

Department of Finance and Administration

Legislative Impact Statement

Bill: HB1719

Bill Subtitle: TO CREATE THE REBOOT PILOT PROGRAM; AND TO CREATE AN INCOME TAX CREDIT FOR BUSINESSES THAT HIRE CERTAIN FORMER OFFENDERS

Basic Change :

Sponsors: Rep. Lundstrum and Sen. B. Davis

HB1719 creates "The Reboot Pilot Program" which provides a refundable income tax credit for employers who hire qualifying former offenders. The bill defines a "qualifying former offender" as an individual who was:

- Convicted of a state or federal felony offense;
- Incarcerated for a felony offense; and
- Released from his or her first term of incarceration for a felony offense within twelve (12) months before the date on which he or she was hired as an employee.

In order to qualify for the tax credit, the qualifying former offender must be employed at least 40 hours per week with pay at or above the state minimum wage. A qualifying former offender includes individuals who have been incarcerated for a violation of their conditions of supervision.

The income tax credit provided by HB1719 for the employment of each qualifying former offender is as follows:

- \$3,000 tax credit upon the offender's completion of 12 consecutive months of employment;
- \$2,000 tax credit upon the offender's completion of 24 consecutive months of employment; and
- \$1,000 tax credit upon the offender's completion of 36 consecutive months of employment.

If the amount of the allowed income tax credit exceeds the taxpayer's income tax liability, the excess shall be refunded to the taxpayer.

A taxpayer must register with the Division of Workforce Services (DWS) as a participant in the Reboot Pilot Program to be eligible for the income tax credit. The bill imposes additional requirements on the taxpayer including health insurance and drug testing.

HB1719 is effective for tax years beginning on or after January 1, 2021.

Revenue Impact :

FY2022 - \$6.6 million reduction to State General Revenue.

FY2023 - \$9.1 million reduction to State General Revenue.

FY2024 and after - \$9.9 million reduction to State General Revenue.

Taxpayer Impact :

A taxpayer will be able to claim an income tax credit when he or she employs a qualifying former offender for at least 40 hours per week at pay that is at or above the state minimum wage. A taxpayer

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will need to register with DWS as a participant in the program and retain records for six years.

Resources Required :

Computer programs, tax forms and instructions will need to be updated. The Tax Credits section of DFA may require additional staff to establish the credits.

Time Required :

Adequate time is provided for implementation.

Procedural Changes :

DFA employees and tax practitioners will need to be trained to administer the new credit. The Division of Workforce Services may promulgate rules of the program.

Other Comments :

None.

Legal Analysis :

On page 2, line 24, the word "incarcerated" should likely be replaced with "incarceration."

On page 3, line 8, the end of the sentence is missing punctuation. A semicolon and the word "and" should likely be added.