

AMENDED IN SENATE MAY 24, 2013

AMENDED IN SENATE MAY 7, 2013

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, and 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, LAMBRA, manufacturing enhancement areas, and targeted tax areas:~~ *zones*.

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” for specified credits, cap the aggregate amount of credit allowed per taxable year for specified hiring credits, as provided, 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as provided, and would provide that those credits remain in effect only until December 1, 2019, and as of that date are repealed.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 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The bill would also provide that the credit would remain in effect only until December 1, 2019, and as of that date is repealed.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, 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 that has 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, 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 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
33 enhancement area, or a targeted tax area may be required to
34 provide, upon request of the board of the Franchise Tax Board, a

1 written certification, submitted under penalty of perjury, that the
2 fee for those services does not include, in whole or in part, a
3 contingent fee.

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

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

12 ~~SEC. 2. Section 17053.34 of the Revenue and Taxation Code~~
13 ~~is amended to read:~~

14 ~~17053.34. (a) (1) For each taxable year beginning on or after~~
15 ~~January 1, 1998, and before January 1, 2014, there shall be allowed~~
16 ~~a credit against the “net tax” (as defined in Section 17039) to a~~
17 ~~qualified taxpayer that employs a qualified employee in a targeted~~
18 ~~tax area during the taxable year. The credit shall be equal to the~~
19 ~~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) (A) For each taxable year beginning on or after January 1,~~
31 ~~2014, and before January 1, 2019, there shall be allowed a credit~~
32 ~~against the “net tax,” as defined in Section 17039, to a qualified~~
33 ~~taxpayer that employs a qualified employee in a targeted tax area~~
34 ~~during the taxable year. The credit shall be equal to the sum of~~
35 ~~each of the following:~~

36 ~~(i) Ten percent of qualified wages in the first year of~~
37 ~~employment.~~

38 ~~(ii) Ten percent of qualified wages in the second year of~~
39 ~~employment.~~

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

3 ~~(iv) Forty percent of qualified wages in the fourth year of~~
4 ~~employment.~~

5 ~~(v) Fifty percent of qualified wages in the fifth year of~~
6 ~~employment.~~

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

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

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

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

29 ~~(b) For purposes of this section:~~

30 ~~(1) "Qualified wages" means:~~

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

35 ~~(B) Wages received during the 60-month period beginning with~~
36 ~~the first day the employee commences employment with the~~
37 ~~qualified taxpayer. Reemployment in connection with any increase,~~
38 ~~including a regularly occurring seasonal increase, in the trade or~~
39 ~~business operations of the qualified taxpayer does not constitute~~
40 ~~commencement of employment for purposes of this section.~~

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

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

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

17 ~~(4) (A) “Qualified employee” means an individual who meets~~
18 ~~all of the following requirements:~~

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

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

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

28 ~~(iv) Is any of the following:~~

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

37 ~~(II) Immediately preceding the qualified employee’s~~
38 ~~commencement of employment with the qualified taxpayer, was~~
39 ~~a person eligible to be a voluntary or mandatory registrant under~~
40 ~~the Greater Avenues for Independence Act of 1985 (GAIN)~~

1 provided for pursuant to Article 3.2 (commencing with Section
2 11320) of Chapter 2 of Part 3 of Division 9 of the Welfare and
3 Institutions Code, or its successor:

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

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

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

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

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

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

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

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

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

38 (ih) Has been terminated or laid off, or has received a notice of
39 termination or layoff, as a consequence of compliance with the
40 federal Clean Air Act.

1 ~~(V) Immediately preceding the qualified employee's~~
2 ~~commencement of employment with the qualified taxpayer, was~~
3 ~~a disabled individual who is eligible for or enrolled in, or has~~
4 ~~completed a state rehabilitation plan or is a service-connected~~
5 ~~disabled veteran, veteran of the Vietnam era, or veteran who is~~
6 ~~recently separated from military service.~~

7 ~~(VI) Immediately preceding the qualified employee's~~
8 ~~commencement of employment with the qualified taxpayer, was~~
9 ~~an ex-offender. An individual shall be treated as convicted if he~~
10 ~~or she was placed on probation by a state court without a finding~~
11 ~~of guilt.~~

12 ~~(VII) Immediately preceding the qualified employee's~~
13 ~~commencement of employment with the qualified taxpayer, was~~
14 ~~a person eligible for or a recipient of any of the following:~~

15 ~~(ia) Federal Supplemental Security Income benefits.~~

16 ~~(ib) Aid to Families with Dependent Children.~~

17 ~~(ic) CalFresh benefits.~~

18 ~~(id) State and local general assistance.~~

19 ~~(VIII) Immediately preceding the qualified employee's~~
20 ~~commencement of employment with the qualified taxpayer, was~~
21 ~~a member of a federally recognized Indian tribe, band, or other~~
22 ~~group of Native American descent.~~

23 ~~(IX) Immediately preceding the qualified employee's~~
24 ~~commencement of employment with the qualified taxpayer, was~~
25 ~~a resident of a targeted tax area.~~

26 ~~(X) Immediately preceding the qualified employee's~~
27 ~~commencement of employment with the taxpayer, was a member~~
28 ~~of a targeted group as defined in Section 51(d) of the Internal~~
29 ~~Revenue Code, or its successor.~~

30 ~~(B) Priority for employment shall be provided to an individual~~
31 ~~who is enrolled in a qualified program under the federal Workforce~~
32 ~~Investment Act of 1998, or its successor, or the Greater Avenues~~
33 ~~for Independence Act of 1985 or who is eligible as a member of~~
34 ~~a targeted group under the Work Opportunity Tax Credit (Section~~
35 ~~51 of the Internal Revenue Code), or its successor.~~

36 ~~(5) (A) "Qualified taxpayer" means a person or entity that meets~~
37 ~~both of the following:~~

38 ~~(i) Is engaged in a trade or business within a targeted tax area~~
39 ~~designated pursuant to Chapter 12.93 (commencing with Section~~
40 ~~7097) of Division 7 of Title 1 of the Government Code.~~

1 ~~(ii) Is engaged in those lines of business described in Codes~~
2 ~~2000 to 2099, inclusive; 2200 to 3999, inclusive; 4200 to 4299,~~
3 ~~inclusive; 4500 to 4599, inclusive; and 4700 to 5199, inclusive,~~
4 ~~of the Standard Industrial Classification (SIC) Manual published~~
5 ~~by the United States Office of Management and Budget, 1987~~
6 ~~edition.~~

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

15 ~~(C) “Qualified taxpayer” shall not include employers that~~
16 ~~provide temporary help services, as described in Code 561320 of~~
17 ~~the North American Industry Classification System (NAICS)~~
18 ~~published by the United States Office of Management and Budget,~~
19 ~~2012 edition.~~

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

23 ~~(e) If the qualified taxpayer is allowed a credit for qualified~~
24 ~~wages pursuant to this section, only one credit shall be allowed to~~
25 ~~the taxpayer under this part with respect to those qualified wages.~~

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

27 ~~(1) Obtain from the Employment Development Department, as~~
28 ~~permitted by federal law, the local county or city Workforce~~
29 ~~Investment Act of 1998 administrative entity, the local county~~
30 ~~GAIN office or social services agency, or the local government~~
31 ~~administering the targeted tax area, a certification that provides~~
32 ~~that a qualified employee meets the eligibility requirements~~
33 ~~specified in clause (iv) of subparagraph (A) of paragraph (4) of~~
34 ~~subdivision (b). The Employment Development Department may~~
35 ~~provide preliminary screening and referral to a certifying agency.~~
36 ~~The Department of Housing and Community Development shall~~
37 ~~develop regulations governing the issuance of certificates pursuant~~
38 ~~to subdivision (g) of Section 7097 of the Government Code, and~~
39 ~~shall develop forms for this purpose.~~

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

3 ~~(e) (1) For purposes of this section:~~

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

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

11 ~~(C) Principles that apply in the case of controlled groups of~~
12 ~~corporations, as specified in subdivision (d) of Section 23634,~~
13 ~~shall apply with respect to determining employment.~~

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

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

35 ~~(B) If the seasonal employment of any qualified employee, with~~
36 ~~respect to whom qualified wages are taken into account under~~
37 ~~subdivision (a) is not continued by the qualified taxpayer for a~~
38 ~~period of 270 days of employment during the 60-month period~~
39 ~~beginning with the day the qualified employee commences seasonal~~
40 ~~employment with the qualified taxpayer, the tax imposed by this~~

1 part, for the taxable year that includes the 60th month following
2 the month in which the qualified employee commences seasonal
3 employment with the qualified taxpayer, shall be increased by an
4 amount equal to the credit allowed under subdivision (a) for that
5 taxable year and all prior taxable years attributable to qualified
6 wages paid or incurred with respect to that qualified employee.

7 ~~(2) (A) Subparagraph (A) of paragraph (1) shall not apply to~~
8 ~~any of the following:~~

9 ~~(i) A termination of employment of a qualified employee who~~
10 ~~voluntarily leaves the employment of the qualified taxpayer.~~

11 ~~(ii) A termination of employment of a qualified employee who,~~
12 ~~before the close of the period referred to in subparagraph (A) of~~
13 ~~paragraph (1), becomes disabled and unable to perform the services~~
14 ~~of that employment, unless that disability is removed before the~~
15 ~~close of that period and the qualified taxpayer fails to offer~~
16 ~~reemployment to that employee.~~

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

21 ~~(iv) A termination of employment of a qualified employee due~~
22 ~~to a substantial reduction in the trade or business operations of the~~
23 ~~qualified taxpayer.~~

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

28 ~~(B) Subparagraph (B) of paragraph (1) shall not apply to any~~
29 ~~of the following:~~

30 ~~(i) A failure to continue the seasonal employment of a qualified~~
31 ~~employee who voluntarily fails to return to the seasonal~~
32 ~~employment of the qualified taxpayer.~~

33 ~~(ii) A failure to continue the seasonal employment of a qualified~~
34 ~~employee who, before the close of the period referred to in~~
35 ~~subparagraph (B) of paragraph (1), becomes disabled and unable~~
36 ~~to perform the services of that seasonal employment, unless that~~
37 ~~disability is removed before the close of that period and the~~
38 ~~qualified taxpayer fails to offer seasonal employment to that~~
39 ~~qualified employee.~~

1 ~~(iii) A failure to continue the seasonal employment of a qualified~~
2 ~~employee, if it is determined that the failure to continue the~~
3 ~~seasonal employment was due to the misconduct (as defined in~~
4 ~~Sections 1256-30 to 1256-43, inclusive, of Title 22 of the California~~
5 ~~Code of Regulations) of that qualified employee.~~

6 ~~(iv) A failure to continue seasonal employment of a qualified~~
7 ~~employee due to a substantial reduction in the regular seasonal~~
8 ~~trade or business operations of the qualified taxpayer.~~

9 ~~(v) A failure to continue the seasonal employment of a qualified~~
10 ~~employee, if that qualified employee is replaced by other qualified~~
11 ~~employees so as to create a net increase in both the number of~~
12 ~~seasonal employees and the hours of seasonal employment.~~

13 ~~(C) For purposes of paragraph (1), the employment relationship~~
14 ~~between the qualified taxpayer and a qualified employee shall not~~
15 ~~be treated as terminated by reason of a mere change in the form~~
16 ~~of conducting the trade or business of the qualified taxpayer, if the~~
17 ~~qualified employee continues to be employed in that trade or~~
18 ~~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 ~~(g) In the case of an estate or trust, both of the following apply:~~

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

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

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

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

39 ~~(j) (1) The amount of the credit otherwise allowed under this~~
40 ~~section and Section 17053.33, including any credit carryover from~~

1 prior years, that may reduce the “net tax” for the taxable year shall
2 not exceed the amount of tax that would be imposed on the
3 qualified taxpayer’s business income attributable to the targeted
4 tax area determined as if that attributable income represented all
5 of the income of the qualified taxpayer subject to tax under this
6 part.

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

16 ~~(3) Business income shall be apportioned to the targeted tax~~
17 ~~area by multiplying the total California business income of the~~
18 ~~taxpayer by a fraction, the numerator of which is the property~~
19 ~~factor plus the payroll factor, and the denominator of which is two.~~
20 ~~For purposes of this paragraph:~~

21 ~~(A) The property factor is a fraction, the numerator of which is~~
22 ~~the average value of the taxpayer’s real and tangible personal~~
23 ~~property owned or rented and used in the targeted tax area during~~
24 ~~the taxable year, and the denominator of which is the average value~~
25 ~~of all the taxpayer’s real and tangible personal property owned or~~
26 ~~rented and used in this state during the taxable year.~~

27 ~~(B) The payroll factor is a fraction, the numerator of which is~~
28 ~~the total amount paid by the taxpayer in the targeted tax area during~~
29 ~~the taxable year for compensation, and the denominator of which~~
30 ~~is the total compensation paid by the taxpayer in this state during~~
31 ~~the taxable year.~~

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

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

1 ~~(k) (1) For the 2014 calendar year, and each calendar year~~
2 ~~thereafter until January 1, 2019, the total aggregate amount of~~
3 ~~credits allowed pursuant to this section shall not exceed the total~~
4 ~~aggregate amount of credits claimed pursuant to this section in the~~
5 ~~2013 calendar year, as determined by the Franchise Tax Board.~~

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

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

17 ~~(2) The Franchise Tax Board may prescribe rules, guidelines,~~
18 ~~or procedures necessary or appropriate to carry out the purposes~~
19 ~~of this section, including any guidelines regarding the allocation~~
20 ~~of the credit allowed under this section.~~

21 ~~(m) This section shall remain in effect only until December 1,~~
22 ~~2019, and as of that date is repealed.~~

23 ~~SEC. 3. Section 17053.46 of the Revenue and Taxation Code~~
24 ~~is amended to read:~~

25 ~~17053.46. (a) (1) For each taxable year beginning on or after~~
26 ~~January 1, 1995, and before January 1, 2014, there shall be allowed~~
27 ~~as a credit against the “net tax” (as defined in Section 17039) to a~~
28 ~~qualified taxpayer for hiring a qualified disadvantaged individual~~
29 ~~or a qualified displaced employee during the taxable year for~~
30 ~~employment in the LAMBRA. The credit shall be equal to the sum~~
31 ~~of each of the following:~~

32 ~~(A) Fifty percent of the qualified wages in the first year of~~
33 ~~employment.~~

34 ~~(B) Forty percent of the qualified wages in the second year of~~
35 ~~employment.~~

36 ~~(C) Thirty percent of the qualified wages in the third year of~~
37 ~~employment.~~

38 ~~(D) Twenty percent of the qualified wages in the fourth year of~~
39 ~~employment.~~

1 ~~(E) Ten percent of the qualified wages in the fifth year of~~
2 ~~employment.~~
3 ~~(2) (A) For each taxable year beginning on or after January 1,~~
4 ~~2014, and before January 1, 2019, there shall be allowed as a credit~~
5 ~~against the “net tax,” as defined in Section 17039, to a qualified~~
6 ~~taxpayer for hiring a qualified disadvantaged individual or a~~
7 ~~qualified displaced employee during the taxable year for~~
8 ~~employment in the LAMBRA. The credit shall be equal to the sum~~
9 ~~of each of the following:~~
10 ~~(i) Ten percent of qualified wages in the first year of~~
11 ~~employment.~~
12 ~~(ii) Ten percent of qualified wages in the second year of~~
13 ~~employment.~~
14 ~~(iii) Thirty percent of qualified wages in the third year of~~
15 ~~employment.~~
16 ~~(iv) Forty percent of qualified wages in the fourth year of~~
17 ~~employment.~~
18 ~~(v) Fifty percent of qualified wages in the fifth year of~~
19 ~~employment.~~
20 ~~(B) The credit shall be allowed only with respect to qualified~~
21 ~~wages paid for each net increase in qualified employees. A net~~
22 ~~increase shall be determined by subtracting from the amount~~
23 ~~determined in clause (i) the amount determined in clause (ii). For~~
24 ~~purposes of this subparagraph, “qualified employees” means~~
25 ~~qualified disadvantaged individuals and qualified displaced~~
26 ~~employees.~~
27 ~~(i) The total number of qualified employees employed in the~~
28 ~~state in the preceding taxable year by the qualified taxpayer and~~
29 ~~by any trade or business acquired by the qualified taxpayer during~~
30 ~~the preceding taxable year.~~
31 ~~(ii) The total number of qualified employees employed in the~~
32 ~~state in the current taxable year by the qualified taxpayer and by~~
33 ~~any trade or business acquired by the qualified taxpayer during~~
34 ~~the current taxable year.~~
35 ~~(C) If a qualified taxpayer relocated to a LAMBRA from within~~
36 ~~the state during the taxable year for which the credit is claimed,~~
37 ~~the qualified taxpayer shall be allowed a credit with respect to~~
38 ~~qualified wages for each net increase in qualified employees only~~
39 ~~if the qualified taxpayer provides each employee at the previous~~
40 ~~location or locations a written notice of transfer to the new location~~

1 with comparable compensation. The California Workforce
2 Investment Board shall certify the notice and provide a copy to
3 the taxpayer. The qualified taxpayer shall provide the
4 documentation when submitting a voucher application.

5 (b) For purposes of this section:

6 (1) “Qualified wages” means:

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

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

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

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

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

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

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

- 1 ~~(A) (i) At least 90 percent of whose services for the taxpayer~~
2 ~~during the taxable year are directly related to the conduct of the~~
3 ~~taxpayer's trade or business located in a LAMBRA.~~
- 4 ~~(ii) Who performs at least 50 percent of his or her services for~~
5 ~~the taxpayer during the taxable year in the LAMBRA.~~
- 6 ~~(B) Who is hired by the employer after the designation of the~~
7 ~~area as a LAMBRA in which the individual's services were~~
8 ~~primarily performed.~~
- 9 ~~(C) Who is any of the following immediately preceding the~~
10 ~~individual's commencement of employment with the taxpayer:~~
 - 11 ~~(i) An individual who has been determined eligible for services~~
12 ~~under the federal Workforce Investment Act of 1998 (29 U.S.C.~~
13 ~~Sec. 2801 et seq.).~~
 - 14 ~~(ii) Any voluntary or mandatory registrant under the Greater~~
15 ~~Avenues for Independence Act of 1985 as provided pursuant to~~
16 ~~Article 3.2 (commencing with Section 11320) of Chapter 2 of Part~~
17 ~~3 of Division 9 of the Welfare and Institutions Code.~~
 - 18 ~~(iii) An economically disadvantaged individual 16 years of age~~
19 ~~or older.~~
 - 20 ~~(iv) A dislocated worker who meets any of the following~~
21 ~~conditions:~~
 - 22 ~~(I) Has been terminated or laid off or who has received a notice~~
23 ~~of termination or layoff from employment, is eligible for or has~~
24 ~~exhausted entitlement to unemployment insurance benefits, and~~
25 ~~is unlikely to return to his or her previous industry or occupation.~~
 - 26 ~~(II) Has been terminated or has received a notice of termination~~
27 ~~of employment as a result of any permanent closure or any~~
28 ~~substantial layoff at a plant, facility, or enterprise, including an~~
29 ~~individual who has not received written notification but whose~~
30 ~~employer has made a public announcement of the closure or layoff.~~
 - 31 ~~(III) Is long-term unemployed and has limited opportunities for~~
32 ~~employment or reemployment in the same or a similar occupation~~
33 ~~in the area in which the individual resides, including an individual~~
34 ~~55 years of age or older who may have substantial barriers to~~
35 ~~employment by reason of age.~~
 - 36 ~~(IV) Was self-employed (including farmers and ranchers) and~~
37 ~~is unemployed as a result of general economic conditions in the~~
38 ~~community in which he or she resides or because of natural~~
39 ~~disasters.~~

- 1 ~~(V) Was a civilian employee of the Department of Defense~~
2 ~~employed at a military installation being closed or realigned under~~
3 ~~the federal Defense Base Closure and Realignment Act of 1990.~~
4 ~~(VI) Was an active member of the Armed Forces or National~~
5 ~~Guard as of September 30, 1990, and was either involuntarily~~
6 ~~separated or separated pursuant to a special benefits program.~~
7 ~~(VII) Experiences chronic seasonal unemployment and~~
8 ~~underemployment in the agriculture industry, aggravated by~~
9 ~~continual advancements in technology and mechanization.~~
10 ~~(VIII) Has been terminated or laid off or has received a notice~~
11 ~~of termination or layoff as a consequence of compliance with the~~
12 ~~federal Clean Air Act.~~
13 ~~(v) An individual who is enrolled in or has completed a state~~
14 ~~rehabilitation plan or is a service-connected disabled veteran,~~
15 ~~veteran of the Vietnam era, or veteran who is recently separated~~
16 ~~from military service.~~
17 ~~(vi) An ex-offender. An individual shall be treated as convicted~~
18 ~~if he or she was placed on probation by a state court without a~~
19 ~~finding of guilt.~~
20 ~~(vii) A recipient of:~~
21 ~~(I) Federal Supplemental Security Income benefits.~~
22 ~~(II) Aid to Families with Dependent Children.~~
23 ~~(III) CalFresh benefits.~~
24 ~~(IV) State and local general assistance.~~
25 ~~(viii) Is a member of a federally recognized Indian tribe, band,~~
26 ~~or other group of Native American descent.~~
27 ~~(5) “Qualified taxpayer” means a taxpayer or partnership that~~
28 ~~conducts a trade or business within a LAMBRA and, for the first~~
29 ~~two taxable years, has a net increase in jobs (defined as 2,000 paid~~
30 ~~hours per employee per year) of one or more employees in the~~
31 ~~LAMBRA.~~
32 ~~(A) The net increase in the number of jobs shall be determined~~
33 ~~by subtracting the total number of full-time employees (defined~~
34 ~~as 2,000 paid hours per employee per year) the taxpayer employed~~
35 ~~in this state in the taxable year prior to commencing business~~
36 ~~operations in the LAMBRA from the total number of full-time~~
37 ~~employees the taxpayer employed in this state during the second~~
38 ~~taxable year after commencing business operations in the~~
39 ~~LAMBRA. For taxpayers that commence doing business in this~~
40 ~~state with their LAMBRA business operation, the number of~~

1 employees for the taxable year prior to commencing business
2 operations in the LAMBRA shall be zero. If the taxpayer has a net
3 increase in jobs in the state, the credit shall be allowed only if one
4 or more full-time employees is employed within the LAMBRA.

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

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

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

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

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

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

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

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

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

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

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

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

1 ~~(e) For qualified disadvantaged individuals or qualified displaced~~
2 ~~employees hired on or after January 1, 2001, the taxpayer shall do~~
3 ~~both of the following:~~

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

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

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

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

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 qualified wages giving rise to the credit.~~

26 ~~The regulations prescribed under this paragraph shall be based~~
27 ~~on principles similar to the principles that apply in the case of~~
28 ~~controlled groups of corporations as specified in subdivision (e)~~
29 ~~of Section 23622.~~

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 (d)) for any calendar year~~
35 ~~ending after that acquisition, the employment relationship between~~
36 ~~an employee and an employer shall not be treated as terminated if~~
37 ~~the employee continues to be employed in that trade or business.~~

38 ~~(e) (1) (A) If the employment, other than seasonal employment,~~
39 ~~of any employee, with respect to whom qualified wages are taken~~
40 ~~into account under subdivision (a), is terminated by the taxpayer~~

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

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

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

26 (i) A termination of employment of an employee who voluntarily
27 leaves the employment of the taxpayer.

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

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

37 (iv) A termination of employment of an individual due to a
38 substantial reduction in the trade or business operations of the
39 taxpayer.

1 ~~(v) A termination of employment of an individual, if that~~
2 ~~individual is replaced by other qualified employees so as to create~~
3 ~~a net increase in both the number of employees and the hours of~~
4 ~~employment.~~

5 ~~(B) Subparagraph (B) of paragraph (1) shall not apply to any~~
6 ~~of the following:~~

7 ~~(i) A failure to continue the seasonal employment of a qualified~~
8 ~~disadvantaged individual who voluntarily fails to return to the~~
9 ~~seasonal employment of the qualified taxpayer.~~

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

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

23 ~~(iv) A failure to continue seasonal employment of a qualified~~
24 ~~disadvantaged individual due to a substantial reduction in the~~
25 ~~regular seasonal trade or business operations of the qualified~~
26 ~~taxpayer.~~

27 ~~(v) A failure to continue the seasonal employment of a qualified~~
28 ~~disadvantaged individual, if that individual is replaced by other~~
29 ~~qualified displaced employees so as to create a net increase in both~~
30 ~~the number of seasonal employees and the hours of seasonal~~
31 ~~employment.~~

32 ~~(C) For purposes of paragraph (1), the employment relationship~~
33 ~~between the taxpayer and an employee shall not be treated as~~
34 ~~terminated by reason of a mere change in the form of conducting~~
35 ~~the trade or business of the taxpayer, if the employee continues to~~
36 ~~be employed in that trade or business and the taxpayer retains a~~
37 ~~substantial interest in that trade or business.~~

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

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

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

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

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

13 ~~(g) The credit shall be reduced by the credit allowed under~~
14 ~~Section 17053.7. The credit shall also be reduced by the federal~~
15 ~~credit allowed under Section 51 of the Internal Revenue Code.~~

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

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

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

33 ~~(2) Attributable income shall be that portion of the taxpayer's~~
34 ~~California source business income that is apportioned to the~~
35 ~~LAMBRA. For that purpose, the taxpayer's business income that~~
36 ~~is attributable to sources in this state first shall be determined in~~
37 ~~accordance with Chapter 17 (commencing with Section 25101) of~~
38 ~~Part 11. That business income shall be further apportioned to the~~
39 ~~LAMBRA in accordance with Article 2 (commencing with Section~~

1 25120) of Chapter 17 of Part 11, modified for purposes of this
2 section in accordance with paragraph (3).

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

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

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

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

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

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

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

35 (l) (1) ~~The Franchise Tax Board shall compile the certifications~~
36 ~~submitted pursuant to paragraph (2) of subdivision (c) and shall~~
37 ~~provide as a searchable database on its Internet Web site, for each~~
38 ~~taxable year beginning on or after January 1, 2014, and before~~
39 ~~January 1, 2019, the employer names, amounts of tax credit~~
40 ~~claimed, and number of new jobs created for each taxable year~~

1 pursuant to this section, Sections 17053.34, 17053.47, 17053.74,
2 17053.90, 23622.7, 23622.8, 23634, 23646, and 23690.

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

7 (m) This section shall remain in effect only until December 1,
8 2019, and as of that date is repealed.

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

11 17053.47. (a) (1) For each taxable year beginning on or after
12 January 1, 1998, and before January 1, 2014, there shall be allowed
13 a credit against the “net tax” (as defined in Section 17039) to a
14 qualified taxpayer for hiring a qualified disadvantaged individual
15 during the taxable year for employment in the manufacturing
16 enhancement area. The credit shall be equal to the sum of each of
17 the following:

18 (A) Fifty percent of the qualified wages in the first year of
19 employment.

20 (B) Forty percent of the qualified wages in the second year of
21 employment.

22 (C) Thirty percent of the qualified wages in the third year of
23 employment.

24 (D) Twenty percent of the qualified wages in the fourth year of
25 employment.

26 (E) Ten percent of the qualified wages in the fifth year of
27 employment.

28 (2) (A) For each taxable year beginning on or after January 1,
29 2014, and before January 1, 2019, there shall be allowed as a credit
30 against the “net tax,” as defined in Section 17039, to a qualified
31 taxpayer for hiring a qualified disadvantaged individual during the
32 taxable year for employment in the manufacturing enhancement
33 area. The credit shall be equal to the sum of each of the following:

34 (i) Ten percent of qualified wages in the first year of
35 employment.

36 (ii) Ten percent of qualified wages in the second year of
37 employment.

38 (iii) Thirty percent of qualified wages in the third year of
39 employment.

1 ~~(iv) Forty percent of qualified wages in the fourth year of~~
2 ~~employment.~~

3 ~~(v) Fifty percent of qualified wages in the fifth year of~~
4 ~~employment.~~

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

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

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

19 ~~(C) If a qualified taxpayer relocated to a manufacturing~~
20 ~~enhancement area from within the state during the taxable year~~
21 ~~for which the credit is claimed, the qualified taxpayer shall be~~
22 ~~allowed a credit with respect to qualified wages for each net~~
23 ~~increase in qualified employees only if the qualified taxpayer~~
24 ~~provides each employee at the previous location or locations a~~
25 ~~written notice of transfer to the new location with comparable~~
26 ~~compensation. The California Workforce Investment Board shall~~
27 ~~certify the notice and provide a copy to the taxpayer. The qualified~~
28 ~~taxpayer shall provide the documentation when submitting a~~
29 ~~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 disadvantaged~~
34 ~~individuals that exceeds 200 percent of the minimum wage and~~
35 ~~does not exceed 500 percent of the minimum wage.~~

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

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

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

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

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

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

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

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

36 ~~(ii) Who performs at least 50 percent of his or her services for~~
37 ~~the qualified taxpayer during the taxable year in the manufacturing~~
38 ~~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, or its successor, whether or not this~~
18 ~~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 ~~(e) (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 Workforce
17 Investment Act of 1998 administrative entity, the local county
18 GAIN office or social services agency, or the local government
19 administering the manufacturing enhancement area, a certification
20 that provides that a qualified disadvantaged individual meets the
21 eligibility requirements specified in paragraph (5) of subdivision
22 (b). The Employment Development Department may provide
23 preliminary screening and referral to a certifying agency. The
24 Department of Housing and Community Development shall
25 develop regulations governing the issuance of certificates pursuant
26 to subdivision (d) of Section 7086 of the Government Code and
27 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, 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.~~

13 ~~SEC. 2.~~ Section 17053.74 of the Revenue and Taxation Code
14 is amended to read:

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

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

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

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

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

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

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

1 ~~voucher applications~~ a request for certification as described in
2 subdivision (c).

3 (b) For purposes of this section:

4 (1) “Qualified wages” means:

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

8 (ii) For up to 1,350 qualified employees who are employed by
9 the taxpayer in the Long Beach Enterprise Zone in aircraft
10 manufacturing activities described in Codes 3721 to 3728,
11 inclusive, and Code 3812 of the Standard Industrial Classification
12 (SIC) Manual published by the United States Office of
13 Management and Budget, 1987 edition, “qualified wages” means
14 that portion of hourly wages that does not exceed 202 percent of
15 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 taxpayer. Reemployment in connection with any increase, including
19 a regularly occurring seasonal increase, in the trade or business
20 operations of the taxpayer does not constitute commencement of
21 employment for purposes of this section.

22 (C) Qualified wages do not include any wages paid or incurred
23 by the taxpayer on or after the zone expiration date. However,
24 wages paid or incurred with respect to qualified employees who
25 are employed by the taxpayer within the enterprise zone within
26 the 60-month period prior to the zone expiration date shall continue
27 to qualify for the credit under this section after the zone expiration
28 date, in accordance with all provisions of this section applied as
29 if the enterprise zone designation were still in existence and
30 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) “Zone expiration date” means the date the enterprise zone
36 designation expires, is no longer binding, or becomes inoperative.

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

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

1 55 years of age or older who may have substantial barriers to
2 employment by reason of age.

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

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

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

13 (ig) Is a seasonal or migrant worker who experiences chronic
14 seasonal unemployment and underemployment in the agriculture
15 industry, aggravated by continual advancements in technology and
16 mechanization.

17 (ih) Has been terminated or laid off, or has received a notice of
18 termination or layoff, as a consequence of compliance with the
19 federal Clean Air Act.

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

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

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

34 (ia) Federal Supplemental Security Income benefits.

35 (ib) Aid to Families with Dependent Children.

36 (ic) CalFresh benefits.

37 (id) State and local general assistance.

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

1 of a federally recognized Indian tribe, band, or other group of
2 Native American descent.

3 (IX) Immediately preceding the qualified employee's
4 commencement of employment with the taxpayer, was a resident
5 of a targeted employment area, as defined in Section 7072 of the
6 Government Code.

7 (X) An employee who qualified the taxpayer for the enterprise
8 zone hiring credit under former Section 17053.8 or the program
9 area hiring credit under former Section 17053.11.

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

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

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

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

29 (6) "Seasonal employment" means employment by a taxpayer
30 that has regular and predictable substantial reductions in trade or
31 business operations.

32 (c) The taxpayer shall do the following:

33 (1) (A) Obtain from the Employment Development Department,
34 as permitted by federal law, the local county or city Workforce
35 Investment Act of 1998 (29 U.S.C. Sec. 2801 et seq.)
36 administrative entity, the local county GAIN office or social
37 services agency, or the local government administering the
38 enterprise zone, a certification which provides that a qualified
39 employee meets the eligibility requirements specified in clause
40 (iv) of subparagraph (A) of paragraph (4) of subdivision (b). The

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

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

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

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

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

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

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

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

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

1 terminated if the employee continues to be employed in that trade
2 or business.

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

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

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

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

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

36 (iii) A termination of employment of a qualified employee, if
37 it is 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 employee.

1 (iv) A termination of employment of a qualified employee due
2 to a substantial reduction in the trade or business operations of the
3 taxpayer.

4 (v) A termination of employment of a qualified employee, if
5 that employee is replaced by other qualified employees so as to
6 create a net increase in both the number of employees and the
7 hours of 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 employee who voluntarily fails to return to the seasonal
12 employment of the taxpayer.

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

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

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

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

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

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

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

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

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

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

12 (h) The credit allowable under this section shall be reduced by
13 the credit allowed under Sections 17053.10, 17053.17, and
14 17053.46 claimed for the same employee. The credit shall also be
15 reduced by the federal credit allowed under Section 51 of the
16 Internal Revenue Code.

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

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

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

34 (2) Attributable income shall be that portion of the taxpayer’s
35 California source business income that is apportioned to the
36 enterprise zone. For that purpose, the taxpayer’s business income
37 attributable to sources in this state first shall be determined in
38 accordance with Chapter 17 (commencing with Section 25101) of
39 Part 11. That business income shall be further apportioned to the
40 enterprise zone in accordance with Article 2 (commencing with

1 Section 25120) of Chapter 17 of Part 11, modified for purposes
2 of this section in accordance with paragraph (3).

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

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

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

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

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

26 (l) The Franchise Tax Board shall compile the certifications
27 submitted pursuant to paragraph (2) of subdivision (c) and shall
28 provide as a searchable database on its Internet Web site, for each
29 taxable year beginning on or after January 1, 2014, and before
30 January 1, 2019, the employer names, amounts of tax credit
31 claimed, and number of new jobs created for each taxable year
32 pursuant to this section, and Sections 17053.34, 17053.46,
33 17053.47, 17053.90, 23622.7, 23622.8, 23634, 23646, and 23690.

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

36 ~~SEC. 6.~~

37 *SEC. 3.* Section 17053.90 is added to the Revenue and Taxation
38 Code, to read:

39 17053.90. (a) (1) For each taxable year beginning on or after
40 January 1, 2014, and before January 1, 2019, there shall be allowed

1 to a qualified taxpayer that hires a qualified full-time employee
2 and pays or incurs qualified wages attributable to work performed
3 by the qualified full-time employee in an enterprise zone during
4 the taxable year a credit against the “net tax,” as defined in Section
5 17039, in an amount calculated under this 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 a~~ qualified
14 ~~employees~~ *employee* only if the qualified taxpayer provides each
15 employee at the previous location or locations a written notice of
16 transfer to the new location with comparable compensation. The
17 California Workforce Investment Board shall certify the notice
18 and provide a copy to the taxpayer. The qualified taxpayer shall
19 provide the documentation when submitting a ~~voucher application~~
20 *a request for certification as described in subdivision (e)*.

21 (b) For purposes of this section:

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

24 (A) For the first year of employment of a qualified employee,
25 10 percent of qualified wages paid during the taxable year.

26 (B) For the second year of employment of a qualified employee,
27 30 percent of qualified wages paid during the taxable year.

28 (C) For the third year of employment of a qualified employee,
29 50 percent of qualified wages paid during the taxable year.

30 (D) For the fourth year of employment of a qualified employee,
31 30 percent of qualified wages paid during the taxable year.

32 (E) For the fifth year of employment of a qualified employee,
33 10 percent of qualified wages paid during the taxable year.

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

1 qualified full-time employees employed in this state during the
2 taxable year. The applicable percentage shall not exceed 100
3 percent.

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

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

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

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

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

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

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

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

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

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

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

37 (iv) Is hired by the taxpayer after the date of original designation
38 of the area in which services were performed as an enterprise zone.

39 (v) Satisfies either of the following conditions:

- 1 (I) Is paid qualified wages by the qualified taxpayer for services
2 not less than an average of 35 hours per week.
- 3 (II) Is a salaried employee and was paid compensation during
4 the taxable year for full-time employment, within the meaning of
5 Section 515 of the Labor Code, by the qualified taxpayer.
- 6 (vi) Is any of the following:
 - 7 (I) Immediately preceding the qualified employee's
8 commencement of employment with the qualified taxpayer, was
9 a person eligible for services under the federal Workforce
10 Investment Act of 1998 (29 U.S.C. Sec. 2801 et seq.), or its
11 successor, who is receiving, or is eligible to receive, subsidized
12 employment, training, or services funded by the federal Workforce
13 Investment Act of 1998, or its successor.
 - 14 (II) Immediately preceding the qualified employee's
15 commencement of employment with the qualified taxpayer, was
16 a person eligible to be a voluntary or mandatory registrant under
17 the Greater Avenues for Independence Act of 1985 (GAIN)
18 provided for pursuant to Article 3.2 (commencing with Section
19 11320) of Chapter 2 of Part 3 of Division 9 of the Welfare and
20 Institutions Code, or its successor.
 - 21 (III) Immediately preceding the qualified employee's
22 commencement of employment with the qualified taxpayer, was
23 an economically disadvantaged individual 14 years of age or older.
 - 24 (IV) Immediately preceding the qualified employee's
25 commencement of employment with the qualified taxpayer, was
26 a dislocated worker who meets any of the following:
 - 27 (ia) Has been terminated or laid off or has received a notice of
28 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 (ib) 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 (ic) 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 (id) Was self-employed, including farmers and ranchers, and is
2 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 (ie) 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 (if) 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 (ig) Is a seasonal or migrant worker who experiences chronic
12 seasonal unemployment and underemployment in the agriculture
13 industry, aggravated by continual advancements in technology and
14 mechanization.

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

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

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

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

- 32 (ia) Federal Supplemental Security Income benefits.
- 33 (ib) Aid to Families with Dependent Children, or its successor.
- 34 (ic) CalFresh benefits.
- 35 (id) State and local general assistance.

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

1 (IX) Immediately preceding the qualified employee's
2 commencement of employment with the qualified taxpayer, was
3 a resident of a targeted employment area, as defined in Section
4 7072 of the Government Code.

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

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

12 (B) An individual may only be considered a qualified full-time
13 employee for the period of time commencing with the date the
14 individual is first employed by the qualified taxpayer and ending
15 60 months thereafter.

16 (C) Priority for employment shall be provided to an individual
17 who is enrolled in a qualified program under the federal Workforce
18 Investment Act of 1998, or its successor, or the Greater Avenues
19 for Independence Act of 1985 or who is eligible as a member of
20 a targeted group under the Work Opportunity Tax Credit (Section
21 51 of the Internal Revenue Code), or its successor.

22 (9) (A) "Qualified taxpayer" means a person or entity engaged
23 in a trade or business within an enterprise zone that meets both of
24 the following requirements during the taxable year:

25 (i) Pays or incurs qualified wages.

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

27 (B) In the case of any pass-thru entity, the determination of
28 whether a taxpayer is a qualified taxpayer under this section shall
29 be made at the entity level and any credit under this section or
30 Section 23690 shall be allowed to the pass-thru entity and passed
31 through to the partners and shareholders in accordance with
32 applicable provisions of this part or Part 11 (commencing with
33 Section 23001). For purposes of this subdivision, the term
34 "pass-thru entity" means any partnership or "S" corporation.

35 (C) "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 (10) “Seasonal employment” means employment by a qualified
2 taxpayer that has regular and predictable substantial reductions in
3 trade or business operations.

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

5 (A) Either of the following:

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

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

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

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

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

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

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

26 (B) The net increase in the total number of full-time employees
27 shall be determined by subtracting the amount determined under
28 clause (ii) from the amount determined under clause (i). If the
29 amount determined under clause (ii) is equal to or exceeds the
30 amount determined under clause (i), the amount determined under
31 this subparagraph shall be zero.

32 (i) The total number of full-time employees in this state
33 employed in the current taxable year by the qualified taxpayer and
34 by any trade or business acquired by the qualified taxpayer during
35 the current taxable year.

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

1 (2) For qualified taxpayers that first commence doing business
2 in this state during the taxable year, the number of full-time
3 employees in this state under clause (ii) of subparagraph (B) of
4 paragraph (1) for the base year shall be zero.

5 (3) For purposes of determining the number of full-time
6 employees of the qualified taxpayer who are employed in this state
7 under this section, only those employees who receive wages that
8 are subject to Division 6 (commencing with Section 13000) of the
9 Unemployment Insurance Code from the qualified taxpayer
10 comprising more than 50 percent of that employee's total wages
11 received from the qualified taxpayer for the taxable year shall be
12 included.

13 (d) (1) Any qualified wages taken into account under this
14 section in computing this credit shall not be taken into account in
15 computing any other credit otherwise allowable under this part or
16 Part 11 (commencing with Section 23001).

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

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

23 (A) Obtain from the Employment Development Department,
24 as permitted by federal law, the local county or city Workforce
25 Investment Act of 1998 administrative entity, the local county
26 GAIN office or social services agency, or the local government
27 administering the enterprise zone, a certification that provides that
28 a qualified employee meets the eligibility requirements specified
29 in clause (vi) of subparagraph (A) of paragraph (8) of subdivision
30 (b). The Employment Development Department may provide
31 preliminary screening and referral to a certifying agency. The
32 Employment Development Department shall develop a form for
33 this purpose. The Department of Housing and Community
34 Development shall develop regulations governing the issuance of
35 certificates by local governments pursuant to subdivision (a) of
36 Section 7086 of the Government Code.

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

39 (2) The credit allowed by this section may only be claimed on
40 an original or amended return of the qualified taxpayer filed no

1 later than one year after the original due date, without regard to
2 extension, of the qualified taxpayer's return for the year for which
3 the credit is claimed.

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

5 (A) All employees of trades or businesses that are not
6 incorporated, and that are under common control, shall be treated
7 as employed by a single 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 an employer acquires the major portion of a trade or
16 business of another employer (hereinafter in this paragraph referred
17 to as the "predecessor") or the major portion of a separate unit of
18 a trade or business of a predecessor, then, for purposes of applying
19 this section for any calendar year ending after that acquisition, the
20 employment relationship between a qualified employee and an
21 employer shall not be treated as terminated if the employee
22 continues to be employed in that trade or business.

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

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

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

30 (h) For purposes of this section, "enterprise zone" means an
31 area designated as an enterprise zone pursuant to Chapter 12.8
32 (commencing with Section 7070) of Division 7 of Title 1 of the
33 Government Code.

34 (i) (1) The credit allowable under this section shall be reduced
35 by the credit allowed under Section 17053.46 claimed for the same
36 employee. The credit shall also be reduced by the federal credit
37 allowed under Section 51 of the Internal Revenue Code, as
38 applicable for federal purposes.

39 (2) In addition, any deduction otherwise allowed under this part
40 for the wages or salaries paid or incurred by the qualified taxpayer

1 upon which the credit is based shall be reduced by the amount of
2 the credit, prior to any reduction required by subdivision (j) or (k).

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

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

14 (2) Attributable income shall be that portion of the qualified
15 taxpayer’s California source business income that is apportioned
16 to the enterprise zone. For that purpose, the qualified taxpayer’s
17 business income attributable to sources in this state first shall be
18 determined in accordance with Chapter 17 (commencing with
19 Section 25101) of Part 11. That business income shall be further
20 apportioned to the enterprise zone in accordance with Article 2
21 (commencing with Section 25120) of Chapter 17 of Part 11,
22 modified for purposes of this section in accordance with paragraph
23 (3).

24 (3) Business income shall be apportioned to the enterprise zone
25 by multiplying the total California business income of the qualified
26 taxpayer by a fraction, the numerator of which is the property
27 factor plus the payroll factor, and the denominator of which is two.
28 For purposes of this paragraph:

29 (A) The property factor is a fraction, the numerator of which is
30 the average value of the qualified taxpayer’s real and tangible
31 personal property owned or rented and used in the enterprise zone
32 during the taxable year, and the denominator of which is the
33 average value of all the qualified taxpayer’s real and tangible
34 personal property owned or rented and used in this state during
35 the taxable year.

36 (B) The payroll factor is a fraction, the numerator of which is
37 the total amount paid by the qualified taxpayer in the enterprise
38 zone during the taxable year for compensation, and the denominator
39 of which is the total compensation paid by the qualified taxpayer
40 in this state during the taxable year.

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

5 (l) (1) The Franchise Tax Board shall compile the certifications
6 submitted pursuant to subparagraph (B) of paragraph (1) of
7 subdivision (e) and shall provide as a searchable database on its
8 Internet Web site, for each taxable year beginning on or after
9 January 1, 2014, and before January 1, 2019, the employer names,
10 amounts of tax credit claimed, and number of new jobs created
11 for each taxable year pursuant to this section, Sections 17053.34,
12 17053.46, 17053.47, 17053.74, 17053.90, 23622.7, 23622.8, 23634,
13 23646, and 23690.

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

18 (m) (1) This section shall remain in effect only until December
19 1, 2019, and as of that date is repealed.

20 (2) Notwithstanding paragraph (1), this section shall remain
21 operative for any qualified taxpayer with respect to any qualified
22 full-time employee after the zone expiration date for the remaining
23 period, if any, of the 60-month period after the original date of
24 hiring of an otherwise qualified full-time employee, and any wages
25 paid or incurred with respect to those qualified full-time employees
26 after the zone expiration date shall be treated as qualified wages
27 under this section, provided the employee satisfies any other
28 requirements of paragraphs (4) and (8) of subdivision (b), as if the
29 enterprise zone designation were still in existence and binding.

30 ~~SEC. 7.~~

31 *SEC. 4.* Section 23622.7 of the Revenue and Taxation Code is
32 amended to read:

33 23622.7. (a) (1) There shall be allowed a credit against the
34 “tax” (as defined by Section 23036) to a taxpayer that employs a
35 qualified employee in an enterprise zone during the taxable year,
36 but only if the qualified employee first commences employment
37 with the taxpayer before January 1, 2014. The credit shall be equal
38 to the sum of each of the following:

39 (A) Fifty percent of qualified wages in the first year of
40 employment.

1 (B) Forty percent of qualified wages in the second year of
2 employment.

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

5 (D) Twenty percent of qualified wages in the fourth year of
6 employment.

7 (E) Ten percent of qualified wages in the fifth year of
8 employment.

9 (2) If a taxpayer relocated to an enterprise zone from within the
10 state during the taxable year for which the credit is claimed, the
11 taxpayer shall be allowed a credit with respect to qualified wages
12 ~~for each net increase in a qualified employees~~ *employee* only if
13 the taxpayer provides each employee at the previous location or
14 locations a written notice of transfer to the new location with
15 comparable compensation. The California Workforce Investment
16 Board shall certify the notice and provide a copy to the taxpayer.
17 The taxpayer shall provide the documentation when submitting
18 ~~voucher applications~~ *a request for certification as described in*
19 *subdivision (c).*

20 (b) For purposes of this section:

21 (1) “Qualified wages” means:

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

25 (ii) For up to 1,350 qualified employees who are employed by
26 the taxpayer in the Long Beach Enterprise Zone in aircraft
27 manufacturing activities described in Codes 3721 to 3728,
28 inclusive, and Code 3812 of the Standard Industrial Classification
29 (SIC) Manual published by the United States Office of
30 Management and Budget, 1987 edition, “qualified wages” means
31 that portion of hourly wages that does not exceed 202 percent of
32 the minimum wage.

33 (B) Wages received during the 60-month period beginning with
34 the first day the employee commences employment with the
35 taxpayer. Reemployment in connection with any increase, including
36 a regularly occurring seasonal increase, in the trade or business
37 operations of the taxpayer does not constitute commencement of
38 employment for purposes of this section.

39 (C) Qualified wages do not include any wages paid or incurred
40 by the taxpayer on or after the zone expiration date. However,

1 wages paid or incurred with respect to qualified employees who
2 are employed by the taxpayer within the enterprise zone within
3 the 60-month period prior to the zone expiration date shall continue
4 to qualify for the credit under this section after the zone expiration
5 date, in accordance with all provisions of this section applied as
6 if the enterprise zone designation were still in existence and
7 binding.

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

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

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

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

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

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

23 (iv) Is any of the following:

24 (I) Immediately preceding the qualified employee’s
25 commencement of employment with the taxpayer, was a person
26 eligible for services under the federal Workforce Investment Act
27 of 1998 (29 U.S.C. Sec. 2801 et seq.), or its successor, who is
28 receiving, or is eligible to receive, subsidized employment, training,
29 or services funded by the federal Workforce Investment Act of
30 1998 (29 U.S.C. Sec. 2801 et seq.), or its successor.

31 (II) Immediately preceding the qualified employee’s
32 commencement of employment with the taxpayer, was a person
33 eligible to be a voluntary or mandatory registrant under the Greater
34 Avenues for Independence Act of 1985 (GAIN) provided for
35 pursuant to Article 3.2 (commencing with Section 11320) of
36 Chapter 2 of Part 3 of Division 9 of the Welfare and Institutions
37 Code, or its successor.

38 (III) Immediately preceding the qualified employee’s
39 commencement of employment with the taxpayer, was an
40 economically disadvantaged individual 14 years of age or older.

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

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

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

13 (ic) Is long-term unemployed and has limited opportunities for
14 employment or reemployment in the same or a similar occupation
15 in the area in which the individual resides, including an individual
16 55 years of age or older who may have substantial barriers to
17 employment by reason of age.

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

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

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

28 (ig) Is a seasonal or migrant worker who experiences chronic
29 seasonal unemployment and underemployment in the agriculture
30 industry, aggravated by continual advancements in technology and
31 mechanization.

32 (ih) Has been terminated or laid off, or has received a notice of
33 termination or layoff, as a consequence of compliance with the
34 federal Clean Air Act.

35 (V) Immediately preceding the qualified employee's
36 commencement of employment with the taxpayer, was a disabled
37 individual who is eligible for or enrolled in, or has completed a
38 state rehabilitation plan or is a service-connected disabled veteran,
39 veteran of the Vietnam era, or veteran who is recently separated
40 from military service.

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

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

9 (ia) Federal Supplemental Security Income benefits.

10 (ib) Aid to Families with Dependent Children.

11 (ic) CalFresh benefits.

12 (id) State and local general assistance.

13 (VIII) Immediately preceding the qualified employee's
14 commencement of employment with the taxpayer, was a member
15 of a federally recognized Indian tribe, band, or other group of
16 Native American descent.

17 (IX) Immediately preceding the qualified employee's
18 commencement of employment with the taxpayer, was a resident
19 of a targeted employment area (as defined in Section 7072 of the
20 Government Code).

21 (X) An employee who qualified the taxpayer for the enterprise
22 zone hiring credit under former Section 23622 or the program area
23 hiring credit under former Section 23623.

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

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

35 (5) (A) "Taxpayer" means a corporation engaged in a trade or
36 business within an enterprise zone designated pursuant to Chapter
37 12.8 (commencing with Section 7070) of Division 7 of Title 1 of
38 the Government Code.

39 (B) "Taxpayer" shall not include employers that provide
40 temporary help services, as described in Code 561320 of the North

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

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

6 (c) The taxpayer shall do the following:

7 (1) (A) Obtain from the Employment Development Department,
8 as permitted by federal law, the local county or city Workforce
9 Investment Act of 1998 administrative entity, the local county
10 GAIN office or social services agency, or the local government
11 administering the enterprise zone, a certification that provides that
12 a qualified employee meets the eligibility requirements specified
13 in clause (iv) of subparagraph (A) of paragraph (4) of subdivision
14 (b). The Employment Development Department may provide
15 preliminary screening and referral to a certifying agency. The
16 Employment Development Department shall develop a form for
17 this purpose. The Department of Housing and Community
18 Development shall develop regulations governing the issuance of
19 certificates by local governments pursuant to subdivision (a) of
20 Section 7086 of the Government Code.

21 (B) (i) For any otherwise qualified employee for whom a
22 certification as described in subparagraph (A) has not been obtained
23 and for whom a request for certification described in subparagraph
24 (A) has not been previously submitted, the request certification
25 required under subparagraph (A) with respect to that otherwise
26 qualified employee shall be submitted to the certifying entity no
27 later than one year after the operative date of the act amending this
28 section.

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

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

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

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

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

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

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

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

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

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

35 (B) If the seasonal employment of any qualified employee, with
36 respect to whom qualified wages are taken into account under
37 subdivision (a) is not continued by the taxpayer for a period of
38 270 days of employment during the 60-month period beginning
39 with the day the qualified employee commences seasonal
40 employment with the taxpayer, the tax imposed by this part, for

1 the taxable year that includes the 60th month following the month
2 in which the qualified employee commences seasonal employment
3 with the taxpayer, shall be increased by an amount equal to the
4 credit allowed under subdivision (a) for that taxable year and all
5 prior taxable years attributable to qualified wages paid or incurred
6 with respect to that qualified employee.

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

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

11 (ii) A termination of employment of a qualified employee who,
12 before the close of the period referred to in subparagraph (A) of
13 paragraph (1), becomes disabled and unable to perform the services
14 of that employment, unless that disability is removed before the
15 close of that period and the taxpayer fails to offer reemployment
16 to that employee.

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

21 (iv) A termination of employment of a qualified employee due
22 to a substantial reduction in the trade or business operations of the
23 taxpayer.

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

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

30 (i) A failure to continue the seasonal employment of a qualified
31 employee who voluntarily fails to return to the seasonal
32 employment of the taxpayer.

33 (ii) A failure to continue the seasonal employment of a qualified
34 employee who, before the close of the period referred to in
35 subparagraph (B) of paragraph (1), becomes disabled and unable
36 to perform the services of that seasonal employment, unless that
37 disability is removed before the close of that period and the
38 taxpayer fails to offer seasonal employment to that qualified
39 employee.

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

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

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

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

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

19 (ii) By reason of a mere change in the form of conducting the
20 trade or business of the taxpayer, if the qualified employee
21 continues to be employed in that trade or business and the taxpayer
22 retains a substantial interest in that trade or business.

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

26 (f) Rules similar to the rules provided in subsections (e) and (h)
27 of Section 46 of the Internal Revenue Code shall apply to both of
28 the following:

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

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

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

37 (h) The credit allowable under this section shall be reduced by
38 the credit allowed under Sections 23623.5, 23625, and 23646
39 claimed for the same employee. The credit shall also be reduced

1 by the federal credit allowed under Section 51 of the Internal
2 Revenue Code.

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

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

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

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

29 (3) Business income shall be apportioned to the enterprise zone
30 by multiplying the total California business income of the taxpayer
31 by a fraction, the numerator of which is the property factor plus
32 the payroll factor, and the denominator of which is two. For
33 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 enterprise zone during
37 the income year, and the denominator of which is the average value
38 of all the taxpayer’s real and tangible personal property owned or
39 rented and used in this state during the income year.

1 (B) The payroll factor is a fraction, the numerator of which is
2 the total amount paid by the taxpayer in the enterprise zone during
3 the income year for compensation, and the denominator of which
4 is the total compensation paid by the taxpayer in this state during
5 the income 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 “tax” for the taxable
9 year, as provided in subdivision (i).

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

12 (l) The Franchise Tax Board shall compile the certifications
13 submitted pursuant to paragraph (2) of subdivision (c) and shall
14 provide as a searchable database on its Internet Web site, for each
15 taxable year beginning on or after January 1, 2014, and before
16 January 1, 2019, the employer names, amounts of tax credit
17 claimed, and number of new jobs created for each taxable year
18 pursuant to this section, and Sections 17053.34, 17053.46,
19 17053.47, 17053.90, 23622.7, 23622.8, 23634, 23646, and 23690.

20 (m) This section shall remain in effect only until December 1,
21 2019, and as of that date is repealed.

22 ~~SEC. 8. Section 23622.8 of the Revenue and Taxation Code~~
23 ~~is amended to read:~~

24 ~~23622.8. (a) (1) For each taxable year beginning on or after~~
25 ~~January 1, 1998, and before January 1, 2014, there shall be allowed~~
26 ~~a credit against the “tax” (as defined in Section 23036) to a~~
27 ~~qualified taxpayer for hiring a qualified disadvantaged individual~~
28 ~~during the taxable year for employment in the manufacturing~~
29 ~~enhancement area. The credit shall be equal to the sum of each of~~
30 ~~the following:~~

31 ~~(A) Fifty percent of the qualified wages in the first year of~~
32 ~~employment.~~

33 ~~(B) Forty percent of the qualified wages in the second year of~~
34 ~~employment.~~

35 ~~(C) Thirty percent of the qualified wages in the third year of~~
36 ~~employment.~~

37 ~~(D) Twenty percent of the qualified wages in the fourth year of~~
38 ~~employment.~~

39 ~~(E) Ten percent of the qualified wages in the fifth year of~~
40 ~~employment.~~

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

7 ~~(i) Ten percent of qualified wages in the first year of~~
8 ~~employment.~~

9 ~~(ii) Ten percent of qualified wages in the second year of~~
10 ~~employment.~~

11 ~~(iii) Thirty percent of qualified wages in the third year of~~
12 ~~employment.~~

13 ~~(iv) Forty percent of qualified wages in the fourth year of~~
14 ~~employment.~~

15 ~~(v) Fifty percent of qualified wages in the fifth year of~~
16 ~~employment.~~

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

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

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

31 ~~(C) If a qualified taxpayer relocated to a manufacturing~~
32 ~~enhancement area from within the state during the taxable year~~
33 ~~for which the credit is claimed, the qualified taxpayer shall be~~
34 ~~allowed a credit with respect to qualified wages for each net~~
35 ~~increase in qualified employees only if the qualified taxpayer~~
36 ~~provides each employee at the previous location or locations a~~
37 ~~written notice of transfer to the new location with comparable~~
38 ~~compensation. The California Workforce Investment Board shall~~
39 ~~certify the notice and provide a copy to the taxpayer. The qualified~~

1 taxpayer shall provide the documentation when submitting a
2 voucher application.

3 (b) For purposes of this section:

4 (1) “Qualified wages” means:

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

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

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

20 (D) Qualified wages do not include any wages paid or incurred
21 by the qualified taxpayer on or after the manufacturing
22 enhancement area expiration date. However, wages paid or incurred
23 with respect to qualified employees who are employed by the
24 qualified taxpayer within the manufacturing enhancement area
25 within the 60-month period prior to the manufacturing enhancement
26 area expiration date shall continue to qualify for the credit under
27 this section after the manufacturing enhancement area expiration
28 date, in accordance with all provisions of this section applied as
29 if the manufacturing enhancement area designation were still in
30 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) “Manufacturing enhancement area” means an area designated
36 pursuant to Section 7073.8 of the Government Code according to
37 the procedures of Chapter 12.8 (commencing with Section 7070)
38 of Division 7 of Title 1 of the Government Code.

- 1 ~~(4) “Manufacturing enhancement area expiration date” means~~
2 ~~the date the manufacturing enhancement area designation expires,~~
3 ~~is no longer binding, or becomes inoperative.~~
- 4 ~~(5) “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 qualified~~
7 ~~taxpayer during the taxable year are directly related to the conduct~~
8 ~~of the qualified taxpayer’s trade or business located in a~~
9 ~~manufacturing enhancement area.~~
- 10 ~~(ii) Who performs at least 50 percent of his or her services for~~
11 ~~the qualified taxpayer during the taxable year in the manufacturing~~
12 ~~enhancement area.~~
- 13 ~~(B) Who is hired by the qualified taxpayer after the designation~~
14 ~~of the area as a manufacturing enhancement area in which the~~
15 ~~individual’s services were primarily performed.~~
- 16 ~~(C) Who is any of the following immediately preceding the~~
17 ~~individual’s commencement of employment with the qualified~~
18 ~~taxpayer:~~
- 19 ~~(i) An individual who has been determined eligible for services~~
20 ~~under the federal Workforce Investment Act of 1998 (29 U.S.C.~~
21 ~~Sec. 2801 et seq.), or its successor.~~
- 22 ~~(ii) Any voluntary or mandatory registrant under the Greater~~
23 ~~Avenues for Independence Act of 1985, or its successor, as~~
24 ~~provided pursuant to Article 3.2 (commencing with Section 11320)~~
25 ~~of Chapter 2 of Part 3 of Division 9 of the Welfare and Institutions~~
26 ~~Code.~~
- 27 ~~(iii) Any individual who has been certified eligible by the~~
28 ~~Employment Development Department under the federal Targeted~~
29 ~~Jobs Tax Credit program, or its successor, whether or not this~~
30 ~~program is in effect.~~
- 31 ~~(6) (A) “Qualified taxpayer” means any corporation engaged~~
32 ~~in a trade or business within a manufacturing enhancement area~~
33 ~~designated pursuant to Section 7073.8 of the Government Code~~
34 ~~and that meets all of the following requirements:~~
- 35 ~~(i) Is engaged in those lines of business described in Codes 0211~~
36 ~~to 0291, inclusive, Code 0723, or in Codes 2011 to 3999, inclusive,~~
37 ~~of the Standard Industrial Classification (SIC) Manual published~~
38 ~~by the United States Office of Management and Budget, 1987~~
39 ~~edition.~~

1 ~~(ii) At least 50 percent of the qualified taxpayer's workforce~~
2 ~~hired after the designation of the manufacturing enhancement area~~
3 ~~is composed of individuals who, at the time of hire, are residents~~
4 ~~of the county in which the manufacturing enhancement area is~~
5 ~~located.~~

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

8 ~~(B) "Qualified taxpayer" shall not include employers that~~
9 ~~provide temporary help services, as described in Code 561320 of~~
10 ~~the North American Industry Classification System (NAICS)~~
11 ~~published by the United States Office of Management and Budget,~~
12 ~~2012 edition.~~

13 ~~(7) "Seasonal employment" means employment by a qualified~~
14 ~~taxpayer that has regular and predictable substantial reductions in~~
15 ~~trade or business operations.~~

16 ~~(e) (1) For purposes of this section, all 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 qualified taxpayer.~~

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

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

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

37 ~~(d) (1) (A) If the employment, other than seasonal employment,~~
38 ~~of any qualified disadvantaged individual, with respect to whom~~
39 ~~qualified wages are taken into account under subdivision (b) is~~
40 ~~terminated by the qualified taxpayer at any time during the first~~

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

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

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

26 (i) A termination of employment of a qualified disadvantaged
27 individual who voluntarily leaves the employment of the qualified
28 taxpayer.

29 (ii) A termination of employment of a qualified disadvantaged
30 individual who, before the close of the period referred to in
31 subparagraph (A) of paragraph (1), becomes disabled to perform
32 the services of that employment, unless that disability is removed
33 before the close of that period and the qualified taxpayer fails to
34 offer reemployment to that individual.

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

1 ~~(iv) A termination of employment of a qualified disadvantaged~~
2 ~~individual due to a substantial reduction in the trade or business~~
3 ~~operations of the qualified taxpayer.~~

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

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

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

35 ~~(C) For purposes of paragraph (1), the employment relationship~~
36 ~~between the qualified taxpayer and a qualified disadvantaged~~
37 ~~individual shall not be treated as terminated by either of the~~
38 ~~following:~~

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

4 ~~(ii) By reason of a mere change in the form of conducting the~~
5 ~~trade or business of the qualified taxpayer, if the qualified~~
6 ~~disadvantaged individual continues to be employed in that trade~~
7 ~~or business and the qualified taxpayer retains a substantial interest~~
8 ~~in that trade or business.~~

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

12 ~~(e) The credit shall be reduced by the credit allowed under~~
13 ~~Section 23621. The credit shall also be reduced by the federal~~
14 ~~credit allowed under Section 51 of the Internal Revenue Code.~~

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

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

25 ~~(g) (1) The amount of credit otherwise allowed under this~~
26 ~~section, including prior year credit carryovers, that may reduce~~
27 ~~the “tax” for the taxable year shall not exceed the amount of tax~~
28 ~~that would be imposed on the qualified taxpayer’s business income~~
29 ~~attributed to a manufacturing enhancement area determined as if~~
30 ~~that attributed income represented all of the net income of the~~
31 ~~qualified taxpayer subject to tax under this part.~~

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

1 ~~(3) Income shall be apportioned to a manufacturing enhancement~~
2 ~~area by multiplying the total California business income of the~~
3 ~~taxpayer by a fraction, the numerator of which is the property~~
4 ~~factor plus the payroll factor, and the denominator of which is two.~~
5 ~~For the 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 manufacturing~~
9 ~~enhancement area during the taxable year, and the denominator~~
10 ~~of which is the average value of all the 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 taxpayer in the manufacturing~~
15 ~~enhancement area during the taxable year for compensation, and~~
16 ~~the denominator of which is the total compensation paid by the~~
17 ~~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 "tax" for the taxable~~
21 ~~year, as provided in subdivision (f).~~

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

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

27 ~~(1) Obtain from the Employment Development Department, as~~
28 ~~permitted by federal law, the local county or city Workforce~~
29 ~~Investment Act of 1998 administrative entity, the local county~~
30 ~~GAIN office or social services agency, or the local government~~
31 ~~administering the manufacturing enhancement area, a certification~~
32 ~~that provides that a qualified disadvantaged individual meets the~~
33 ~~eligibility requirements specified in paragraph (5) of subdivision~~
34 ~~(b). The Employment Development Department may provide~~
35 ~~preliminary screening and referral to a certifying agency. The~~
36 ~~Department of Housing and Community Development shall~~
37 ~~develop regulations governing the issuance of certificates pursuant~~
38 ~~to subdivision (d) of Section 7086 of the Government Code and~~
39 ~~shall develop forms for this purpose.~~

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

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

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

11 ~~(k) (1) The Franchise Tax Board shall compile the certifications~~
12 ~~submitted pursuant to paragraph (2) of subdivision (i) and shall~~
13 ~~provide as a searchable database on its Internet Web site, for each~~
14 ~~taxable year beginning on or after January 1, 2014, and before~~
15 ~~January 1, 2019, the employer names, amounts of tax credit~~
16 ~~claimed, and number of new jobs created for each taxable year~~
17 ~~pursuant to this section, Sections 17053.34, 17053.46, 17053.47,~~
18 ~~17053.74, 17053.90, 23622.7, 23634, 23646, and 23690.~~

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

23 ~~(l) This section shall remain in effect only until December 1,~~
24 ~~2019, and as of that date is repealed.~~

25 ~~SEC. 9. Section 23634 of the Revenue and Taxation Code is~~
26 ~~amended to read:~~

27 ~~23634. (a) (1) For each taxable year beginning on or after~~
28 ~~January 1, 1998, and before January 1, 2014, there shall be allowed~~
29 ~~a credit against the "tax" (as defined by Section 23036) to a~~
30 ~~qualified taxpayer that employs a qualified employee in a targeted~~
31 ~~tax area during the taxable year. The credit shall be equal to the~~
32 ~~sum of each of the following:~~

33 ~~(A) Fifty percent of qualified wages in the first year of~~
34 ~~employment.~~

35 ~~(B) Forty percent of qualified wages in the second year of~~
36 ~~employment.~~

37 ~~(C) Thirty percent of qualified wages in the third year of~~
38 ~~employment.~~

39 ~~(D) Twenty percent of qualified wages in the fourth year of~~
40 ~~employment.~~

1 ~~(E) Ten percent of qualified wages in the fifth year of~~
2 ~~employment.~~
3 ~~(2) (A) For each taxable year beginning on or after January 1,~~
4 ~~2014, and before January 1, 2019, there shall be allowed a credit~~
5 ~~against the “net tax,” as defined in Section 23036, to a qualified~~
6 ~~taxpayer that employs a qualified employee in a targeted tax area~~
7 ~~during the taxable year. The credit shall be equal to the sum of~~
8 ~~each of the following:~~
9 ~~(i) Ten percent of qualified wages in the first year of~~
10 ~~employment.~~
11 ~~(ii) Ten percent of qualified wages in the second year of~~
12 ~~employment.~~
13 ~~(iii) Thirty percent of qualified wages in the third year of~~
14 ~~employment.~~
15 ~~(iv) Forty percent of qualified wages in the fourth year of~~
16 ~~employment.~~
17 ~~(v) Fifty percent of qualified wages in the fifth year of~~
18 ~~employment.~~
19 ~~(B) The credit shall be allowed only with respect to qualified~~
20 ~~wages paid for each net increase in qualified employees. A net~~
21 ~~increase shall be determined by subtracting from the amount~~
22 ~~determined in clause (i) the amount determined in clause (ii):~~
23 ~~(i) The total number of qualified employees employed in the~~
24 ~~state in the preceding taxable year by the qualified taxpayer and~~
25 ~~by any trade or business acquired by the qualified taxpayer during~~
26 ~~the preceding taxable year.~~
27 ~~(ii) The total number of qualified employees employed in the~~
28 ~~state in the current taxable year by the qualified taxpayer and by~~
29 ~~any trade or business acquired by the qualified taxpayer during~~
30 ~~the current taxable year.~~
31 ~~(C) If a qualified taxpayer relocated to a targeted tax area from~~
32 ~~within the state during the taxable year for which the credit is~~
33 ~~claimed, the qualified taxpayer shall be allowed a credit with~~
34 ~~respect to qualified wages for each net increase in qualified~~
35 ~~employees only if the qualified taxpayer provides each employee~~
36 ~~at the previous location or locations a written notice of transfer to~~
37 ~~the new location with comparable compensation. The California~~
38 ~~Workforce Investment Board shall certify the notice and provide~~
39 ~~a copy to the taxpayer. The qualified taxpayer shall provide the~~
40 ~~documentation when submitting a voucher application.~~

1 (b) For purposes of this section:

2 (1) “Qualified wages” means:

3 (A) That portion of wages paid or incurred by the qualified
4 taxpayer during the taxable year to qualified employees that
5 exceeds 200 percent of the minimum wage and does not exceed
6 500 percent of the minimum wage.

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

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

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

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

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

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

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

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

40 (iv) Is any of the following:

1 ~~(I) Immediately preceding the qualified employee's~~
2 ~~commencement of employment with the qualified taxpayer, was~~
3 ~~a person eligible for services under the federal Workforce~~
4 ~~Investment Act of 1998 (29 U.S.C. Sec. 2801 et seq.), or its~~
5 ~~successor, who is receiving, or is eligible to receive, subsidized~~
6 ~~employment, training, or services funded by the federal Workforce~~
7 ~~Investment Act of 1998 (29 U.S.C. Sec. 2801 et seq.), or its~~
8 ~~successor.~~

9 ~~(II) Immediately preceding the qualified employee's~~
10 ~~commencement of employment with the qualified taxpayer, was~~
11 ~~a person eligible to be a voluntary or mandatory registrant under~~
12 ~~the Greater Avenues for Independence Act of 1985 (GAIN)~~
13 ~~provided for pursuant to Article 3.2 (commencing with Section~~
14 ~~11320) of Chapter 2 of Part 3 of Division 9 of the Welfare and~~
15 ~~Institutions Code, or its successor.~~

16 ~~(III) Immediately preceding the qualified employee's~~
17 ~~commencement of employment with the qualified taxpayer, was~~
18 ~~an economically disadvantaged individual 14 years of age or older.~~

19 ~~(IV) Immediately preceding the qualified employee's~~
20 ~~commencement of employment with the qualified taxpayer, was~~
21 ~~a dislocated worker who meets any of the following:~~

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

26 ~~(ib) Has been terminated or has received a notice of termination~~
27 ~~of employment as a result of any permanent closure or any~~
28 ~~substantial layoff at a plant, facility, or enterprise, including an~~
29 ~~individual who has not received written notification but whose~~
30 ~~employer has made a public announcement of the closure or layoff.~~

31 ~~(ic) Is long-term unemployed and has limited opportunities for~~
32 ~~employment or reemployment in the same or a similar occupation~~
33 ~~in the area in which the individual resides, including an individual~~
34 ~~55 years of age or older who may have substantial barriers to~~
35 ~~employment by reason of age.~~

36 ~~(id) Was self-employed (including farmers and ranchers) and~~
37 ~~is unemployed as a result of general economic conditions in the~~
38 ~~community in which he or she resides or because of natural~~
39 ~~disasters.~~

- 1 ~~(ie) Was a civilian employee of the Department of Defense~~
- 2 ~~employed at a military installation being closed or realigned under~~
- 3 ~~the federal Defense Base Closure and Realignment Act of 1990.~~
- 4 ~~(if) Was an active member of the Armed Forces or National~~
- 5 ~~Guard as of September 30, 1990, and was either involuntarily~~
- 6 ~~separated or separated pursuant to a special benefits program.~~
- 7 ~~(ig) Is a seasonal or migrant worker who experiences chronic~~
- 8 ~~seasonal unemployment and underemployment in the agriculture~~
- 9 ~~industry, aggravated by continual advancements in technology and~~
- 10 ~~mechanization.~~
- 11 ~~(ih) Has been terminated or laid off, or has received a notice of~~
- 12 ~~termination or layoff, as a consequence of compliance with the~~
- 13 ~~federal Clean Air Act.~~
- 14 ~~(V) Immediately preceding the qualified employee’s~~
- 15 ~~commencement of employment with the qualified taxpayer, was~~
- 16 ~~a disabled individual who is eligible for or enrolled in, or has~~
- 17 ~~completed a state rehabilitation plan or is a service-connected~~
- 18 ~~disabled veteran, veteran of the Vietnam era, or veteran who is~~
- 19 ~~recently separated from military service.~~
- 20 ~~(VI) Immediately preceding the qualified employee’s~~
- 21 ~~commencement of employment with the qualified taxpayer, was~~
- 22 ~~an ex-offender. An individual shall be treated as convicted if he~~
- 23 ~~or she was placed on probation by a state court without a finding~~
- 24 ~~of guilt.~~
- 25 ~~(VII) Immediately preceding the qualified employee’s~~
- 26 ~~commencement of employment with the qualified taxpayer, was~~
- 27 ~~a person eligible for or a recipient of any of the following:~~
- 28 ~~(ia) Federal Supplemental Security Income benefits.~~
- 29 ~~(ib) Aid to Families with Dependent Children.~~
- 30 ~~(ic) CalFresh benefits.~~
- 31 ~~(id) State and local general assistance.~~
- 32 ~~(VIII) Immediately preceding the qualified employee’s~~
- 33 ~~commencement of employment with the qualified taxpayer, was~~
- 34 ~~a member of a federally recognized Indian tribe, band, or other~~
- 35 ~~group of Native American descent.~~
- 36 ~~(IX) Immediately preceding the qualified employee’s~~
- 37 ~~commencement of employment with the qualified taxpayer, was~~
- 38 ~~a resident of a targeted tax area.~~
- 39 ~~(X) Immediately preceding the qualified employee’s~~
- 40 ~~commencement of employment with the taxpayer, was a member~~

1 of a targeted group, as defined in Section 51(d) of the Internal
2 Revenue Code, or its successor:

3 (B) Priority for employment shall be provided to an individual
4 who is enrolled in a qualified program under the federal Workforce
5 Investment Act of 1998, or its successor, or the Greater Avenues
6 for Independence Act of 1985 or who is eligible as a member of
7 a targeted group under the Work Opportunity Tax Credit (Section
8 51 of the Internal Revenue Code), or its successor:

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

11 (i) Is engaged in a trade or business within a targeted tax area
12 designated pursuant to Chapter 12.93 (commencing with Section
13 7097) of Division 7 of Title 1 of the Government Code.

14 (ii) Is engaged in those lines of business described in Codes
15 2000 to 2099, inclusive; 2200 to 3999, inclusive; 4200 to 4299,
16 inclusive; 4500 to 4599, inclusive; and 4700 to 5199, inclusive,
17 of the Standard Industrial Classification (SIC) Manual published
18 by the United States Office of Management and Budget, 1987
19 edition.

20 (B) In the case of any pass-thru entity, the determination of
21 whether a taxpayer is a qualified taxpayer under this section shall
22 be made at the entity level and any credit under this section or
23 Section 17053.34 shall be allowed to the pass-thru entity and
24 passed through to the partners or shareholders in accordance with
25 applicable provisions of this part or Part 10 (commencing with
26 Section 17001). For purposes of this subparagraph, the term
27 “pass-thru entity” means any partnership or “S” corporation.

28 (C) “Qualified taxpayer” shall not include employers that
29 provide temporary help services, as described in Code 561320 of
30 the North American Industry Classification System (NAICS)
31 published by the United States Office of Management and Budget,
32 2012 edition.

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

36 (e) If the qualified taxpayer is allowed a credit for qualified
37 wages pursuant to this section, only one credit shall be allowed to
38 the taxpayer under this part with respect to those qualified wages:

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

1 (1) Obtain from the Employment Development Department, as
2 permitted by federal law, the local county or city Workforce
3 Investment Act of 1998 administrative entity, the local county
4 GAIN office or social services agency, or the local government
5 administering the targeted tax area, a certification that provides
6 that a qualified employee meets the eligibility requirements
7 specified in clause (iv) of subparagraph (A) of paragraph (4) of
8 subdivision (b). The Employment Development Department may
9 provide preliminary screening and referral to a certifying agency.
10 The Department of Housing and Community Development shall
11 develop regulations governing the issuance of certificates pursuant
12 to subdivision (g) of Section 7097 of the Government Code, and
13 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 (e) (1) For purposes of this section:

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 taxpayer.

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 expense of the qualified wages giving rise to the credit, and shall
23 be allocated in that manner.

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

27 (i) “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 (ii) The determination shall be made without regard to
31 subsections (a)(4) and (e)(3)(C) of Section 1563 of the Internal
32 Revenue Code.

33 (2) 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 (f)) for any calendar year ending
38 after that acquisition, the employment relationship between a
39 qualified employee and an employer shall not be treated as

1 terminated if the employee continues to be employed in that trade
2 or business:

3 (f) (1) (A) If the employment, other than seasonal employment,
4 of any qualified employee with respect to whom qualified wages
5 are taken into account under subdivision (a) is terminated by the
6 qualified taxpayer at any time during the first 270 days of that
7 employment (whether or not consecutive) or before the close of
8 the 270th calendar day after the day in which that employee
9 completes 90 days of employment with the qualified taxpayer, the
10 tax imposed by this part for the taxable year in which that
11 employment is terminated shall be increased by an amount 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 employee, with
16 respect to whom qualified wages are taken into account under
17 subdivision (a) is not continued by the qualified taxpayer for a
18 period of 270 days of employment during the 60-month period
19 beginning with the day the qualified employee commences seasonal
20 employment with the qualified taxpayer, the tax imposed by this
21 part, for the taxable year that includes the 60th month following
22 the month in which the qualified employee commences seasonal
23 employment with the qualified taxpayer, shall be increased by an
24 amount equal to the credit allowed under subdivision (a) for that
25 taxable year and all prior taxable years attributable to qualified
26 wages paid or incurred with respect to that qualified employee.

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

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

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

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

1 ~~(iv) A termination of employment of a qualified employee due~~
2 ~~to a substantial reduction in the trade or business operations of the~~
3 ~~qualified taxpayer.~~

4 ~~(v) A termination of employment of a qualified employee, if~~
5 ~~that employee is replaced by other qualified employees so as to~~
6 ~~create a net increase in both the number of employees and the~~
7 ~~hours of 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 ~~employee who voluntarily fails to return to the seasonal~~
12 ~~employment of the qualified taxpayer.~~

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

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

25 ~~(iv) A failure to continue seasonal employment of a qualified~~
26 ~~employee due to a substantial reduction in the regular seasonal~~
27 ~~trade or business operations of the qualified taxpayer.~~

28 ~~(v) A failure to continue the seasonal employment of a qualified~~
29 ~~employee, if that qualified employee is replaced by other qualified~~
30 ~~employees so as to create a net increase in both the number of~~
31 ~~seasonal employees and the hours of seasonal employment.~~

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

35 ~~(i) By a transaction to which Section 381(a) of the Internal~~
36 ~~Revenue Code applies, if the qualified employee continues to be~~
37 ~~employed by the acquiring corporation.~~

38 ~~(ii) By reason of a mere change in the form of conducting the~~
39 ~~trade or business of the qualified taxpayer, if the qualified~~
40 ~~employee continues to be employed in that trade or business and~~

1 the qualified taxpayer retains a substantial interest in that trade or
2 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 ~~(g) Rules similar to the rules provided in subsections (e) and~~
7 ~~(h) of Section 46 of the Internal Revenue Code shall apply to both~~
8 ~~of the following:~~

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

11 ~~(2) A regulated investment company or a real estate investment~~
12 ~~trust subject to taxation under this part.~~

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

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

22 ~~(j) (1) The amount of the credit otherwise allowed under this~~
23 ~~section and Section 23633, including any credit carryover from~~
24 ~~prior years, that may reduce the “tax” for the taxable year shall~~
25 ~~not exceed the amount of tax that would be imposed on the~~
26 ~~qualified taxpayer’s business income attributable to the targeted~~
27 ~~tax area determined as if that attributable income represented all~~
28 ~~of the income of the qualified taxpayer subject to tax under this~~
29 ~~part.~~

30 ~~(2) Attributable income shall be that portion of the taxpayer’s~~
31 ~~California source business income that is apportioned to the~~
32 ~~targeted tax area. 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).~~
35 ~~That business income shall be further apportioned to the targeted~~
36 ~~tax area in accordance with Article 2 (commencing with Section~~
37 ~~25120) of Chapter 17, modified for purposes of this section in~~
38 ~~accordance with paragraph (3).~~

39 ~~(3) Business income shall be apportioned to the targeted tax~~
40 ~~area by multiplying the total California business income of the~~

1 taxpayer by a fraction, the numerator of which is the property
 2 factor plus the payroll factor, and the denominator of which is two.
 3 For 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 targeted tax area 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 targeted tax area 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 "tax" for the taxable
 18 year, as provided in subdivision (i).
 19 (5) In the event that a credit carryover is allowable under
 20 subdivision (i) for any taxable year after the targeted tax area
 21 designation has expired or been revoked, the targeted tax area shall
 22 be deemed to remain in existence for purposes of computing the
 23 limitation specified in this subdivision.
 24 (k) (1) For the 2014 calendar year, and each calendar year
 25 thereafter, until January 1, 2019, the total aggregate amount of
 26 credits allowed pursuant to this section shall not exceed the total
 27 aggregate amount of credits claimed pursuant to this section in the
 28 2013 calendar year, as determined by the Franchise Tax Board.
 29 (2) Upon receipt of a timely filed original return, the Franchise
 30 Tax Board shall allocate the credit to the qualified taxpayer on a
 31 first-come-first-served basis.
 32 (l) (1) The Franchise Tax Board shall compile the certifications
 33 submitted pursuant to paragraph (2) of subdivision (d) and shall
 34 provide as a searchable database on its Internet Web site, for each
 35 taxable year beginning on or after January 1, 2014, and before
 36 January 1, 2019, the employer names, amounts of tax credit
 37 claimed, and number of new jobs created for each taxable year
 38 pursuant to this section, Sections 17053.34, 17053.46, 17053.47,
 39 17053.74, 17053.90, 23622.7, 23622.8, 23646, and 23690.

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

5 ~~(m) This section shall remain in effect only until December 1,~~
6 ~~2019, and as of that date is repealed.~~

7 ~~SEC. 10. Section 23646 of the Revenue and Taxation Code is~~
8 ~~amended to read:~~

9 ~~23646. (a) (1) For each taxable year beginning on or after~~
10 ~~January 1, 1995, and before January 1, 2014, there shall be allowed~~
11 ~~as a credit against the “tax” (as defined in Section 23036) to a~~
12 ~~qualified taxpayer for hiring a qualified disadvantaged individual~~
13 ~~or a qualified displaced employee during the taxable year for~~
14 ~~employment in the LAMBRA. The credit shall be equal to the sum~~
15 ~~of each of the following:~~

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

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

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

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

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

26 ~~(2) (A) For each taxable year beginning on or after January 1,~~
27 ~~2014, and before January 1, 2019, there shall be allowed as a credit~~
28 ~~against the “net tax,” as defined in Section 17039, to a qualified~~
29 ~~taxpayer for hiring a qualified disadvantaged individual or a~~
30 ~~qualified displaced employee during the taxable year for~~
31 ~~employment in the LAMBRA. The credit shall be equal to the sum~~
32 ~~of each of the following:~~

33 ~~(i) Ten percent of qualified wages in the first year of~~
34 ~~employment.~~

35 ~~(ii) Ten percent of qualified wages in the second year of~~
36 ~~employment.~~

37 ~~(iii) Thirty percent of qualified wages in the third year of~~
38 ~~employment.~~

39 ~~(iv) Forty percent of qualified wages in the fourth year of~~
40 ~~employment.~~

1 ~~(v) Fifty percent of qualified wages in the fifth year of~~
2 ~~employment.~~

3 ~~(B) The credit shall be allowed only with respect to qualified~~
4 ~~wages paid for each net increase in qualified employees. A net~~
5 ~~increase shall be determined by subtracting from the amount~~
6 ~~determined in clause (i) the amount determined in clause (ii). For~~
7 ~~purposes of this subparagraph, “qualified employees” means~~
8 ~~qualified disadvantaged individuals and qualified displaced~~
9 ~~employees.~~

10 ~~(i) The total number of qualified employees employed in the~~
11 ~~state in the preceding taxable year by the qualified taxpayer and~~
12 ~~by any trade or business acquired by the qualified taxpayer during~~
13 ~~the preceding taxable year.~~

14 ~~(ii) The total number of qualified employees employed in the~~
15 ~~state in the current taxable year by the qualified taxpayer and by~~
16 ~~any trade or business acquired by the qualified taxpayer during~~
17 ~~the current taxable year.~~

18 ~~(C) If a qualified taxpayer relocated to a LAMBRA from within~~
19 ~~the state during the taxable year for which the credit is claimed,~~
20 ~~the qualified taxpayer shall be allowed a credit with respect to~~
21 ~~qualified wages for each net increase in qualified employees only~~
22 ~~if the qualified taxpayer provides each employee at the previous~~
23 ~~location or locations a written notice of transfer to the new location~~
24 ~~with comparable compensation. The California Workforce~~
25 ~~Investment Board shall certify the notice and provide a copy to~~
26 ~~the taxpayer. The qualified taxpayer shall provide the~~
27 ~~documentation when submitting a voucher application.~~

28 ~~(b) For purposes of this section:~~

29 ~~(1) “Qualified wages” means:~~

30 ~~(A) That portion of wages paid or incurred by the employer~~
31 ~~during the taxable year to qualified disadvantaged individuals or~~
32 ~~qualified displaced employees that exceeds 200 percent of the~~
33 ~~minimum wage and does not exceed 500 percent of the minimum~~
34 ~~wage.~~

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

39 ~~(C) Wages received during the 60-month period beginning with~~
40 ~~the first day the individual commences employment with the~~

1 taxpayer. Reemployment in connection with any increase, including
2 a regularly occurring seasonal increase, in the trade or business
3 operation of the qualified taxpayer does not constitute
4 commencement of employment for purposes of this section.

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

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

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

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

24 (A) (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 the LAMBRA.

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

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

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

37 (ii) Any voluntary or mandatory registrant under the Greater
38 Avenues for Independence Act of 1985 provided for pursuant to
39 Article 3.2 (commencing with Section 11320) of Chapter 2 of Part
40 3 of Division 9 of the Welfare and Institutions Code.

- 1 ~~(iii) An economically disadvantaged individual 16 years of age~~
- 2 ~~or older.~~
- 3 ~~(iv) A dislocated worker who meets any of the following~~
- 4 ~~conditions:~~
- 5 ~~(I) Has been terminated or laid off or who has received a notice~~
- 6 ~~of termination or layoff from employment, is eligible for or has~~
- 7 ~~exhausted entitlement to unemployment insurance benefits, and~~
- 8 ~~is unlikely to return to his or her previous industry or occupation.~~
- 9 ~~(II) Has been terminated or has received a notice of termination~~
- 10 ~~of employment as a result of any permanent closure or any~~
- 11 ~~substantial layoff at a plant, facility, or enterprise, including an~~
- 12 ~~individual who has not received written notification but whose~~
- 13 ~~employer has made a public announcement of the closure or layoff.~~
- 14 ~~(III) Is long-term unemployed and has limited opportunities for~~
- 15 ~~employment or reemployment in the same or a similar occupation~~
- 16 ~~in the area in which the individual resides, including an individual~~
- 17 ~~55 years of age or older who may have substantial barriers to~~
- 18 ~~employment by reason of age.~~
- 19 ~~(IV) Was self-employed (including farmers and ranchers) and~~
- 20 ~~is unemployed as a result of general economic conditions in the~~
- 21 ~~community in which he or she resides or because of natural~~
- 22 ~~disasters.~~
- 23 ~~(V) Was a civilian employee of the Department of Defense~~
- 24 ~~employed at a military installation being closed or realigned under~~
- 25 ~~the federal Defense Base Closure and Realignment Act of 1990.~~
- 26 ~~(VI) Was an active member of the Armed Forces or National~~
- 27 ~~Guard as of September 30, 1990, and was either involuntarily~~
- 28 ~~separated or separated pursuant to a special benefits program.~~
- 29 ~~(VII) Experiences chronic seasonal unemployment and~~
- 30 ~~underemployment in the agriculture industry, aggravated by~~
- 31 ~~continual advancements in technology and mechanization.~~
- 32 ~~(VIII) Has been terminated or laid off or has received a notice~~
- 33 ~~of termination or layoff as a consequence of compliance with the~~
- 34 ~~federal Clean Air Act.~~
- 35 ~~(v) An individual who is enrolled in or has completed a state~~
- 36 ~~rehabilitation plan or is a service-connected disabled veteran,~~
- 37 ~~veteran of the Vietnam era, or veteran who is recently separated~~
- 38 ~~from military service.~~

1 ~~(vi) An ex-offender. An individual shall be treated as convicted~~
2 ~~if he or she was placed on probation by a state court without a~~
3 ~~finding of guilt.~~

4 ~~(vii) A recipient of:~~

5 ~~(I) Federal Supplemental Security Income benefits.~~

6 ~~(II) Aid to Families with Dependent Children.~~

7 ~~(III) CalFresh benefits.~~

8 ~~(IV) State and local general assistance.~~

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

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

16 ~~(A) The net increase in the number of jobs shall be determined~~
17 ~~by subtracting the total number of full-time employees (defined~~
18 ~~as 2,000 paid hours per employee per year) the taxpayer employed~~
19 ~~in this state in the taxable year prior to commencing business~~
20 ~~operations in the LAMBRA from the total number of full-time~~
21 ~~employees the taxpayer employed in this state during the second~~
22 ~~taxable year after commencing business operations in the~~
23 ~~LAMBRA. For taxpayers who commence doing business in this~~
24 ~~state with their LAMBRA business operation, the number of~~
25 ~~employees for the taxable year prior to commencing business~~
26 ~~operations in the LAMBRA shall be zero. If the taxpayer has a net~~
27 ~~increase in jobs in the state, the credit shall be allowed only if one~~
28 ~~or more full-time employees is employed within the LAMBRA.~~

29 ~~(B) The total number of employees employed in the LAMBRA~~
30 ~~shall equal the sum of both of the following:~~

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

34 ~~(ii) The total number of months worked in the LAMBRA for~~
35 ~~the taxpayer by employees who are salaried employees divided~~
36 ~~by 12.~~

37 ~~(C) In the case of a qualified taxpayer that first commences~~
38 ~~doing business in the LAMBRA during the taxable year, for~~
39 ~~purposes of clauses (i) and (ii), respectively, of subparagraph (B)~~
40 ~~the divisors “2,000” and “12” shall be multiplied by a fraction, the~~

1 numerator of which is the number of months of the taxable year
2 that the taxpayer was doing business in the LAMBRA and the
3 denominator of which is 12.

4 (D) “Qualified taxpayer” shall not include employers that
5 provide temporary help services, as described in Code 561320 of
6 the North American Industry Classification System (NAICS)
7 published by the United States Office of Management and Budget,
8 2012 edition.

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

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

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

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

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

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

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

25 (e) For qualified disadvantaged individuals or qualified displaced
26 employees hired on or after January 1, 2001, the taxpayer shall do
27 both of the following:

28 (1) Obtain from the Employment Development Department, as
29 permitted by federal law, the administrative entity of the local
30 county or city for the federal Workforce Investment Act of 1998
31 (29 U.S.C. Sec. 2801 et seq.), or its successor, the local county
32 GAIN office or social services agency, or the local government
33 administering the LAMBRA, a certification that provides that a
34 qualified disadvantaged individual or qualified displaced employee
35 meets the eligibility requirements specified in subparagraph (C)
36 of paragraph (4) of subdivision (b) or subparagraph (A) of
37 paragraph (6) of subdivision (b). The Employment Development
38 Department may provide preliminary screening and referral to a
39 certifying agency. The Department of Housing and Community
40 Development shall develop regulations governing the issuance of

1 certificates pursuant to Section 7114.2 of the Government Code
2 and shall develop forms for this purpose.

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

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

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

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

12 (2) For purposes of this subdivision, “controlled group of
13 corporations” has the meaning given to that term by Section
14 1563(a) of the Internal Revenue Code, except that both of the
15 following apply:

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

19 (B) The determination shall be made without regard to
20 subsections (a)(4) and (e)(3)(C) of Section 1563 of the Internal
21 Revenue Code.

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

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

1 attributable to qualified wages paid or incurred with respect to that
2 employee.

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

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

19 (i) A termination of employment of an employee who voluntarily
20 leaves the employment of the taxpayer.

21 (ii) A termination of employment of an individual who, before
22 the close of the period referred to in paragraph (1), becomes
23 disabled to perform the services of that employment, unless that
24 disability is removed before the close of that period and the
25 taxpayer fails to offer reemployment to that individual.

26 (iii) A termination of employment of an individual, if it is
27 determined that the termination was due to the misconduct (as
28 defined in Sections 1256-30 to 1256-43, inclusive, of Title 22 of
29 the California Code of Regulations) of that individual.

30 (iv) A termination of employment of an individual due to a
31 substantial reduction in the trade or business operations of the
32 taxpayer.

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

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

1 ~~(i) A failure to continue the seasonal employment of a qualified~~
2 ~~disadvantaged individual who voluntarily fails to return to the~~
3 ~~seasonal employment of the qualified taxpayer.~~

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

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

16 ~~(iv) A failure to continue seasonal employment of a qualified~~
17 ~~disadvantaged individual due to a substantial reduction in the~~
18 ~~regular seasonal trade or business operations of the qualified~~
19 ~~taxpayer.~~

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

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

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

31 ~~(ii) A mere change in the form of conducting the trade or~~
32 ~~business of the taxpayer, if the employee continues to be employed~~
33 ~~in that trade or business and the taxpayer retains a substantial~~
34 ~~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 ~~(4) At the close of the second taxable year, if the taxpayer has~~
39 ~~not increased the number of its employees as determined by~~
40 ~~paragraph (5) of subdivision (b), then the amount of the credit~~

1 previously claimed shall be added to the taxpayer's tax for the
2 taxpayer's second taxable year.

3 (f) In the case of an organization to which Section 593 of the
4 Internal Revenue Code applies, and a regulated investment
5 company or a real estate investment trust subject to taxation under
6 this part, rules similar to the rules provided in subsections (e) and
7 (h) of Section 46 of the Internal Revenue Code shall apply.

8 (g) The credit shall be reduced by the credit allowed under
9 Section 23621. The credit shall also be reduced by the federal
10 credit allowed under Section 51 of the Internal Revenue Code.

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

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

21 (i) (1) The amount of credit otherwise allowed under this section
22 and Section 23645, including any prior year carryovers, that may
23 reduce the "tax" for the taxable year shall not exceed the amount
24 of tax that would be imposed on the taxpayer's business income
25 attributed to a LAMBRA determined as if that attributed income
26 represented all of the income of the taxpayer subject to tax under
27 this part.

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

37 (3) Income shall be apportioned to a LAMBRA by multiplying
38 the total California business income of the taxpayer by a fraction,
39 the numerator of which is the property factor plus the payroll factor,

1 and the denominator of which is two. For purposes of this
2 paragraph:

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

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

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

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

22 (k) (1) For the 2014 calendar year, and each calendar year
23 thereafter, until January 1, 2019, the total aggregate amount of
24 credits allowed pursuant to this section shall not exceed the total
25 aggregate amount of credits claimed pursuant to this section in the
26 2013 calendar year, as determined by the Franchise Tax Board.

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

30 (l) (1) The Franchise Tax Board shall compile the certifications
31 submitted pursuant to paragraph (2) of subdivision (c) and shall
32 provide as a searchable database on its Internet Web site, for each
33 taxable year beginning on or after January 1, 2014, and before
34 January 1, 2019, the employer names, amounts of tax credit
35 claimed, and number of new jobs created for each taxable year
36 pursuant to this section, Sections 17053.34, 17053.46, 17053.47,
37 17053.74, 17053.90, 23622.7, 23622.8, 23634, and 23690.

38 (2) The Franchise Tax Board may prescribe rules, guidelines,
39 or procedures necessary or appropriate to carry out the purposes

1 of this section, including any guidelines regarding the allocation
2 of the credit allowed under this section.

3 (m) This section shall remain in effect only until December 1,
4 2019, and as of that date is repealed.

5 SEC. 11.

6 SEC. 5. Section 23690 is added to the Revenue and Taxation
7 Code, to read:

8 23690. (a) (1) For each taxable year beginning on or after
9 January 1, 2014, and before January 1, 2019, there shall be allowed
10 to a qualified taxpayer that hires a qualified full-time employee
11 and pays or incurs qualified wages attributable to work performed
12 by the qualified full-time employee in an enterprise zone during
13 the taxable year a credit against the “tax,” as defined by Section
14 23036, in an amount calculated under this section.

15 (2) The amount of the credit allowable under this section for a
16 taxable year shall be equal to the product of the tentative credit
17 amount for the taxable year and the applicable percentage for that
18 taxable year.

19 (3) If a qualified taxpayer relocated to an enterprise zone from
20 within the state during the taxable year for which the credit is
21 claimed, the qualified taxpayer shall be allowed a credit with
22 respect to qualified wages for each net increase in a qualified
23 employees employee only if the qualified taxpayer provides each
24 employee at the previous location or locations a written notice of
25 transfer to the new location with comparable compensation. The
26 California Workforce Investment Board shall certify the notice
27 and provide a copy to the taxpayer. The qualified taxpayer shall
28 provide the documentation when submitting a voucher application
29 request for certification as described in subdivision (e).

30 (b) For purposes of this section:

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

33 (A) For the first year of employment of a qualified employee,
34 10 percent of qualified wages paid during the taxable year.

35 (B) For the second year of employment of a qualified employee,
36 30 percent of qualified wages paid during the taxable year.

37 (C) For the third year of employment of a qualified employee,
38 50 percent of qualified wages paid during the taxable year.

39 (D) For the fourth year of employment of a qualified employee,
40 30 percent of qualified wages paid during the taxable year.

1 (E) For the fifth year of employment of a qualified employee,
2 10 percent of qualified wages paid during the taxable year.

3 (2) The “applicable percentage” for a taxable year is equal to a
4 fraction, the numerator of which is the net increase in the total
5 number of full-time employees who are employed in this state
6 during the taxable year, determined on an annual full-time
7 equivalent basis, as compared with the total number of full-time
8 employees employed in this state during the base year, determined
9 on the same basis, and the denominator of which is the total number
10 of qualified full-time employees employed in this state during the
11 taxable year. The applicable percentage shall not exceed 100
12 percent.

13 (3) “Base year” means 2013, or in the case of a qualified
14 taxpayer that first hires a qualified full-time employee in this state
15 in a taxable year beginning on or after January 1, 2015, the taxable
16 year immediately preceding the taxable year in which the qualified
17 employee was hired.

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

19 (i) That portion of wages paid or incurred during the taxable
20 year to each qualified full-time employee in excess of 200 percent
21 of the minimum wage, but not in excess of 400 percent of the
22 minimum wage.

23 (ii) Wages received during the 60-month period beginning with
24 the first day the qualified employee commences employment with
25 the qualified taxpayer.

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

29 (5) “Minimum wage” means the wage established pursuant to
30 Chapter 1 (commencing with Section 1171) of Part 4 of Division
31 2 of the Labor Code.

32 (6) “Zone expiration date” means the date that the enterprise
33 zone designation expires, is no longer binding, or becomes
34 inoperative.

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

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

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

- 1 (ii) At least 90 percent of whose services for the taxpayer during
2 the taxable year are directly related to the conduct of the taxpayer's
3 trade or business located in an enterprise zone.
- 4 (iii) Performs at least 50 percent of his or her services for the
5 taxpayer during the taxable year in an enterprise zone.
- 6 (iv) Is hired by the taxpayer after the date of original designation
7 of the area in which services were performed as an enterprise zone.
- 8 (v) Satisfies either of the following conditions:
- 9 (I) Is paid qualified wages by the qualified taxpayer for services
10 not less than an average of 35 hours per week.
- 11 (II) Is a salaried employee and was paid compensation during
12 the taxable year for full-time employment, within the meaning of
13 Section 515 of the Labor Code, by the qualified taxpayer.
- 14 (vi) Is any of the following:
- 15 (I) Immediately preceding the qualified employee's
16 commencement of employment with the qualified taxpayer, was
17 a person eligible for services under the federal Workforce
18 Investment Act of 1998 (29 U.S.C. Sec. 2801 et seq.), or its
19 successor, who is receiving, or is eligible to receive, subsidized
20 employment, training, or services funded by the federal Workforce
21 Investment Act of 1998, or its successor.
- 22 (II) Immediately preceding the qualified employee's
23 commencement of employment with the qualified taxpayer, was
24 a person eligible to be a voluntary or mandatory registrant under
25 the Greater Avenues for Independence Act of 1985 (GAIN)
26 provided for pursuant to Article 3.2 (commencing with Section
27 11320) of Chapter 2 of Part 3 of Division 9 of the Welfare and
28 Institutions Code, or its successor.
- 29 (III) Immediately preceding the qualified employee's
30 commencement of employment with the qualified taxpayer, was
31 an economically disadvantaged individual 14 years of age or older.
- 32 (IV) Immediately preceding the qualified employee's
33 commencement of employment with the qualified taxpayer, was
34 a dislocated worker who meets any of the following:
- 35 (ia) Has been terminated or laid off or has received a notice of
36 termination or layoff from employment, is eligible for or has
37 exhausted entitlement to unemployment insurance benefits, and
38 is unlikely to return to his or her previous industry or occupation.
- 39 (ib) Has been terminated or has received a notice of termination
40 of employment as a result of any permanent closure or any

1 substantial layoff at a plant, facility, or enterprise, including an
2 individual who has not received written notification but whose
3 employer has made a public announcement of the closure or layoff.

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

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

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

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

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

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

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

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

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

40 (ia) Federal Supplemental Security Income benefits.

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

2 (ic) CalFresh benefits.

3 (id) State and local general assistance.

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

8 (IX) Immediately preceding the qualified employee's
9 commencement of employment with the qualified taxpayer, was
10 a resident of a targeted employment area, as defined in Section
11 7072 of the Government Code.

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

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

19 (B) An individual may only be considered a qualified full-time
20 employee for the period of time commencing with the date the
21 individual is first employed by the qualified taxpayer and ending
22 60 months thereafter.

23 (C) Priority for employment shall be provided to an individual
24 who is enrolled in a qualified program under the federal Workforce
25 Investment Act of 1998, or its successor, or the Greater Avenues
26 for Independence Act of 1985 or who is eligible as a member of
27 a targeted group under the Work Opportunity Tax Credit (Section
28 51 of the Internal Revenue Code), or its successor.

29 (9) (A) "Qualified taxpayer" means a corporation engaged in
30 a trade or business within an enterprise zone that meets both of
31 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 17053.90 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 10 (commencing with

1 Section 17001). For purposes of this subdivision, the term
2 “pass-thru entity” means any partnership or “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 (10) “Seasonal employment” means employment by a qualified
9 taxpayer that has regular and predictable substantial reductions in
10 trade or business operations.

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

12 (A) Either of the following:

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

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

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

24 (C) In determining whether the qualified taxpayer has first
25 commenced doing business in this state during the taxable year,
26 subdivision (g) of Section 24416.20, without application of
27 paragraph (7) of that subdivision, shall apply.

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

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

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

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

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

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

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

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

20 (d) (1) Any qualified wages taken into account under this
21 section in computing this credit shall not be taken into account in
22 computing any other credit otherwise allowable under this part or
23 Part 10 (commencing with Section 17001).

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

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

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

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

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

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

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

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

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

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

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

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

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

36 (g) Rules similar to the rules provided in subsections (e) and
37 (h) of Section 46 of the Internal Revenue Code shall apply to both
38 of the following:

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

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

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

7 (i) (1) The credit allowable under this section shall be reduced
8 by the credit allowed under Section 23646 claimed for the same
9 employee. The credit shall also be reduced by the federal credit
10 allowed under Section 51 of the Internal Revenue Code, as
11 applicable for federal purposes.

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

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

20 (k) (1) The amount of the credit otherwise allowed under this
21 section and Section 17053.90, including any credit carryover from
22 prior years, that may reduce the “tax” for the taxable year shall
23 not exceed the amount of tax that would be imposed on the
24 qualified taxpayer’s business income attributable to the enterprise
25 zone determined as if that attributable income represented all of
26 the income of the qualified taxpayer subject to tax under this part.

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

37 (3) Business income shall be apportioned to the enterprise zone
38 by multiplying the total California business income of the qualified
39 taxpayer by a fraction, the numerator of which is the property

1 factor plus the payroll factor, and the denominator of which is two.

2 For purposes of this paragraph:

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

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

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

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

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

34 (2) Notwithstanding paragraph (1) of this subdivision, this
35 section shall remain operative for any qualified taxpayer with
36 respect to any qualified full-time employee after the zone expiration
37 date for the remaining period, if any, of the 60-month period after
38 the original date of hiring of an otherwise qualified full-time
39 employee and any wages paid or incurred with respect to those
40 qualified full-time employees after the zone expiration date shall

1 be treated as qualified wages under this section, provided the
2 employee satisfies any other requirements of paragraphs (4) and
3 (8) of subdivision (b), as if the enterprise zone designation were
4 still in existence and binding.

5 ~~SEC. 12.~~

6 *SEC. 6.* No reimbursement is required by this act pursuant to
7 Section 6 of Article XIII B of the California Constitution because
8 the only costs that may be incurred by a local agency or school
9 district will be incurred because this act creates a new crime or
10 infraction, eliminates a crime or infraction, or changes the penalty
11 for a crime or infraction, within the meaning of Section 17556 of
12 the Government Code, or changes the definition of a crime within
13 the meaning of Section 6 of Article XIII B of the California
14 Constitution.

15 ~~SEC. 13.~~

16 *SEC. 7.* This act provides for a tax levy within the meaning of
17 Article IV of the Constitution and shall go into immediate effect.