Department of Finance and Administration

Legislative Impact Statement

Bill: HB1275
Bill Subtitle: TO PERMIT A TAX CREDIT FOR EMPLOYERS PROVIDING PAID FAMILY AND MEDICAL LEAVE TO QUALIFIED EMPLOYEES.

Basic Change : Sponsors: Representative Leding and Senator Woods

HB1275 will allow a nonrefundable income tax credit for taxpayers who provide their employees with paid family and medical leave. The credit will be equal to 25% of wages paid to a qualified employee while on family and medical leave. The credit shall not exceed $4,000 per employee in a tax year. The employer must provide full-time qualified employees with not less than 4 weeks of paid family and medical leave over a 12 month period. The maximum time allowed cannot exceed 12 weeks. Part-time qualified employees must be provided with family and medical leave proportionate to 4 weeks of leave prorated to the number of hours the employee is expected to work in a week to the number of hours a full-time employee is expected to work. The employer must provide leave on the smallest increments allowed by the employer's payroll system.

Revenue Impact :

Estimate revenue loss of $7 million for FY2016.

Estimate revenue loss of $10.5 million for FY2017.

Estimate revenue loss of $14 million for FY2018 and beyond.

Taxpayer Impact :
Taxpayers who provide their employees with paid family and medical leave will be able to claim a tax credit up to $4,000 per employee.

Resources Required :
Update tax forms and instructions and computer programs.

Time Required :
6 months after passage.

Procedural Changes :
Update tax forms and instructions and computer programs. Educate staff and tax community.

Other Comments :
The proposed credit has no certification process. The credit has no provision for carry forward of unused credits. The bill has no provision for DFA or any other State agency to administer the credit and to promulgate regulations to administer the credit. The bill has no effective date.

Legal Analysis :

HB1275 creates a nonrefundable income tax credit equal to 25% of the amount of family and medical leave wages paid to qualified employees during a period in which the qualified employee is on family and medical leave, not to exceed $4,000 per employee per tax year. To qualify, an employer must: (1) provide qualified part-time and full-time employees with at least the equivalent of 4 weeks of paid family and medical leave over a twelve-month period; (2) provide leave based on the smallest increment of time permitted in the employer's payroll system; and (3) adopt a family and medical leave policy that the employer will not restrain, interfere with, or deny the rights provided under the employer's family and medical leave policy and will not discharge or discriminate against an employee

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for opposing a practice prohibited by the policy. The maximum amount of time employers may provide for family and medical leave is 12 weeks in a twelve month period.

A few issues should be considered. The bill as currently drafted would be effective 90 days after final adjournment and, thus, currently creates a tax credit in the middle of a tax year. To simplify bookkeeping for taxpayers and allow DFA time to implement the credit, the bill should be amended to be effective for tax periods beginning on or after January 1, 2016. Also, line 14 on page 3 could be read as limiting employers to providing only 12 weeks of annual family and medical leave in a single year regardless of whether the employer claims entitlement to an income tax credit for leave wages paid outside the 12th week of family and medical leave. I believe the bill intends to limit the credit to a maximum of 25% of 12 weeks of family and medical leave wages and does not intend to exclude employers that provide more than 12 weeks of leave wages in a single year from entitlement to the credit. The bill should be amended to clarify this issue.