

**REPORT OF THE  
CHIEF LEGISLATIVE ANALYST**

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DATE: April 18, 2013

TO: Honorable Members of the Rules, Elections and Intergovernmental Relations Committee

FROM: Gerry F. Miller   
Chief Legislative Analyst

Council File No. 13-0002-S55  
Assignment No. 13-04-0267

SUBJECT: **Resolution (Buscaino-LaBonge) to SUPPORT SB 810 (Price), the “Job and Trade Competitiveness Act,”** which would authorize the California Transportation Financing Authority to award up to \$500 million in income tax credit certificates, over the next five years, to exporters and importers that meet specified requirements to demonstrate that they have significantly contributed to export and import trade and related jobs in the State.

CLA RECOMMENDATION: ADOPT Resolution (Buscaino-Alarcon) to include in the City’s 2013-2014 State Legislative Program SUPPORT for SB 810 (Price), the “Job and Trade Competitiveness Act,” which would authorize the California Transportation Financing Authority, to award up to \$500 million in income tax credit certificates, over the next five years, to exporters and importers who meet specified threshold requirements to demonstrate that they have significantly contributed to export and import trade and related jobs in the State.

SUMMARY:

Resolution (Buscaino-LaBonge), introduced on April 25, 2013, proposes that the City include in its current State Legislative Program SUPPORT for SB 810 (Price), the “Job and Trade Competitiveness Act,” which would create jobs for Californians and enhance the competitiveness of the Los Angeles Customs District, the largest customs district in the nation, by authorizing the California Transportation Financing Authority, over the next five years, to issue up to \$500 million in income tax credit certificates to exporters and importers that meet specified threshold requirements, demonstrating that they have significantly contributed to export and import trade in the State.

The Resolution notes that California’s international trade sector is a powerful economic engine and a vital contributor to the economic recovery of the State. It states that the Los Angeles Customs District, which includes the Port of Los Angeles, is the nation’s largest customs district, which generated approximately \$355 billion in two-way trade value in 2011.

The Resolution advises further that the Port of Los Angeles generates nearly three (3) million jobs nationally, one (1) million jobs in California, 830,000 jobs throughout Southern California, and \$30.7 billion in national, state and local taxes.

At the same time, California ports, including the Port of Los Angeles, are facing vigorous competition from other North American and Central American ports that want to wrest away some of California's predominant market share of high volume trade, especially when the widened Panama Canal may lead to some diversion of Pacific trade to other North and Central American ports on the Atlantic Ocean.

The Resolution stresses that California's ports must remain competitive in order to generate economic growth and create needed jobs. The Resolution therefore proposes that the City SUPPORT SB 810, a bill that would help to protect and expand the vitally important international trade sector of our State's economy and would create jobs for Californians by providing tax incentives for those who would increase exports and imports through California ports [and airports], while also advancing President Obama's National Export Initiative to double U.S. exports over the next five years.

**BACKGROUND:**

California Transportation Financing Authority. In 2009, the State Legislature amended the State Government Code to create the California Transportation Financing Authority for the purpose of increasing the construction of improvements to the State transportation system, in a manner that is consistent with, and will help to meet, the State's greenhouse gas reduction goals, air quality improvement goals, and natural resource conservation goals, through the issuance of bonds backed in whole or in part by specified revenue streams, e.g. local transportation funds (Statutes of 2009, Chapter 474, Government Code beginning with Section 64100).

Similar Bill in Previous Session. In the 2011-2012 Legislative Session, Assembly Member Charles Calderon introduced AB 2656, the "Job and Trade Competitiveness Act," which proposed to amend the powers of the California Transportation Financing Authority to allow it to issue income tax credit certificates to eligible exporters and importers. In turn, those individual or corporate taxpayers could submit the certificates to the Franchise Tax Board for application of the tax credit amount specified on each certificate to the taxpayer's personal or corporate income tax owed in the taxable year(s) 2013, 2014, 2015, 2016 and/or 2017.

Last year, on August 7, 2012, the City Council adopted this Committee's report and recommendation to SUPPORT AB 2656 (Calderon), pursuant to Resolution (Buscaino-Alarcon). AB 2656 passed out of the Assembly Committee on Revenue and Taxation, but failed to pass out of the Assembly Committee on Appropriations before the end of the Session.

SB 810 (Price), the "Job and Trade Competitiveness Act." Introduced on February 22, 2013, this bill is virtually identical to AB 2656 of the previous legislative session, representing a renewed attempt to pass the proposed "Job and Trade Competitiveness Act."

SB 810, as introduced, would amend sections of the Government Code and the Revenue and Taxation Code to do the following:

- Authorize the Authority to award a tax credit certificate, in an amount specified in the Revenue and Taxation Code Section 17053.66(a) or Section 23666(a), to an eligible

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exporter or importer in an aggregate amount per taxpayer that is not greater than \$250,000 for a taxable year beginning on or after January 1, 2014 and before January 1, 2019, in the following circumstances:

- The exporter or importer demonstrates satisfactorily that it has increased over the previous year its export cargo tonnage through California ports by at least 5% over its export cargo tonnage through California ports for the preceding taxable year; or
  - The exporter or importer demonstrates satisfactorily that it has increased its export cargo value through California airports by at least 5% over its export cargo value for the preceding taxable year;
  - The exporter or importer demonstrates that it has exported or imported cargo tonnage in excess of 400,000 tons in a taxable year, as previously defined, and that it did not export or import cargo through California ports in the preceding taxable year;
  - The exporter or importer demonstrates satisfactorily that it has exported or imported cargo through California airports with export or import cargo value in excess of \$250,000 in a taxable year, as previously defined, and that it did not export or import cargo through California airports in the preceding taxable year;
  - The exporter or importer demonstrates satisfactorily that it had a net increase over the previous year in qualified full-time employees, as defined, hired in California;
  - The exporter or importer demonstrates satisfactorily that it incurred capital costs during the taxable year for a cargo facility in California.
- Provide that the total amount of tax credit certificates to be awarded in each of the five calendar years beginning with January 1, 2014 shall be \$100,000,000, for a total of \$500,000,000 over five years, ending before January 1, 2019;
  - Establish the Job and Trade Competitiveness Fee Account in the State Treasury for the deposit of fees that shall be established and charged to applicants for the tax credit certificates; the Authority shall determine said fee to be reasonably sufficient to cover the Authority's costs of implementation of this law;
  - Require the Authority to determine the amount of each tax credit to be applied against the eligible exporter's or importer's "net personal income tax" or "net corporate income tax," as defined in the Revenue and Taxation Code, and in accordance with the requirements of this law.
  - Require the Authority, consistent with the provisions of this law to do the following:
    - Establish a procedure for applicants to apply for the tax credit certificates, and a process to award these tax credit certificates on a first-come, first-served basis;

- Determine the information necessary to be provided by an applicant to the authority in order to award the tax credit certificates;
- Develop and provide application forms for use by applicants for tax credit certificates as specified;
- Amend the Revenue and Taxation Code to recognize the Authority's ability to issue tax credit certificates as provided in the Government Code and to make changes that would be consistent with tax credit amounts for qualified exporters and importers to be provided under this Act.
  - The amount of credit allowed for an exporter or importer that increases exports or imports through ports in California shall be \$3.125 per ton of increased exports or imports through ports in California in a taxable year attributable to the exporter or importer;
  - The amount of credit allowed for an exporter or importer that increases exports or imports through airports in California shall be \$1,000 for each \$10,000 of increased exports and imports for the taxable year through airports in California by the exporter or importer.
  - If the exporter or importer did not export or import during the preceding taxable year, but exports or imports 400,000 tons or more through California ports in a taxable year, the credit amount shall be \$3.125 per ton of exports and imports for the taxable year through California ports;
  - If the exporter or importer did not export or import during the preceding taxable year, but exports or imports \$250,000 or more through California airports in a taxable year, the credit amount shall be \$1,000 for each \$10,000 of exports or imports for the taxable year through California airports.
- Limit the aggregate amount of tax credit to be allowed to a taxpayer under this Act to no more than \$250,000 per taxable year;
- Provide that the Authority may issue a tax credit certificate to an exporter or importer in an amount not to exceed 2 percent of the total capital costs for a cargo facility constructed in California by the exporter or importer during a taxable year;
- Provide that the Authority may issue a tax credit certificate to an exporter or importer in an amount equal to \$3,000 for each net increase in qualified full-time employees hired in California during the taxable year;
- Require the Authority to provide the Franchise Tax Board with an electronic copy of each tax credit certificate awarded by it within 30 days after issuance of the certificate;

- Require the Authority to notify applicants within 45 days of either a denial or award of a tax credit certificate;
- Require the Authority to establish audit procedures for taxpayers who have been awarded a tax credit certificate to verify that the tax credit certificate was awarded consistent with the requirements of this bill;
- Provide that this Act (Division 4 of Title 6.7 of the Government Code) shall remain in effect until January 1, 2021 and thereafter repealed, except that specified sections of the Revenue Code shall be repealed as of December 1, 2019.

Harbor Department Response. At the time of writing of this report, the Harbor Department is in the process of preparing a Bill Response Report on SB 810 but has advised informally that it will recommend support of the bill.

During the 2011-2012 Legislative Session, the Harbor Department recommended that the City support AB 2656, the predecessor to SB 810. The Department felt that AB 2656, by providing State income tax credits for California exporters and importers who increase exports and imports through California ports and airports, among other things, would:

- Protect and create jobs for Californians by supporting the growth of international trade-related businesses; and
- Help California respond to increased competition from Canadian, Mexican and East Coast ports, which will benefit logistically from the widening of the Panama Canal in 2014. (The Department anticipates that any loss of cargo will negatively impact State-wide jobs.)

Department of Airports Response. The Department of Airports has chosen not to make a recommendation for a City position on SB 810. A representative has advised that the Department is generally supportive of measures that would increase international trade but declines to recommend a position on this bill at this time because it is unable to assess the future impacts of this specific bill on the State and local economies.

DEPARTMENTS NOTIFIED: Harbor, Airports

BILL STATUS:

Introduced on February 22, 2013.

Hearing set in the Assembly Committee on Transportation and Housing on April 16, 2013 was postponed; no new hearing date has been set.

  
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Christine Yee Hollis  
Analyst

Attachments: Resolution (Buscaino-Alarcon), introduced on April 5, 2013  
SB 810 as introduced on February 22, 2013

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RULES, ELECTIONS & INTERGOVERNMENTAL RELATIONS

RESOLUTION

WHEREAS, any official position of the City of Los Angeles with respect to legislation, rules, regulations or policies proposed to or pending before a local, state or federal governmental body or agency must have first been adopted in the form of a Resolution by the City Council with the concurrence of the Mayor; and

WHEREAS, California's international trade sector is a powerful economic engine and a vital component to the economic recovery of the state; and

WHEREAS, the Los Angeles Customs District, which includes the Port of Los Angeles, is the nation's largest with a two-way trade value of \$355 billion in 2011; and

WHEREAS, the Port of Los Angeles, the nation's number one container port, generates nearly three million jobs nationally, one million jobs throughout California, 830,000 jobs throughout the Southern California region, and \$30.7 billion in national, state and local taxes; and

WHEREAS, California ports face increasing competition from other North American Ports, in particular those in Canada, Mexico, the Gulf Coast, and the East Coast as these regions aggressively pursue California's market share once the widened Panama Canal becomes operational in 2014; and

WHEREAS, these other ports are investing billions of dollars in capital improvement programs and have powerful tax credit incentives in place to attract trade; and

WHEREAS, California's international gateways must remain competitive in order to grow the economy and create jobs; and

WHEREAS, Senator Curren Price (D-CA) has introduced Senate Bill 810, which helps protect and grow this vitally important international trade sector and creates jobs for the people of California by providing tax incentives for boosting exports and imports through California's seaports while advancing President Obama's National Export Initiative to double U.S. exports over the next five years;

NOW, THEREFORE, BE IT RESOLVED, that by the adoption of this Resolution, the City of Los Angeles hereby includes in its 2013-2014 State Legislative Program SUPPORT for SB 810 (Price), which creates jobs for Californians and enhances the competitiveness of the largest customs district in the country, Los Angeles.

Presented by Joe Buscaino  
JOE BUSCAINO  
Councilmember, 15th District

Seconded by Donna Shew

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ORIGINAL

**Introduced by Senator Price**February 22, 2013

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An act to add and repeal Division 4 (commencing with Section 64140) of Title 6.7 of the Government Code, and to add and repeal Sections 17053.60, 17053.65, 17053.66, 23660, 23665, and 23666 of the Revenue and Taxation Code, relating to taxation, to take effect immediately, tax levy.

## LEGISLATIVE COUNSEL'S DIGEST

SB 810, as introduced, Price. California Transportation Financing Authority: tax credit certificates for exporters and importers: income tax credit.

Existing law creates the California Transportation Financing Authority, with various powers and duties relative to the financing of transportation projects.

This bill would authorize the authority to award tax credit certificates to exporters and importers, as defined, that demonstrate to the satisfaction of the authority that, during the taxable year, they have increased their cargo tonnage or value through California ports and airports by specified amounts or had a net increase in qualified full-time employees hired in California or have incurred capital costs for a cargo facility in California. The bill would authorize an aggregate \$500,000,000 in tax credit certificates to be awarded by the authority for taxable years beginning on or after January 1, 2014, and before January 1, 2019, as provided. The bill would authorize the authority to impose fees to cover its costs, with fees to be deposited in the Job and Trade Competitiveness Fee Account, which the bill would create in the State Treasury. The bill would authorize the authority to borrow money



until the time that sufficient fee revenue is available, with loans made to the authority to be repayable solely from revenues in the account.

The bill would make legislative findings and declarations.

The Personal Income Tax Law and the Corporation Tax Law allow various credits against the taxes imposed by those laws.

This bill would, for taxable years beginning on or after January 1, 2014, and before January 1, 2019, allow a credit or credits in an aggregate amount not to exceed \$250,000 for a taxable year against the taxes imposed by those laws if a taxpayer receives a tax credit certificate from the authority.

This bill would take effect immediately as a tax levy.

Vote: majority. Appropriation: no. Fiscal committee: yes.  
State-mandated local program: no.

*The people of the State of California do enact as follows:*

1 SECTION 1. Division 4 (commencing with Section 64140) is  
2 added to Title 6.7 of the Government Code, to read:

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4 DIVISION 4. JOB AND TRADE COMPETITIVENESS ACT

5

6 64140. (a) The Legislature finds and declares all of the  
7 following:

8 (1) California is the international trade leader of the United  
9 States as the gateway to the dynamic economies of the Pacific  
10 Rim. International trade is one of the most important economic  
11 and job creation drivers of the state and a key to the state's  
12 economic recovery. Together, the three California customs districts  
13 of Los Angeles, San Diego, and San Francisco led the nation by  
14 processing approximately \$500 billion in two-way trade value in  
15 2010. The combined California ports of Los Angeles, Long Beach,  
16 and Oakland are the busiest seaports in the nation, handling  
17 approximately 45 percent of all the waterborne containerized cargo  
18 coming into the United States.

19 (2) California, however, must do more to ensure that California  
20 ports remain competitive, as the Gulf, East Coast, and Mexican  
21 ports work to attract business away from California seaports and  
22 competition intensifies after the expansion of the Panama Canal  
23 in 2014. California ports are taking action to retain market share  
24 by expanding terminal capacity and investing in other trade-related

1 infrastructure projects, but more needs to be done to protect  
2 California's vitally important international trade sector, including  
3 creating incentives to maintain and grow new jobs related to  
4 business, manufacturing, and trade in the years ahead.

5 (3) Providing California tax credits to exporters and importers  
6 through California ports and airports and increasing cargo-moving  
7 capacity at California's ports and airports will support President  
8 Obama's national export initiative.

9 (b) It is the intent of the Legislature to boost exports and imports  
10 through California ports and airports by providing tax credits for  
11 California exporters and importers and by providing tax credits  
12 for increasing cargo-moving capacity.

13 64141. For the purposes of this division, the following terms  
14 have the following meanings:

15 (a) "Annual full-time equivalent" means either of the following:

16 (1) In the case of a full-time employee who was paid hourly  
17 qualified wages, "annual full-time equivalent" means the total  
18 number of hours worked for the taxpayer by the employee (not to  
19 exceed 2,000 hours per employee) divided by 2,000.

20 (2) In the case of a salaried full-time employee, "annual full-time  
21 equivalent" means the total number of weeks worked for the  
22 taxpayer by the employee divided by 52.

23 (b) "Authority" means the California Transportation Financing  
24 Authority established in Section 64101.

25 (c) (1) "Capital costs" means all costs and expenses incurred  
26 by one or more exporter or importer in connection with the  
27 acquisition, construction, installation, and equipping of a cargo  
28 facility, including any environmental mitigation undertaken  
29 specifically to reduce the impacts of a cargo facility, during the  
30 period commencing with the date on which the acquisition,  
31 construction, installation, and equipping commences and ending  
32 on the date on which the cargo facility is placed in service.

33 (2) Capital costs shall include, but not be limited to, the  
34 following:

35 (A) The costs of acquiring, constructing, installing, equipping,  
36 and financing a cargo facility, including all obligations incurred  
37 for labor and to contractors, subcontractors, builders, and  
38 materialmen.

39 (B) The costs of acquiring land or rights in land and any cost  
40 incidental thereto, including recording fees.

1 (C) The costs of contract bonds and of insurance of any kind  
2 that may be required or necessary during the acquisition,  
3 construction, or installation of a cargo facility.

4 (D) The costs of architectural and engineering services,  
5 including test borings, surveys, estimates, plans, specifications,  
6 preliminary investigations, environmental mitigation, and  
7 supervision of construction, as well as for the performance of all  
8 the duties required by or consequent upon the acquisition,  
9 construction, and installation of a cargo facility.

10 (E) The costs associated with installation of fixtures and  
11 equipment, surveys, including archaeological and environmental  
12 surveys, site tests and inspections, subsurface site work, excavation,  
13 removal of structures, roadways, and other surface obstructions,  
14 filling, grading, paving, and provisions for drainage, stormwater  
15 retention, installation of utilities, including water, sewerage  
16 treatment, gas, electricity, communications, and similar facilities,  
17 and offsite construction of utility extensions to the boundaries of  
18 the property.

19 (F) The costs of completing any environmental mitigation.

20 (G) All other costs of a nature comparable to those described,  
21 including, but not limited to, all project costs required to be  
22 capitalized for federal income tax purposes pursuant to the  
23 provisions of Section 263(a) of Title 26 of the United States Code.

24 (H) Costs otherwise defined as capital costs incurred by the  
25 exporter or importer where the qualifying taxpayer is the lessee  
26 under a lease that contains a term of not less than five years and  
27 is characterized as a capital lease for federal income tax purposes.

28 (3) Capital costs shall not include property owned or leased by  
29 the exporter or importer or a related entity before the  
30 commencement of the acquisition, construction, installation, or  
31 equipping of the cargo facility, unless the property was physically  
32 located outside the state for a period of at least one year prior to  
33 the date on which the cargo facility was placed in service.

34 (4) Capital costs shall not include project costs that were  
35 expended prior to January 1, 2014.

36 (d) "Cargo facility" means a capital project at a port or airport  
37 in California designed to increase cargo-moving capacity at that  
38 port or airport and that is expended in a taxable year and has a  
39 useful life of five years or more.

1 (e) “Export cargo tonnage” means the weight of cargo exported  
2 through California ports by an exporter to destinations outside the  
3 United States.

4 (f) “Export cargo value” means the value of cargo exported  
5 through California airports by an exporter to destinations outside  
6 of the United States as certified by the applicant for a tax credit  
7 certificate.

8 (g) “Exporter” means a California taxpayer that is the shipper  
9 of record of agricultural products or manufactured goods on an  
10 ocean bill of lading or on an air waybill.

11 (h) “Import cargo tonnage” means the weight of cargo imported  
12 by an importer through California ports by that importer from  
13 outside the United States.

14 (i) “Import cargo value” means the value of cargo imported  
15 through California airports by an importer from outside the United  
16 States as certified by the applicant for a tax credit certificate.

17 (j) “Importer” means a California taxpayer that is the consignee  
18 of record of agricultural products or manufactured goods on an  
19 ocean bill of lading or on an air waybill.

20 (k) (1) “Qualified full-time employee” means either of the  
21 following:

22 (A) A qualified employee who was paid qualified wages by the  
23 qualified employer for services of not less than an average of 35  
24 hours per week.

25 (B) A qualified employee who was a salaried employee and  
26 was paid compensation during the taxable year for full-time  
27 employment, within the meaning of Section 515 of the Labor Code,  
28 by the qualified employer.

29 (2) A “qualified employee” shall not include any of the  
30 following:

31 (A) An employee certified as a qualified employee in an  
32 enterprise zone designated in accordance with Chapter 12.8  
33 (commencing with Section 7070) of Division 7 of Title 1.

34 (B) An employee certified as a qualified disadvantaged  
35 individual in a manufacturing enhancement area designated in  
36 accordance with Section 7073.8.

37 (C) An employee certified as a qualified employee in a targeted  
38 tax area designated in accordance with Section 7097.

39 (D) An employee certified as a qualified disadvantaged  
40 individual or a qualified displaced employee in a local agency

1 military base recovery area (LAMBRA) designated in accordance  
2 with Chapter 12.97 (commencing with Section 7105) of Division  
3 7 of Title 1.

4 (E) An employee whose wages are included in calculating any  
5 other credit allowed under Part 10 (commencing with Section  
6 17001) or Part 11 (commencing with Section 23001) of Division  
7 2 of the Revenue and Taxation Code.

8 (I) “Qualified wages” means wages subject to Division 6  
9 (commencing with Section 13000) of the Unemployment Insurance  
10 Code.

11 (m) “Tax credit certificate” means a certificate awarded by the  
12 authority to an exporter or importer evidencing the right of the  
13 exporter or importer to claim the tax credits provided for in this  
14 division in the amount specified in the certificate.

15 64142. (a) Subject to the limitations in subdivision (f), for  
16 taxable years beginning on or after January 1, 2014, and before  
17 January 1, 2019, the authority may award a tax credit certificate  
18 to a person that is an exporter or importer pursuant to subdivisions  
19 (b), (c), and (d) in an aggregate amount that is not greater than two  
20 hundred fifty thousand dollars (\$250,000) for a taxable year.

21 (b) A tax credit certificate, in an amount specified in subdivision  
22 (a) of Section 17053.60 of the Revenue and Taxation Code or  
23 subdivision (a) of Section 23660 of the Revenue and Taxation  
24 Code, may be awarded by the authority to any of the following:

25 (1) Exporters that demonstrate to the satisfaction of the authority  
26 that they have increased their export cargo tonnage through  
27 California ports in a taxable year beginning on or after January 1,  
28 2014, and before January 1, 2019, by at least 5 percent over their  
29 export cargo tonnage through California ports for the preceding  
30 taxable year.

31 (2) Importers that demonstrate to the satisfaction of the authority  
32 that they have increased their import cargo tonnage through  
33 California ports in a taxable year beginning on or after January 1,  
34 2014, and before January 1, 2019, by at least 5 percent over their  
35 import cargo tonnage through California ports for the preceding  
36 taxable year.

37 (3) Exporters that demonstrate to the satisfaction of the authority  
38 that they have increased their export cargo value through California  
39 airports in a taxable year beginning on or after January 1, 2014,  
40 and before January 1, 2019, by at least 5 percent over their export

1 cargo value through California airports for the preceding taxable  
2 year.

3 (4) Importers that demonstrate to the satisfaction of the authority  
4 that they have increased their import cargo value through California  
5 airports in taxable year beginning on or after January 1, 2014, and  
6 before January 1, 2019, by at least 5 percent over their import  
7 cargo value through California airports for the preceding taxable  
8 year.

9 (5) Exporters or importers that demonstrate to the satisfaction  
10 of the authority that they have exported or imported export or  
11 import cargo tonnage through California ports in excess of 400,000  
12 tons in a taxable year beginning on or after January 1, 2014, and  
13 before January 1, 2019, and that they did not export or import  
14 cargo through California ports in the preceding taxable year.

15 (6) Exporters and importers that demonstrate to the satisfaction  
16 of the authority that they have exported or imported cargo through  
17 California airports with export or import cargo value in excess of  
18 two hundred fifty thousand dollars (\$250,000) in a taxable year  
19 beginning on or after January 1, 2014, and before January 1, 2019,  
20 and that they did not export or import cargo through California  
21 airports in the preceding taxable year.

22 (c) (1) A tax credit certificate, in an amount specified in  
23 subdivision (a) of Section 17053.65 of the Revenue and Taxation  
24 Code or subdivision (a) of Section 23665 of the Revenue and  
25 Taxation Code, may be awarded by the authority to an exporter  
26 or importer that demonstrates to the satisfaction of the authority  
27 that the exporter or importer had a net increase in qualified  
28 full-time employees hired in California during the taxable year.

29 (2) The net increase in qualified full-time employees of a  
30 qualified employer shall be determined as provided by this  
31 paragraph:

32 (A) The net increase in qualified full-time employees shall be  
33 determined on an annual full-time equivalent basis by subtracting  
34 from the amount determined in clause (ii) the amount determined  
35 in clause (i).

36 (i) The total number of qualified full-time employees employed  
37 in the preceding taxable year by the taxpayer and by any trade or  
38 business acquired by the taxpayer during the current taxable year.

1 (ii) The total number of full-time employees employed in the  
2 current taxable year by the taxpayer and by any trade or business  
3 acquired during the current taxable year.

4 (B) For taxpayers that first commence doing business in this  
5 state during the taxable year, the number of full-time employees  
6 for the immediately preceding prior taxable year shall be zero.

7 (d) A tax credit certificate, in an amount specified in subdivision  
8 (a) of Section 17053.66 of the Revenue and Taxation Code or  
9 subdivision (a) of Section 23666 of the Revenue and Taxation  
10 Code, may be awarded by the authority to an exporter or importer  
11 that demonstrates to the satisfaction of the authority that the  
12 exporter or importer has paid capital costs on a cargo facility in  
13 California during the taxable year.

14 (e) The authority shall, consistent with the requirements and  
15 criteria of this division and Sections 17053.60, 17053.65, 17053.66,  
16 23660, 23665, and 23666 of the Revenue and Taxation Code, do  
17 all of the following:

18 (1) Establish a procedure for applicants to apply for the tax  
19 credit certificates, and a process to award those tax credit  
20 certificates on a first-come-first-served basis.

21 (2) Determine the information necessary to be provided by an  
22 applicant to the authority in order to award the tax credit  
23 certificates.

24 (3) Develop and provide application forms for use by applicants  
25 for tax credit certificates. The application form shall provide for  
26 inclusion of the applicant's taxpayer identification number.

27 (f) The total amount of tax credit certificates authorized to be  
28 awarded pursuant to subdivisions (b), (c), and (d) in each of the  
29 five calendar years beginning with January 1, 2014, is one hundred  
30 million dollars (\$100,000,000), for a total of five hundred million  
31 dollars (\$500,000,000), and any portion of that authorization not  
32 awarded in any calendar year may be awarded in a future calendar  
33 year ending before January 1, 2019.

34 (g) (1) The authority shall establish and charge applicants fees  
35 that it determines are reasonably sufficient to cover all of its costs  
36 in carrying out its responsibilities under this division. The fees  
37 shall be deposited in the Job and Trade Competitiveness Fee  
38 Account, which is hereby established in the State Treasury. Moneys  
39 in the account shall be available, upon appropriation by the

1 Legislature, to the authority for the purpose of implementing this  
2 division.

3 (2) Until the time that sufficient revenue is received by the  
4 authority, the authority may borrow any money as may be required  
5 for the purpose of meeting necessary expenses under this division,  
6 not to exceed the amount appropriated. A loan made to the  
7 authority shall be repayable solely from moneys appropriated to  
8 the authority from the Job and Trade Competitiveness Fee Account  
9 and shall not constitute a general obligation of the state for which  
10 the full faith and credit of the state are pledged.

11 (h) The authority shall determine the amount of each tax credit  
12 pursuant to this division and Sections 17053.60, 17053.65,  
13 17053.66, 23660, 23665, and 23666 of the Revenue and Taxation  
14 Code, and the Franchise Tax Board shall not be responsible for  
15 determining the amount of that tax credit. The authority shall  
16 provide the Franchise Tax Board with an electronic copy of each  
17 tax credit certification awarded by it within 30 days after issuing  
18 the certificate. The tax credit certificate shall include the date of  
19 issuance, the amount of the tax credit, the name, the type of credit  
20 awarded, and taxpayer identification number of the exporter or  
21 importer to which the certificate was awarded.

22 (i) The authority shall establish audit procedures of taxpayers  
23 who have been awarded a tax credit certificate to verify that the  
24 tax credit certificate was awarded consistent with the requirements  
25 of this division and Sections 17053.60, 17053.65, 17053.66, 23660,  
26 23665, and 23666 of the Revenue and Taxation Code. The authority  
27 shall conduct audits at random as the authority deems appropriate.

28 (j) In the event that the authority determines that any amount  
29 of a tax credit certificate was not awarded consistent with the  
30 requirements of this division or Sections 17053.60, 17053.65,  
31 17053.66, 23660, 23665, and 23666 of the Revenue and Taxation  
32 Code, the authority shall cancel any unapplied amount erroneously  
33 awarded and any previously allowed credit erroneously awarded  
34 shall be recaptured. The authority shall notify the Franchise Tax  
35 Board of any amounts of a tax credit certificate that were  
36 erroneously awarded and were canceled.

37 (k) The authority may prescribe rules, guidelines, or procedures  
38 necessary or appropriate to carry out the purposes of this division.  
39 Chapter 3.5 (commencing with Section 11340) of Part 1 of Division



1 3 of Title 2 does not apply to any rule, guideline, or procedure  
2 prescribed by the authority pursuant to this subdivision.

3 (l) A tax credit certificate awarded pursuant to this section shall  
4 not be transferable.

5 (m) The authority shall notify the taxpayer within 45 days of  
6 either a denial of the tax credit certificate application or an award  
7 of a tax credit certificate.

8 (n) This division shall remain in effect only until January 1,  
9 2021, and as of that date is repealed.

10 SEC. 2. Section 17053.60 is added to the Revenue and Taxation  
11 Code, to read:

12 17053.60. (a) (1) For each taxable year beginning on or after  
13 January 1, 2014, and before January 1, 2019, and subject to  
14 subdivision (c), there shall be allowed as a credit against the “net  
15 tax,” as defined in Section 17039, the amount specified in  
16 paragraph (2), to an exporter or importer that has been awarded a  
17 tax credit certificate pursuant to the Job and Trade Competitiveness  
18 Act (Division 4 (commencing with Section 64140) of Title 6.7 of  
19 the Government Code).

20 (2) (A) If an exporter or importer exported or imported during  
21 the preceding taxable year, the credit amount will be determined  
22 as follows:

23 (i) The amount of credit allowed for an exporter or importer  
24 that increases exports or imports through ports in California shall  
25 be three dollars and twelve and one-half cents (\$3.125) per ton of  
26 increased exports and imports for the taxable year through ports  
27 in California by the exporter or importer.

28 (ii) The amount of credit allowed for an exporter or importer  
29 that increases exports or imports through airports in California  
30 shall be one thousand dollars (\$1,000) for each ten thousand dollars  
31 (\$10,000) of increased exports and imports for the taxable year  
32 through airports in California by the exporter or importer.

33 (B) If an exporter or importer did not export or import during  
34 the preceding taxable year, the credit amount shall be determined  
35 as follows:

36 (i) The amount of credit allowed for an exporter or importer  
37 that exports or imports 400,000 or more tons through ports in  
38 California in a taxable year shall be three dollars and twelve and  
39 one-half cents (\$3.125) per ton of exports and imports for the  
40 taxable year through ports in California by the exporter or importer.

1 (ii) The amount of credit allowed for an exporter or importer  
2 that exports or imports two hundred fifty thousand dollars  
3 (\$250,000) or more through airports in California shall be one  
4 thousand dollars (\$1,000) for each ten thousand dollars (\$10,000)  
5 of exports and imports for the taxable year through airports in  
6 California by the exporter or importer.

7 (b) For purposes of this section:

8 (1) "Authority" means the California Transportation Financing  
9 Authority established in Section 64101 of the Government Code.

10 (2) "Exporter" has the same meaning as provided in subdivision  
11 (g) of Section 64141 of the Government Code.

12 (3) "Importer" has the same meaning as provided in subdivision  
13 (j) of Section 64141 of the Government Code.

14 (4) "Increased exports or imports" means the difference between  
15 the amount of exports and imports, whether measured by tons or  
16 dollars, in the current taxable year and the preceding taxable year  
17 if the current taxable year has a greater amount of exports or  
18 imports.

19 (5) "Tax credit certificate" has the same meaning as provided  
20 in subdivision (m) of Section 64141 of the Government Code.

21 (c) The aggregate amount of credit allowed to a taxpayer under  
22 this section and Sections 17053.65 and 17053.66 shall be no more  
23 than two hundred fifty thousand dollars (\$250,000) for a taxable  
24 year and shall be limited to the amount specified in the tax credit  
25 certificate issued to the taxpayer pursuant to the Job and Trade  
26 Competitiveness Act (Division 4 (commencing with Section 64140)  
27 of Title 6.7 of the Government Code).

28 (d) In the event that the authority notifies the Franchise Tax  
29 Board of any amounts of a tax credit certificate that were  
30 erroneously awarded and were canceled pursuant to subdivision  
31 (j) of Section 64142 of the Government Code, those amounts shall  
32 not be allowed as a credit, and any previously allowed credit shall  
33 be recaptured. The taxpayer shall be liable for any increase in tax  
34 attributable to the recapture of any credit previously allowed under  
35 this section.

36 (e) In the case where the credit allowed by this section exceeds  
37 the "net tax," the excess may be carried over to reduce the "net  
38 tax" in the following year, and succeeding nine years, if necessary,  
39 until the credit is exhausted.

1 (f) This section shall remain in effect only until December 1,  
2 2019, and as of that date is repealed.

3 SEC. 3. Section 17053.65 is added to the Revenue and Taxation  
4 Code, to read:

5 17053.65. (a) For each taxable year beginning on or after  
6 January 1, 2014, and before January 1, 2019, and subject to  
7 subdivision (c), there shall be allowed as a credit against the “net  
8 tax,” as defined in Section 17039, to an exporter or importer that  
9 has been awarded a tax credit certificate pursuant to the Job and  
10 Trade Competitiveness Act (Division 4 (commencing with Section  
11 64140) of Title 6.7 of the Government Code), in an amount equal  
12 to three thousand dollars (\$3,000) for each net increase in qualified  
13 full-time employees hired in California during the taxable year by  
14 an exporter or importer, in a taxable year.

15 (b) For purposes of this section:

16 (1) “Authority” means the California Transportation Financing  
17 Authority established in Section 64101 of the Government Code.

18 (2) “Exporter” has the same meaning as provided in subdivision  
19 (g) of Section 64141 of the Government Code.

20 (3) “Importer” has the same meaning as provided in subdivision  
21 (j) of Section 64141 of the Government Code.

22 (4) “Qualified full-time employee” has the same meaning as  
23 provided in subdivision (k) of Section 64141 of the Government  
24 Code.

25 (5) “Tax credit certificate” has the same meaning as provided  
26 in subdivision (m) of Section 64141 of the Government Code.

27 (c) The aggregate amount of the credit allowed to a taxpayer  
28 under this section and Sections 17053.60 and 17053.66 shall be  
29 no more than two hundred fifty thousand dollars (\$250,000) for a  
30 taxable year and shall be limited to the amount specified in the tax  
31 credit certificate issued to the taxpayer pursuant to the Job and  
32 Trade Competitiveness Act (Division 4 (commencing with Section  
33 64140) of Title 6.7 of the Government Code).

34 (d) In the event that the authority notifies the Franchise Tax  
35 Board of any amounts of a tax credit certificate that were  
36 erroneously awarded and were canceled pursuant to subdivision  
37 (j) of Section 64142 of the Government Code, those amounts shall  
38 not be allowed as a credit, and any previously allowed credit shall  
39 be recaptured. The taxpayer shall be liable for any increase in tax

1 attributable to the recapture of any credit previously allowed under  
2 this section.

3 (e) In the case where the credit allowed by this section exceeds  
4 the “net tax,” the excess may be carried over to reduce the “net  
5 tax” in the following year, and succeeding nine years, if necessary,  
6 until the credit is exhausted.

7 (f) This section shall remain in effect only until December 1,  
8 2019, and as of that date is repealed.

9 SEC. 4. Section 17053.66 is added to the Revenue and Taxation  
10 Code, to read:

11 17053.66. (a) For each taxable year beginning on or after  
12 January 1, 2014, and before January 1, 2019, and subject to  
13 subdivision (c), there shall be allowed as a credit against the “net  
14 tax,” as defined in Section 17039, to an exporter or importer that  
15 has been awarded a tax credit certificate pursuant to the Job and  
16 Trade Competitiveness Act (Division 4 (commencing with Section  
17 64140) of Title 6.7 of the Government Code), in an amount of up  
18 to, but not to exceed, 2 percent of the total capital costs for a cargo  
19 facility constructed in California by an exporter or importer during  
20 a taxable year.

21 (b) For purposes of this section:

22 (1) “Authority” means the California Transportation Financing  
23 Authority established in Section 64101 of the Government Code.

24 (2) “Capital costs” has the same meaning as provided in  
25 subdivision (c) of Section 64141 of the Government Code.

26 (3) “Cargo facility” has the same meaning as provided in  
27 subdivision (d) of Section 64141 of the Government Code.

28 (4) “Exporter” has the same meaning as provided in subdivision  
29 (g) of Section 64141 of the Government Code.

30 (5) “Importer” has the same meaning as provided in subdivision  
31 (j) of Section 64141 of the Government Code.

32 (6) “Tax credit certificate” has the same meaning as provided  
33 in subdivision (m) of Section 64141 of the Government Code.

34 (c) The aggregate amount of the credit allowed to a taxpayer  
35 under this section and Sections 17053.60 and 17053.65 shall be  
36 no more than two hundred fifty thousand dollars (\$250,000) for a  
37 taxable year and shall be limited to the amount specified in the tax  
38 credit certificate issued to the taxpayer pursuant to the Job and  
39 Trade Competitiveness Act (Division 4 (commencing with Section  
40 64140) of Title 6.7 of the Government Code).

1 (d) In the event that the authority notifies the Franchise Tax  
2 Board of any amounts of a tax credit certificate that were  
3 erroneously awarded and were canceled pursuant to subdivision  
4 (j) of Section 64142 of the Government Code, those amounts shall  
5 not be allowed as a credit, and any previously allowed credit shall  
6 be recaptured. The taxpayer shall be liable for any increase in tax  
7 attributable to the recapture of any credit previously allowed under  
8 this section.

9 (e) In the case where the credit allowed by this section exceeds  
10 the “net tax,” the excess may be carried over to reduce the “net  
11 tax” in the following year, and succeeding nine years, if necessary,  
12 until the credit is exhausted.

13 (f) This section shall remain in effect only until December 1,  
14 2019, and as of that date is repealed.

15 SEC. 5. Section 23660 is added to the Revenue and Taxation  
16 Code, to read:

17 23660. (a) (1) For each taxable year beginning on or after  
18 January 1, 2014, and before January 1, 2019, and subject to  
19 subdivision (c), there shall be allowed as a credit against the “tax,”  
20 as defined in Section 23036, an amount specified in paragraph (2),  
21 to an exporter or importer that has been awarded a tax credit  
22 certificate pursuant to the Job and Trade Competitiveness Act  
23 (Division 4 (commencing with Section 64140) of Title 6.7 of the  
24 Government Code).

25 (2) (A) If an exporter or importer exported or imported during  
26 the preceding taxable year, the credit amount will be determined  
27 as follows:

28 (i) The amount of credit allowed for an exporter or importer  
29 that increases exports or imports through ports in California shall  
30 be three dollars and twelve and one-half cents (\$3.125) per ton of  
31 increased exports and imports for the taxable year through ports  
32 in California by the exporter or importer.

33 (ii) The amount of credit allowed for an exporter or importer  
34 that increases exports or imports through airports in California  
35 shall be one thousand dollars (\$1,000) for each ten thousand dollars  
36 (\$10,000) of increased exports and imports for the taxable year  
37 through airports in California by the exporter or importer.

38 (B) If an exporter or importer did not export or import during  
39 the preceding taxable year, the credit amount shall be determined  
40 as follows:

1 (i) The amount of credit allowed for an exporter or importer  
2 that exports or imports 400,000 or more tons through ports in  
3 California in a taxable year shall be three dollars and twelve and  
4 one-half cents (\$3.125) per ton of exports and imports for the  
5 taxable year through ports in California by the exporter or importer.

6 (ii) The amount of credit allowed for an exporter or importer  
7 that exports or imports two hundred fifty thousand dollars  
8 (\$250,000) or more through airports in California shall be one  
9 thousand dollars (\$1,000) for each ten thousand dollars (\$10,000)  
10 of exports and imports for the taxable year through airports in  
11 California by the exporter or importer.

12 (b) For purposes of this section:

13 (1) "Authority" means the California Transportation Financing  
14 Authority established in Section 64101 of the Government Code.

15 (2) "Exporter" has the same meaning as provided in subdivision  
16 (g) of Section 64141 of the Government Code.

17 (3) "Importer" has the same meaning as provided in subdivision  
18 (j) of Section 64141 of the Government Code.

19 (4) "Increased exports or imports" means the difference between  
20 the amount of exports and imports, whether measured by tons or  
21 dollars, in the current taxable year and the preceding taxable year  
22 if the current taxable year has a greater amount of exports or  
23 imports.

24 (5) "Tax credit certificate" has the same meaning as provided  
25 in subdivision (m) of Section 64141 of the Government Code.

26 (c) The aggregate amount of credit allowed to a taxpayer under  
27 this section and Sections 23665 and 23666 shall be no more than  
28 two hundred fifty thousand dollars (\$250,000) for a taxable year  
29 and shall be limited to the amount specified in the tax credit  
30 certificate issued to the taxpayer pursuant to the Job and Trade  
31 Competitiveness Act (Division 4 (commencing with Section 64140)  
32 of Title 6.7 of the Government Code).

33 (d) In the event that the authority notifies the Franchise Tax  
34 Board of any amounts of a tax credit certificate that were  
35 erroneously awarded and were canceled pursuant to subdivision  
36 (j) of Section 64142 of the Government Code, those amounts shall  
37 not be allowed as a credit, and any previously allowed credit shall  
38 be recaptured. The taxpayer shall be liable for any increase in tax  
39 attributable to the recapture of any credit previously allowed under  
40 this section.

1 (e) In the case where the credit allowed by this section exceeds  
2 the “tax,” the excess may be carried over to reduce the “tax” in  
3 the following year, and succeeding nine years, if necessary, until  
4 the credit is exhausted.

5 (f) This section shall remain in effect only until December 1,  
6 2019, and as of that date is repealed.

7 SEC. 6. Section 23665 is added to the Revenue and Taxation  
8 Code, to read:

9 23665. (a) For each taxable year beginning on or after January  
10 1, 2014, and before January 1, 2019, and subject to subdivision  
11 (c), there shall be allowed as a credit against the “tax,” as defined  
12 in Section 23036, to an exporter or importer that has been awarded  
13 a tax credit certificate pursuant to the Job and Trade  
14 Competitiveness Act (Division 4 (commencing with Section 64140)  
15 of Title 6.7 of the Government Code), in an amount equal to three  
16 thousand dollars (\$3,000) for each net increase in qualified  
17 full-time employees hired in California during the taxable year by  
18 an exporter or importer, in a taxable year.

19 (b) For purposes of this section:

20 (1) “Authority” means the California Transportation Financing  
21 Authority established in Section 64101 of the Government Code.

22 (2) “Exporter” has the same meaning as provided in subdivision  
23 (g) of Section 64141 of the Government Code.

24 (3) “Importer” has the same meaning as provided in subdivision  
25 (j) of Section 64141 of the Government Code.

26 (4) “Qualified full-time employee” has the same meaning as  
27 provided in subdivision (k) of Section 64141 of the Government  
28 Code.

29 (5) “Tax credit certificate” has the same meaning as provided  
30 in subdivision (m) of Section 64141 of the Government Code.

31 (c) The aggregate amount of the credit allowed to a taxpayer  
32 under this section and Sections 23660 and 23666 shall be no more  
33 than two hundred fifty thousand dollars (\$250,000) for a taxable  
34 year and shall be limited to the amount specified in the tax credit  
35 certificate issued to the taxpayer pursuant to the Job and Trade  
36 Competitiveness Act (Division 4 (commencing with Section 64140)  
37 of Title 6.7 of the Government Code).

38 (d) In the event that the authority notifies the Franchise Tax  
39 Board of any amounts of a tax credit certificate that were  
40 erroneously awarded and were canceled pursuant to subdivision

1 (j) of Section 64142 of the Government Code, those amounts shall  
2 not be allowed as a credit, and any previously allowed credit shall  
3 be recaptured. The taxpayer shall be liable for any increase in tax  
4 attributable to the recapture of any credit previously allowed under  
5 this section.

6 (e) In the case where the credit allowed by this section exceeds  
7 the “tax,” the excess may be carried over to reduce the “tax” in  
8 the following year, and succeeding nine years, if necessary, until  
9 the credit is exhausted.

10 (f) This section shall remain in effect only until December 1,  
11 2019, and as of that date is repealed.

12 SEC. 7. Section 23666 is added to the Revenue and Taxation  
13 Code, to read:

14 23666. (a) For each taxable year beginning on or after January  
15 1, 2014, and before January 1, 2019, and subject to subdivision  
16 (c), there shall be allowed as a credit against the “tax,” as defined  
17 in Section 23036, to an exporter or importer that has been awarded  
18 a tax credit certificate pursuant to the Job and Trade  
19 Competitiveness Act (Division 4 (commencing with Section 64140)  
20 of Title 6.7 of the Government Code), in an amount of up to, but  
21 not to exceed, 2 percent of the total capital costs for a cargo facility  
22 constructed in California by an exporter or importer during a  
23 taxable year.

24 (b) For purposes of this section:

25 (1) “Authority” means the California Transportation Financing  
26 Authority established in Section 64101 of the Government Code.

27 (2) “Capital costs” has the same meaning as provided in  
28 subdivision (c) of Section 64141 of the Government Code.

29 (3) “Cargo facility” has the same meaning as provided in  
30 subdivision (d) of the Government Code.

31 (4) “Exporter” has the same meaning as provided in subdivision  
32 (g) of Section 64141 of the Government Code.

33 (5) “Importer” has the same meaning as provided in subdivision  
34 (j) of Section 64141 of the Government Code.

35 (6) “Tax credit certificate” has the same meaning as provided  
36 in subdivision (m) of Section 64141 of the Government Code.

37 (c) The aggregate amount of the credit allowed to a taxpayer  
38 under this section and Sections 23660 and 23665 shall be no more  
39 than two hundred fifty thousand dollars (\$250,000) for a taxable  
40 year and shall be limited to the amount specified in the tax credit



1 certificate issued to the taxpayer pursuant to the Job and Trade  
2 Competitiveness Act (Division 4 (commencing with Section 64140)  
3 of Title 6.7 of the Government Code).

4 (d) In the event that the authority notifies the Franchise Tax  
5 Board of any amounts of a tax credit certificate that were  
6 erroneously awarded and were canceled pursuant to subdivision  
7 (j) of Section 64142 of the Government Code, those amounts shall  
8 not be allowed as a credit, and any previously allowed credit shall  
9 be recaptured. The taxpayer shall be liable for any increase in tax  
10 attributable to the recapture of any credit previously allowed under  
11 this section.

12 (e) In the case where the credit allowed by this section exceeds  
13 the "tax," the excess may be carried over to reduce the "tax" in  
14 the following year, and succeeding nine years, if necessary, until  
15 the credit is exhausted.

16 (f) This section shall remain in effect only until December 1,  
17 2019, and as of that date is repealed.

18 SEC. 8. This act provides for a tax levy within the meaning of  
19 Article IV of the Constitution and shall go into immediate effect.