contribution, or less than one year after a previous withdrawal*
40 *shall not be eligible to participate in that plan for the remainder*

1 of the year in which that withdrawal was made or during the next
2 calendar year. A transfer of funds from an Employee Savings
3 Match Plan into an IRA or other deferred compensation plan shall
4 not be considered a withdrawal for purposes of this subparagraph.

5 (2) “Qualified taxpayer” means a taxpayer that is a small
6 business as defined in Section 14837 of the Government Code.

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

11 (d) Contributions to, and income from, an Employee Savings
12 Match Plan shall be treated as ordinary income.

13 (e)

14 (e) This section shall remain in effect only until December 1,
15 2021, and as of that date is repealed.

16 SEC. 3. (a) In accordance with Section 41 of the Revenue and
17 Taxation Code, the purpose of the credit allowed by Sections
18 17053.50 and 23650 of the Revenue and Taxation Code, as added
19 by Sections 1 and 2 of this act is to promote savings for employees,
20 especially young and low-income workers who have no savings
21 and no retirement options other than social security. To measure
22 whether the credit achieves its intended purpose, on or before
23 January 1, 2018, and each January 1 thereafter, the Franchise Tax
24 Board shall annually prepare a written report to the Legislature of
25 the following:

26 (1) The percentage of employees under 30 years of age who are
27 receiving matching funds.

28 (2) The percentage of employees earning less than forty
29 thousand dollars (\$40,000) per annum who are receiving matching
30 funds.

31 (b) A report submitted pursuant to subdivision (a) shall be
32 submitted in compliance with Section 9795 of the Government
33 Code.

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

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