

Department of Finance and Administration

Legislative Impact Statement

Bill: HB1719

Amendment Number: H3

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:

Reps. Lundstrum, Beck, Bentley, Boyd, Bryant, Coleman, C. Cooper, Hawks, M. Hodges, J. Mayberry, McClure, Pilkington, Richardson, Richmond, Rye, and Scott

Sens. B. Davis, T. Garner, Hill, and D. Wallace

House Amendment No. 3 --- HB1719-H3 (engrossed 4/19/21) requires the Division of Workforce Services to limit the number of former inmates that can be registered as participants in the Reboot Pilot Program to no more than one thousand (1,000) former inmates at any given time. The amendment changes the effective date of the bill from tax years beginning on or after January 1, 2021 to tax years beginning on or after January 1, 2022.

House Amendment No. 2 --- HB1719-H2 (engrossed 4/7/21) makes two technical corrections that do not affect the substance of the bill.

House Amendment No. 1 --- HB1719-H1 (engrossed 4/5/21) requires taxpayers participating in the Reboot Pilot Program to certify to the Department of Finance and Administration (DFA) the total amount of work and wages for each qualifying former offender employed by the taxpayer. The amendment also requires DFA to consult with the Division of Workforce Services, the Department of Human Services, and the Department of Corrections if DFA chooses to promulgate rules as provided by the bill.

Original Bill --- 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.

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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.

Revenue Impact :

FY2022 – No revenue impact.

FY2023 - \$2.6 million reduction to State General Revenue.

FY2024 - \$2.3 million reduction to State General Revenue.

FY2025 - \$1.5 million reduction in State General Revenue.

FY2026 and after - \$2.3 million reduction in State General Revenue.

Taxpayer Impact :

A taxpayer will be able to claim an income tax credit when they employ a qualifying former offender for at least 40 hours per week at pay that is at or above the state minimum wage. A taxpayer will need to register with the Division of Workforce Services as a participant in the program and retain records for six years. The taxpayer is required to enroll the former offender in the health insurance plan available to other employees after 24 months of employment and ensure they are randomly drug tested. A taxpayer will need to certify the number of hours worked and wages paid to DFA for the year in which the credit is claimed.

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 and DFA may promulgate rules of the program.

Other Comments :

None.

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Legal Analysis :

House Amendment No. 3 --- HB1719-H3 caps the number of former inmates that may be enrolled in the program and changes the effective date to tax years beginning on and after January 1, 2022. The amendment does not resolve the remaining drafting issues noted below.

House Amendment No. 2 --- HB1719-H2 (engrossed 4/7/21) resolves the first drafting issue noted below. HB1719-H2 does not resolve the remaining drafting issues noted below.

House Amendment No. 1 --- HB1719-H1 (engrossed 4/5/21): On page 3, line 25, the word "word" should likely be replaced with "worked."

Original Bill --- 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.