

Department of Finance and Administration

Legislative Impact Statement

Bill: HB1187

Bill Subtitle: TO PROVIDE A TAX CREDIT AGAINST INCOME TAX FOR BUSINESSES WHO EMPLOY RECENTLY RETURNED COMBAT VETERANS.

Basic Change : Sponsor: Representative Leding

HB1187 provides a qualified small businesses tax credit for each hired returning combat veteran (served in combat zone on and after January 1, 2001). The proposed tax credit against income tax for qualified small businesses that employ recently returned combat veterans will equal \$1,500 for each veteran. The credit shall be available in the year following the hire of the veteran, shall be available for two consecutive tax years, shall not exceed \$3,000, and the amount of credit may not exceed income tax due. Unused credits may be carried forward for 2 years following the taxable year in which the veteran was hired. Qualified businesses must meet the requirements of the Small Business Administration in effect on January 26, 2015. The bill is effective for tax years beginning on and after January 1, 2016.

Revenue Impact :

FY 2017 - \$100,000 reduction to General Revenue

FY 2018 - \$120,000 reduction to General Revenue

Taxpayer Impact :

Taxpayers must require documentation of combat service and provide to the DFA to receive the credits. Small businesses may claim an income tax credit of \$1500 for each recently returned combat veteran. The \$1500 credit can carry forward for two years and the amount claimed cannot exceed the amount of income tax due in a taxable year.

Resources Required :

Computer system, tax booklet, and form changes will need to be made.

Time Required :

Adequate time is provided.

Procedural Changes :

Tax forms and instruction booklets will need to be updated and the Department of Finance employees will need training on the new credit requirements. The tax community will also need to be informed.

Other Comments :

The tax credit rules will be promulgated by the Department of Finance and will be effective on and after January 1, 2016. The bill does not have a certification process for veterans or businesses and does not establish a certification process for the credit. It contains no minimum requirement on the number of hours veterans must work for a business to be eligible for the credit. The bill also does not define "hired" as a paid employee nor set a limit the employee must be paid for the small business to be eligible for the credit.

Legal Analysis :

House Bill 1187 would create a new income tax credit for qualified small businesses hiring recently returned active duty combat veterans. Active duty means full-time active military service in the United States Armed Services or National Guard. A qualified small business is a business that is independently owned and operated, for profit, not dominant in its field, and meets the requirements of the Federal Small Business Administration Small Business Size Standards as of January 26, 2015. Recently returned combat veteran means active duty in a combat zone from January 1, 2001, forward.