



ROMO INCENTIVES GROUP

RIG News Watch

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Tap into the Value of Federal and State Tax Incentives

Legislative Update

California

The California Department of Housing and Community Development (HCD) has approved a 141.5 acre expansion of the Coachella Valley Enterprise Zone (CVEZ).

R&D Tax Credit

Kevin Brady (R-TX) has introduced the American Research and Competitiveness Act of 2011 (H.R. 942) and now has 37 cosponsors. The bill is currently in the House Ways and Means Committee and would make the R&D Tax Credit permanent and increase the Alternative Simplified Credit (ASC) to 20%.

WOTC

Congressmen Aaron Schock (R-IL) and Charles Rangel (D-NY) have introduced the Work Opportunity Credit Improvements Act (H.R. 2082) that would provide a three-year extension of WOTC through December 31, 2014. The bill has been referred to the Subcommittee (House Ways and Means) on Military Personnel.

HIRE Act

Bruce Braley (D-IA) introduced the Back to Work Extension Act (H.R. 477). This bill would extend the HIRE Act of 2010 and exempt small businesses from the employer's portion of FICA tax (6.2%) for the remainder of 2011. The bill has been referred to the House Ways and Means Committee.

New Developments with California Enterprise Zones

Although enterprise zones survived the budget, there are two pieces of legislation that may directly impact the administration of the zones. Manny Perez (D-Coachella) has introduced AB 1411. AB 1411 would provide more accountability and transparency of the existing zones through additional reporting requirements. It would also limit the size of future zones. It is currently in the Senate Transportation and Housing Committee. Jerry Hill (D-San Mateo) has introduced AB 1278. This bill would limit the application of the hiring credit to the amount of employees that exceed the amount at the previous location for taxpayers that relocate within California to a zone.

Manufacturing R&D Tax Credits?

Yes, R&D Tax Credits can rightfully be considered a commodity of the manufacturing industry as the industry accounts for 68% of the \$8 billion of R&D Tax Credits awarded in the U.S. each year. Manufacturers are excellent candidates for the credit because they have many of the qualified research activities (QRAs) eligible for credit claims. The R&D Tax Credit rewards companies that invest time, money and resources toward the advancement and improvement of both product design and process improvements.

In addition, many states are now offering refundable R&D Tax Credits including Arizona, Louisiana, Minnesota, New York, Ohio and Virginia. No longer do you need to pay taxes to claim these credits. Taxpayers may claim both the federal and state credits for the same activities allowing additional benefit. Although California continues to offer the most generous non-refundable credit, taxpayers with operations in any of the above listed states should consider the application of these refundable credits.

Recent case law has been very taxpayer friendly and H.R. 942 is gaining momentum with new cosponsors and wide bipartisan support. President Obama has frequently campaigned for a permanent, more robust credit. Call or email us to learn more about this valuable incentive.