

1 HB414
2 166990-4
3 By Representative Johnson (K)
4 RFD: Economic Development and Tourism
5 First Read: 02-APR-15

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8 SYNOPSIS: The Alabama Small Business Jobs Act would
9 establish a tax credit for Alabama small businesses
10 to enhance the economy by hiring new Alabama
11 employees.

12 This bill would define an Alabama small
13 business employer as any business organization in
14 Alabama having 50 or fewer employees.

15 This bill would provide for a tax credit to
16 any Alabama small business employer that creates
17 new jobs and hires a new employee in an amount of
18 \$1,250 per qualified new employee.

19 The bill would also repeal the Full
20 Employment Act of 2011.

21
22 A BILL
23 TO BE ENTITLED
24 AN ACT

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26 To establish the Alabama Small Business Jobs Act; to
27 define certain terms; to provide for a tax credit to Alabama

1 small business employers that create new jobs and hire new
2 employees under certain conditions; to repeal Article 11,
3 Chapter 18, Title 40, Code of Alabama 1975, relating to the
4 Full Employment Act of 2011; to amend Section 40-18-321, Code
5 of Alabama 1975, to make conforming changes; and to provide
6 rulemaking authority.

7 BE IT ENACTED BY THE LEGISLATURE OF ALABAMA:

8 Section 1. This act shall be known and may be cited
9 as the Alabama Small Business Jobs Act.

10 Section 2. For the purpose of this act, the
11 following words and phrases shall have the following meanings:

12 (1) ALABAMA SMALL BUSINESS EMPLOYER. A business
13 organization duly formed, organized, or qualified to do
14 business in the state, with its headquarters or principal
15 place of business in the state, and having 50 or fewer
16 employees during the tax year in which the tax credit is
17 claimed pursuant to this act, other than new employees for
18 which a credit is allowed by this act.

19 (2) DEPARTMENT. The Alabama Department of Revenue.

20 (3) NET EMPLOYEE GROWTH. An Alabama small business
21 employer's net increase in the total number of full-time
22 employees residing in Alabama based on the following:

23 a. The total number of full-time Alabama employees
24 on the last date of each tax year in which the employer is
25 claiming a credit pursuant to this act; minus,

1 b. The total number of full-time Alabama employees
2 as of the last day of the tax year in which a credit under
3 this act was first claimed and granted.

4 (4) QUALIFIED NEW EMPLOYEE. A new employee of an
5 Alabama small business employer that, for a qualifying time
6 period of 12 consecutive months, satisfies all of the
7 following criteria:

8 a. Was employed on a full-time basis.

9 b. Was an Alabama resident.

10 c. Received wages from the Alabama small business
11 employer that met or exceeded a total of forty thousand
12 dollars (\$40,000).

13 d. Was not a full-time employee of the Alabama small
14 business employer during any time 12 months prior to the start
15 of such qualifying time period.

16 (5) WAGES. Total wages paid to an employee,
17 including gross wages, salaries, overtime, and bonuses.

18 Section 3. (a) An Alabama small business tax credit
19 is hereby allowed for any Alabama small business employer that
20 creates a new job and hires a new full-time employee to fill
21 that job. The credit shall be a one-time credit equal to one
22 thousand two hundred fifty dollars (\$1,250) for each qualified
23 new employee, and shall only be applicable to a tax year in
24 which the new employee has completed 12 months of consecutive
25 full-time employment with the employer.

26 (b) To qualify for the credit, the employer must
27 have a net employee growth as of the last date of each tax

1 year during which the employer claims a credit pursuant to
2 this act. The net employee growth must equal or exceed the
3 number of qualified new employees for which a credit is sought
4 in the current or applicable tax year, plus the total number
5 of qualified new employees for whom credits were claimed
6 pursuant to this act in a prior tax year.

7 (c) The credit shall be allowed against the tax
8 imposed by Chapter 16 or Chapter 18, of Title 40, Code of
9 Alabama 1975. A financial institution shall be allowed to
10 claim the credit against the liability determined in Chapter
11 16, Title 40, Code of Alabama 1975. The credit shall be
12 available, on a pro rata basis, to the owners or members of
13 qualified Alabama small business employers that are entities
14 taxed under subchapters S or K of the Internal Revenue Code.

15 (d) This tax credit may not be allowed to decrease a
16 taxpayer's tax liability to less than zero in any tax year,
17 but any unused portion may be carried forward for a period of
18 up to three years. The credit is not refundable or
19 transferable.

20 (e) To the extent the credit is used to offset a
21 financial institution excise tax liability, the Department of
22 Finance shall promulgate regulations to ensure that the credit
23 in no case would reduce the distribution for municipalities
24 and counties.

25 (f) The income tax credit provided in this section
26 may be claimed only for employees who are hired following the

1 effective date of this act and shall only apply to tax years
2 beginning on or after January 1, 2016.

3 Section 4. The department may adopt rules consistent
4 with this act as necessary to implement and administer this
5 act.

6 Section 5. (a) Except as provided in subsection (b),
7 Article 11, Chapter 18, Title 40, Code of Alabama 1975,
8 relating to the Full Employment Act of 2011, is hereby
9 repealed.

10 (b) Article 11, Chapter 18, Title 40, Code of
11 Alabama 1975, shall remain in full force and effect for any
12 taxpayer that would otherwise qualify to receive one or more
13 credits under the article and who claims one or more credits
14 on a tax return or other applicable filing with the department
15 within the deadline for filing returns or filings for the tax
16 year ending immediately after the effective date of this act.

17 (c) In no case shall a taxpayer receive both a
18 credit under this act and a credit provided under Article 11,
19 Chapter 18, Title 40, Code of Alabama 1975.

20 Section 6. Section 40-18-321, Code of Alabama 1975,
21 is amended to read as follows:

22 "§40-18-321.

23 "In addition to the ~~existing~~ tax credit allowed for
24 in the Alabama Small Business Jobs Act ~~Full Employment Act of~~
25 ~~2011, codified as Section 40-18-290 through 40-18-293, an~~
26 additional \$1,000 tax credit for job creation is available if
27 the existing requirements of ~~Section 40-18-290 through~~

1 ~~40-18-293~~ the Alabama Small Business Jobs Act are met along
2 with the following definition:

3 "RECENTLY DEPLOYED UNEMPLOYED VETERAN. An individual
4 who is all of the following:

5 "(1) Was a resident of Alabama at the time of entry
6 into military service or was mobilized to active, federal
7 military service while a member of the Alabama National Guard
8 or other reserve unit located in Alabama, regardless of the
9 resident's home of record.

10 "(2) Received an honorable or general discharge from
11 active, federal military service within the two-year period
12 preceding the date of hire.

13 "(3) Has certification by the Department of Labor at
14 the time of hire of either of the following:

15 "a. Collecting or being eligible to collect
16 unemployment benefits.

17 "b. Having exhausted his or her unemployment
18 benefits."

19 Section 7. The provisions of this act are severable.
20 If any part of this act is declared invalid or
21 unconstitutional, that declaration shall not affect the part
22 which remains.

23 Section 8. All laws or parts of laws which conflict
24 with this act are repealed.

25 Section 9. This act shall become effective 90 days
26 following its passage and approval by the Governor, or its
27 otherwise becoming law.

