

**FINAL
FISCAL NOTE**

Drafting Number: LLS 08-0714

Date: May 28, 2008

Prime Sponsor(s): Rep. Garza-Hicks; Ferrandino
Sen. Veiga

Bill Status: Signed into Law

Fiscal Analyst: Ron Kirk (303-866-4785)

TITLE: CONCERNING CLARIFICATIONS TO EMPLOYER TAX CREDITS FOR TAXPAYERS UTILIZING EMPLOYEE LEASING COMPANIES.

Summary of Legislation

This bill makes a technical modification to the definition of "employee leasing company" for purposes of administering state income tax credits for employees hired by a work-site employer (business) through an employee leasing company. The bill clarifies existing law establishing the business, regulatory, and legal arrangement between a business employer and an employee leasing company to allow the employer to claim the tax credit for new employees. The Governor signed the bill into law on March 6, 2008. This bill applies to tax credits for employees hired on or after August 3, 2007.

Assessment

Since the bill does not create a new state income tax credit, and only clarifies the existing practices of the Department of Revenue, it does not affect state or local revenue or expenditures and is assessed as having no fiscal impact. The technical modification in the bill clarifies that businesses, rather than employee leasing companies, can claim the tax credit for new employees.

Background. State law authorizes any taxpayer who establishes a new business facility in an enterprise zone to claim a state income tax credit of up to \$500 for each new employee. The tax credit is increased for new business facility employers who hire new employees for agricultural processing operations, are located in enhanced enterprise zones, or are aircraft manufacturers who hire new employees in aviation development zones.

Prior to August 3, 2007, leased employees or employees from a temporary hiring service generally did not qualify as new business facility employees for purposes of claiming the state income tax credit. During the 2007 session, the General Assembly adopted HB 07-1312 to allow business employers to claim the new business facility employee state income tax credit when it hires leased (or temporary) employees. HB 07-1312 became effect August 3, 2007.

Departments Contacted

Revenue