



ROMO INCENTIVES GROUP

# RIG News Watch

August 2011



*Tap into the Value of Federal and State Tax Incentives*

## Legislative Update

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### 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%.

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### 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. The WOTC program was recently recommended for termination by the Department of Labor.

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### 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.

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## AB 1278 Update

The California Assembly Jobs, Economic Development and the Economy Committee failed to pass AB 1278 proposed by Jerry Hill (D-San Mateo). The bill would have limited the application of the Enterprise Zone (EZ) Hiring Credit to companies moving from a non-EZ California location to a location within an EZ. Companies moving intrastate to an EZ location would have been required to demonstrate a net increase in employment. The legislation failed passage with a tied vote and the chair of the committee, Manny Perez (D-Coachella), joining the committee's Republicans to block the bill.

## President to Make WOTC Part of Jobs Initiative

President Obama has proposed expanding WOTC to include the Wounded Warrior Tax Credit. This proposal would double the existing tax credit for long-term unemployed veterans with service-connected disabilities. The credit would be up to \$9,600 per qualified employee. The paperwork for claiming these credits would also be simplified by streamlining the burdensome certification process. It is anticipated that President Obama will make an announcement around Labor Day about how his administration intends to create more jobs.

## California Changes Decision on Service Companies and R&D Tax Credits

The Franchise Tax Board issued guidance in June that service revenues would not qualify as "gross receipts" as these transactions did not involve the sale of tangible personal property. However, in July the FTB reversed its decision with Legal Division Guidance 2011-07-01 stating that its prior decision has been withdrawn.