

Update: March 2011

Tax Intelligence

Federal and State Credit and Incentive Key Legislative Developments

Situation

Due to corporate tax burden increases, employers must carefully consider all the options for offsetting rising costs. Federal, state and local tax credits and incentives offer relief and planning opportunities to reduce costs. Credits and incentives greatly enhance returns on investment and allow an employer to be more profitable and competitive in the current environment. Federal, state and local governments continue to become more aggressive with new legislation, allowing employers the push needed to invest and create new jobs.

Solution

The 2010 and 2011 federal and state credit and incentive key legislative developments included the extension of the Work Opportunity Tax Credit (WOTC) program as well as the legislative changes affecting federal and state tax incentives – including California Enterprise Zones, Federal Renewal Communities and HIRE credits.

Federal program legislative developments:

- Several business tax credits, which had expired at the end of 2009, have been extended for two years (2010 and 2011) as part of the Tax Relief, Unemployed Insurance Reauthorization and Job Creation Act of 2010 (H.R. 4853)
 - Federal Empowerment Zones (FEZ)
 - Indian Employment Credit (IEC)
 - District of Columbia Enterprise Zones
- Work Opportunity Tax Credit (WOTC) was set to expire on August 31, 2011 and has been extended to December 31, 2011. Lobbyists are currently working on extending the program beyond 2011.
- WOTC targeted groups for the Unemployed Veterans and Disconnected Youths expired in 2010 and were not included as part of H.R. 4853. Lobbyists are working to include the targeted groups as part of a tax extender bill package in 2011.
- Hiring Incentives to Restore Employment (HIRE) Act expired in 2010 and is not expected to be extended or renewed at this time.
- Federal Renewal Community Zones (RC) Zones expired in 2009 and were not included in H.R. 4853. Lobbyists are working to include the Renewal Community Zones as part of a tax extender bill package in 2011.

State program legislative developments:

- California Enterprise Zone program was included in Governor Jerry Brown's 2011/2012 Budget Proposal for the elimination of enterprise zone tax incentives and similar tax incentives for specific areas for tax years beginning on or after January 1, 2011. The proposal would eliminate these tax benefits, both for newly earned credits and deductions and for credits that have been earned in prior years, but have not yet been used.
 - Governor Brown allowed lawmakers until March 10, 2011 to reach a budget deal but it was postponed, to allow more time for negotiations.
 - On March 16, 2011, California lawmakers were scheduled to vote on Governor Brown's proposed budget package. As of today, the California Enterprise Zone vote did not take place.
 - On March 22, 2011, California Enterprise Zone reform bill AB 231 was amended and introduced by Assembly Jobs Committee Chairman V. Manuel Pérez

Value

TALX has a dedicated team of experts with experience in all areas of federal, state and local taxation reviewing and monitoring new legislation developments to assist employers in capturing tax credit and incentive opportunities. If your company is interested in receiving more information on the federal and state credit and incentive key legislative developments, visit our corporate blog at <http://blog.talx.com> or our legislative updates at <http://www.talx.com/Solutions/Hiring/TaxCredits/>. You may also contact Pete Krieshok at (314)214-7325 or via email at pkrieshok@talx.com.