LATE TESTIMONY

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HOUSE COMMITTEE ON ECONOMIC REVITALIZATION & BUSINESS

TESTIMONY OF THE DEPARTMENT OF TAXATION REGARDING HB 811 RELATING TO EMPLOYMENT

TESTIFIER: FREDERICK D. PABLO, INTERIM DIRECTOR OF TAXATION (OR DESIGNEE)
COMMITTEE: ERB
DATE: JANUARY 27, 2011
TIME: 9AM

POSITION: GENERAL COMMENTS; CONCERNED WITH COSTS

This measure provides a temporary nonrefundable income tax credit for businesses that increase the number of employees or increase total wages paid in calendar years 2010 or 2011. The measure specifically targets businesses that increased employment during the tough economic times of 2010.

The Department notes that this measure is similar to HB 801; however this measure utilizes information furnished to the Department of Labor & Industrial Relations. The Department prefers this measure as it relates to the type of information used to determine the employment and wage increases.

The Department of Taxation (Department) **offers comments** on this measure and is **concerned with the anticipated revenue loss**.

DEFER TO DBEDT & LABOR ON SUBSTANTIVE MERITS—The Departments defers to the Department of Business, Economic Development & Tourism and Labor & Industrial Relations on the substantive merits of job creation policies in general.

AMEND TIMING—The Department suggests that the bill be amended to account for the increase in jobs or wages that occur in the same period of the taxpayer's tax year. Currently, the measurement of increase in jobs or wages occurs in a calendar year, not a tax year. The measurement should be those jobs or wages increased during the taxpayer's tax year, which will ensure that fiscal year filers do not have any timing overlap.

CONCERN FOR REVENUE COST—As with all measures, the Department must be cognizant of the biennium budget and financial plan. This measure has not been factored into either.

The Department supports the inclusion of a cap per taxpayer.

REVENUE IMPACT—This measure will result in a revenue loss of approximately $17 million for FY 2011; $30 million for FY 2012; and $6 million for FY 2013.