

# S.2429 (Skoufis)/A.4012 (Bronson)

STAFF CONTACT : Ken Pokalsky | Vice President | 5186944460

<b>BILL</b> S.2429 (Skoufis)/A.4012 (Bronson)
<b>SUBJECT</b> State-level Work Opportunity Tax Credit
<b>DATE</b> February 18, 2025
<b>SUPPORT</b>

The Business Council supports this legislation that will promote the state's interest in bringing additional New Yorkers into the workforce, by providing an incentive for the hiring of persons in one of ten targeted groups that face barriers to employment. Any employer who hires qualified employees would be eligible for this credit, and the credit would be available under the state's Personal Income (for "pass through" entities), Corporate Franchise and Insurance tax.

This legislation would authorize tax credits of \$500 per eligible employee, with the credit available for the state's 2025, 2026 and 2027 tax years. The aggregate cap on available credits is \$90 million, with no more than \$30 million in credits available for any one tax year.

This proposal will amplify the impact of the longstanding federal Work Opportunity Tax Credit by adopting a comparable WOTC credit under New York's personal income, corporate franchise, and insurance tax. Importantly, for taxpayers, especially smaller and newer taxpayers with limited profits, the legislation would make the credit refundable, meaning that if the credit exceeds the taxpayer's tax liability for a given tax year, the excess is treated as a refundable overpayment.

State implementation will be straightforward as the criteria and calculations for the state WOTC will be the same as under federal law, and the New York State Department of Labor is already responsible for certifying employee eligibility under the federal WOTC, under federal designation.

The credit is explicitly designed to promote the hiring of:

- The formerly incarcerated or those previously convicted of a felony.
- recipients of assistance for families with dependent children under part A of title IV of the Social Security Act (SSA)
- veterans, with an increased credit for disabled veterans.
- residents in areas designated as empowerment zones or rural renewal counties.
- individuals referred to an employer following completion of a vocational rehabilitation plan or program.
- Summer Youth Employee participants.
- individuals whose families are recipients of supplemental nutrition assistance under the Food and Nutrition Act of 2008.
- recipients of supplemental security income benefits under title XVI of the SSA.
- Long-Term Family Assistance Recipients

- individuals experiencing long-term unemployment, who have exhausted their 26 weeks of regular benefits.

Data show that New York underutilizes this federal incentive program. For example, New York's ratio of WOTC-certified employees to populations is the lowest of the 18 states with the largest number of WOTC certified employees, including Texas, Ohio, Illinois, Pennsylvania, North Carolina, Michigan, Wisconsin and Maryland, among others.

At the federal level, the credit is equal to 25 percent of wages paid to qualified individuals who perform at least 120 but less than 400 hours of service for the employer, and 40 percent for employees with 400 or more hours, applicable to the first \$6,000 of wages paid, for a maximum credit of \$2,400. For qualified disabled veterans, the credit applies to the first \$24,000 in wages, for a maximum credit of \$9,000.

Under these proposals, the same calculation would apply but the per-employee credit is capped at \$500.

At both the federal and state level, credits are only claimed after a qualified employee is hired and paid the minimum hours required. Under federal law, the credit is available for an employee's first year of work, and an employer cannot claim the WOTC for employees who are rehired by an employer - provisions that will be reflected in state law as well. Finally, under this new state law, it should be clear that an employer can only claim the WOTC or an alternative state credit, such as the state's existing credit for hiring veterans or disabled persons, for any individual employee.

At a time when employers are looking to expand their search for employees, and the state is working to expand the workforce and support the re-entry of workers into the workforce, we believe this targeted hiring incentive would be a "win-win" for the state.

For these reasons, The Business Council supports adoption S.2429/A.4012