

February 5, 1997

BILL ANALYSIS

TO: Members, Committee on Trade and Economic Development
FROM: Kenny Pittman, Research Analyst (786-7392)
RE: HB 1305 - Increasing availability of tax credits for
job creation in distressed areas.

BACKGROUND:

The Business and Occupation (B&O) Tax Jobs Credit program was created in 1986 as an incentive for manufacturing, research and development, and computer-related service businesses to create employment opportunities in economically distressed communities. Businesses in eligible areas that create a new work force or increase an existing work force by 15 percent are allowed a B&O tax credit equal to \$1,000 for each new full-time employment position. In 1996, the Legislature increased the amount of the credit to \$2,000 for applications approved on or after January 1, 1996. The business must apply for the credit prior to hiring the new positions.

No more than \$15 million in total credits against the state B&O tax are allowed per biennium. No single business may receive more than \$300,000 in credits over the life of the program. Business firms with insufficient B&O tax liability, unused tax credits may be carried forward to succeeding years.

SUMMARY:

The Business and Occupation (B&O) Jobs Tax Credit program requirement that a business must increase its existing force work by 15 percent to claim a tax credit is replaced with a requirement that there is an increase in employment over previous year. The single business limitation of \$300,000 in credits over the life of the program is changed to \$300,000 per taxable year.

Appropriation: None.

Fiscal Note: Not requested.

Effective Date: Ninety days after adjournment of session in which bill is passed.