

The Florida Senate
BILL ANALYSIS AND FISCAL IMPACT STATEMENT

(This document is based on the provisions contained in the legislation as of the latest date listed below.)

Prepared By: The Professional Staff of the Committee on Military and Veterans Affairs, Space, and Domestic Security

BILL: CS/SB 1598

INTRODUCER: Military and Veterans Affairs, Space, and Domestic Security and Senator Soto

SUBJECT: Corporate Income Tax

DATE: March 21, 2013 REVISED: _____

	ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1.	Spaulding	Ryon	MS	Fav/CS
2.			AFT	
3.			AP	
4.				
5.				
6.				

Please see Section VIII. for Additional Information:

- | | | |
|------------------------------|-------------------------------------|---|
| A. COMMITTEE SUBSTITUTE..... | <input checked="" type="checkbox"/> | Statement of Substantial Changes |
| B. AMENDMENTS..... | <input type="checkbox"/> | Technical amendments were recommended |
| | <input type="checkbox"/> | Amendments were recommended |
| | <input type="checkbox"/> | Significant amendments were recommended |

I. Summary:

CS/SB 1598 creates the “Florida Veterans Employment Act” to allow a business to qualify for a one-time corporate income tax credit of \$5,000 for each veteran the business hires. A business may qualify for an additional one-time \$5,000 corporate income tax credit for hiring a veteran with a service-connected disability. The credit will expire June 30, 2018.

The bill creates section 220.197 and substantially amends section 220.02 of the Florida Statutes.

II. Present Situation:

In the United States there are over 22 million living veterans, in which, over 1.6 million reside in Florida.¹ This makes Florida the state with the third largest veteran population, behind California and Texas. Section 1.01(14), F.S., defines the term “veteran” for purposes of determining veterans’ benefits eligibility. A person who has served in the active military and who has been

¹ U.S. Census Bureau, Florida Quick Facts, <http://quickfacts.census.gov/qfd/states/12000.html>, last viewed March 14, 2013; Enterprise Florida-Defense Office, Florida Defense Fact book, page 1.

honorably discharged or released from active duty under honorable conditions is eligible for a number of veterans’ benefits provided by the state of Florida.²

Service-Connected Disabled Veterans

Florida also has the third largest population of disabled veterans in the nation with more than 249,000.³ The U.S. Department of Veterans Affairs (USDVA) is the federal agency tasked with making the official determination of the existence of a service-connected disability. The term “disabled veteran” is defined in the U.S. Code as:

An individual who has served on active duty in the armed forces, has been separated therefrom under honorable conditions, and has established the existence of a service-connected disability or is receiving compensation, disability retirement benefits, or pension because of a public statute administered by the Department of Veterans Affairs or a military department.⁴

Veterans who have been determined by the USDVA to have a service-connected disability are eligible for monthly disability compensation. Disability compensation is a monetary benefit paid by the USDVA to veterans who are disabled by an injury or illness that was incurred or aggravated during active military service. These disabilities are considered to be service-connected. Monthly disability compensation varies with the degree of disability and the number of dependents a veteran has. After a medical examination, the USDVA assigns a veteran a disability rating in ten percent increments from 0%⁵-100%. This starts the process for which a disabled veteran is eligible to receive monthly disability compensation and certain USDVA medical benefits.⁶

The chart below shows the number of veterans in Florida by age range receiving disability compensation from the USDVA. This chart is based off of 2010 data.⁷

Veterans in Florida Receiving Disability Compensation from the USDVA by Age Range (2010)					
	Under 35	Between 35-55	Between 56-75	Over 75	Total
Service-disabled Veterans	20,225	75,936	101,104	39,554	236,819

There are instances in which a veteran’s service-connected disability is not determined by the USDVA. In this instance, the Department of Defense (DoD) would determine the existence of a

² Section 1.01(14), F.S.

³ Florida Department of Veterans’ Affairs. *Fast Facts*. Available at: http://floridavets.org/?page_id=50, last viewed March 18, 2013.

⁴ 5 USC § 2108(2), 10 USC § 101(24)(B)

⁵ A 0% disability rating means the USDVA has acknowledged a disability, but the disability is not severe enough to rate a monetary benefit at that time. The disability can be reevaluated in the future if the disability worsens.

⁶ Federal Benefits for Veterans, Dependents and Survivors, Chapter 2 Service-Connected Disabilities, Disability Compensation, http://www.va.gov/opa/publications/benefits_book/benefits_chap02.asp, last viewed March 18, 2013.

⁷ Data provided by the Florida Department of Veterans Affairs. February 15, 2013. On file with the Military and Veterans Affairs, Space, and Domestic Security Committee.

disability and provide compensation to the veteran. This is the case when a service member acquires a medical condition or physical disability that renders him or her unfit to perform his or her required duties while on active duty. The service member may be separated or retired from the military for medical reasons. The process to determine medical fitness for continued duty involves the following two boards: the Medical Evaluation Board and the Physical Evaluation Board. The secretaries of the military departments have the authority to make the final determination.⁸ When the determination has been made that a service member must retire due to medical reasons related to the member's service in the military, the member may decide whether to receive military retirement benefits from the DoD or disability compensation from the USDVA.

Employment Initiatives for Veterans in Florida

The general unemployment rate in the United States in 2011 was 8.9%⁹ and the unemployment rate among veterans was 9.1% during the same period.¹⁰ Florida has been successful in creating opportunities specifically for veterans to find work in the state. Employ Florida¹¹ is an easily accessible resource for veterans to find employment and services offered by the state, and can also connect a veteran to the U.S. Department of Veteran Affairs. Employ Florida maintains a database of available jobs for veterans across the state ranging from hourly wage jobs to professional and management jobs.¹²

The Florida Department of Economic Opportunity also offers a range of services to veterans including recruitment services, training grants, and links to federal programs offering certain employer incentives to hire veterans.¹³ Work Force Florida's Hiring Florida's Heroes program works with employers to connect them with veterans possessing needed skills.¹⁴ Enterprise Florida also offers resources, advocacy, and job listings for veterans.¹⁵

Florida ranks third in the nation for veteran owned business with over \$61 billion in annual revenue.¹⁶ Currently, there is no incentive for a privately owned company to hire a veteran. There are examples in the Florida Statutes of corporate tax incentives, but none relating to the hiring of veterans.¹⁷

⁸ 10 USC, Chapter 61.

⁹ U.S. Department of Labor, Bureau of Labor Statistics, <http://data.bls.gov/timeseries/LNS14000000>, last viewed March 14, 2013.

¹⁰ U.S. Department of Labor, Bureau of Labor Statistics, <http://www.bls.gov/news.release/vet.a.htm>, last viewed March 14, 2013.

¹¹ Employ Florida links all of Florida's state and local workforce services and resources through the partnership of the Department of Economic Opportunity and Workforce Florida, Inc. There are 24 Regional Workforce Boards and nearly 100 One-Stop Career Centers located statewide offering in-person, one-on-one personalized assistance to job seekers.

¹² Employ Florida, <https://www.employflorida.com/portals/veteran/default.asp?pg=welcome>, last viewed March 14, 2013.

¹³ Florida Department of Economic Opportunity, <http://www.floridajobs.org/job-seekers-community-services/job-search-and-career-planning/job-search-resources/for-veterans>, March 14, 2013.

¹⁴ Work Force Florida, Hiring Florida's Heroes, <http://www.workforceflorida.com/PrioritiesInitiatives/vets/HiringFloridasHeroes.php>, last viewed March 14, 2013.

¹⁵ Enterprise Florida, <http://www.eflorida.com/>, last viewed March 14, 2013.

¹⁶ Enterprise Florida, Florida News, <http://efloridainnovation.com/florida-ranks-3rd-for-most-veteran-owned-businesses>, last viewed March 14, 2013.

¹⁷ S 220.192, s 220.193, s 220.194 F.S.

III. Effect of Proposed Changes:

Section 1 creates s. 220.197, F.S., to establish the “Florida Veterans Employment Act” to encourage businesses to hire veterans by granting a one-time corporate income tax credit of \$5,000 for hiring a veteran. A business is eligible for an additional \$5,000 credit for hiring a veteran who has a service-connected disability recognized by the USDVA or who is receiving disability retirement benefits from the DoD. Before a business can claim the tax credit, the business must pay \$5,000 in gross salary to the veteran. To be eligible for the additional \$5,000 tax credit for hiring a disabled veteran, the business must pay an additional \$5,000 in gross salary to the veteran.

This tax credit benefit expires on June 30, 2018. A business that is awarded the credit may carry forward any unused credit for a period not to exceed two years. The bill authorizes the Department of Revenue to adopt rules to administer the tax credit

Section 2 amends s. 220.02 F.S., to designate the order in which the corporate income tax credits provided in the bill will be applied.

Section 3 provides an effective date of July 1, 2013.

IV. Constitutional Issues:

A. Municipality/County Mandates Restrictions:

None.

B. Public Records/Open Meetings Issues:

None.

C. Trust Funds Restrictions:

None.

V. Fiscal Impact Statement:

A. Tax/Fee Issues:

The Revenue Estimating Conference has not yet reviewed the fiscal impact of the bill.

B. Private Sector Impact:

A business can claim a one-time corporate income tax credit of \$5,000 for each veteran the business hires. A business may qualify for an additional one-time \$5,000 corporate income tax credit for hiring a veteran with a service-connected disability or for a veteran who is receiving disability payments from the USDVA or the DoD.

C. Government Sector Impact:

None.

VI. Technical Deficiencies:

It is unclear whether a business can apply for the tax credit toward current employees who are veterans.

VII. Related Issues:

None.

VIII. Additional Information:

A. Committee Substitute – Statement of Substantial Changes:

(Summarizing differences between the Committee Substitute and the prior version of the bill.)

CS by Military and Veterans Affairs, Space, and Domestic Security on March 20, 2013:

The CS makes clarifying changes and eliminates redundant language. The CS requires a business to pay a veteran a certain amount in gross salary before the business can claim the tax credit. The CS also designates the order in which the tax credits provided in the bill will be applied.

B. Amendments:

None.