



**R-12**

**Date:** May 19, 2009

**To:** HONORABLE MAYOR AND MEMBERS OF THE CITY COUNCIL

**From:** Dee Andrews, Councilmember Sixth District *g*

**Subject:** **AGENDA ITEM:** Request "Tax Credit Card" highlights tax savings opportunities for employers hiring Veterans, youth, disabled, unemployed due to layoff or business closure, and economically disadvantaged.

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**DISCUSSION**

Currently, the City of Long Beach Pacific Gateway Workforce Investment Network issues employment service cards to job seekers. The cards are issued to residents on either their first or second visit to one of the Pacific Gateway Workforce Investment Network Centers, and become their "passport" for accessing services thereafter. The services include, counseling from an employment specialists, access to computers, fax machines, and copiers to assist in obtaining employment.

Being that the Long Beach Pacific Gateway Workforce Investment Network "passport" card is an invaluable asset to job seekers; if we combine with the "Tax Credit Card" and its services, that highlights tax savings opportunities for employers hiring veterans, youth, disabled, unemployed due to layoff or business closure, and economically disadvantaged, we not only attract and retain more business's, we will create more jobs. It's this kind of creativity that will assist in meeting the needs of our community.

**RECOMMENDATION**

Recommendation to respectfully request that the City Council request City Manager to examine methods of implementing a "Tax Credit Card" that highlights tax savings opportunities for employers hiring veterans, youth, disabled, unemployed due to layoff or business closure, and economically disadvantaged in the City of Long Beach and to place the card on the back side of the current Pacific Gateway Employment card.

## **BACKGROUND INFORMATION**

California is in the midst of a statewide “Hire A Hero – Hire A Vet” program to encourage businesses to hire our returning veterans. This is an excellent opportunity for business owners to express their gratitude to those dedicated individuals, and tap into a well-trained and motivated workforce.

National Tax Credit Group, LLC (NTCG) has recently announced the introduction of their updated “Tax Credit Card.” This card was developed by USC Graduate Professor Dr. Charles Swenson, CPA, PhD, MBT and Blake Christian, CPA, MBT as a tool to mainstream veterans back into the workforce while simultaneously allowing businesses to maximize their Federal & California hiring tax credits.

The State Enterprise Zone Program has been in effect since the 1980’s. Due to the perceived complexity of the program, it was only recently that the business community embraced the idea.

The “Tax Credit Card” will be issued to “qualified” veterans and other job seekers that meet certain eligibility criteria as specified by the State of California and/or the Federal Government and are thereby eligible to generate tax credits for their respective businesses. The cards will be issued by NTCG and can also be “branded” by sponsoring entities, such as Goodwill Industries of Long Beach and South Bay, Temporary Employment Agencies, Employment Development Departments, City Workforce Development Departments, Trade Schools, Universities or any other groups with pools of recruits.

The federal tax credits available under these programs range from \$1,500 to \$8,500 per qualified employee. The California tax credits can exceed \$11,000 in the first year of employment and can exceed \$35,000 over a five-year employment period.

The “Tax Credit Card” is directed toward improving the odds of under-employed workers getting hired—particularly by businesses located in California Enterprise Zones. California currently has over 42 designated Enterprise Zones throughout the state, often in highly populated industrial areas such as, portions of Long Beach, Los Angeles, Santa Ana, San Diego, San Francisco, San Jose, Fresno, Redding.

The federal wage credit program is available to employers located in any part of the country, provided the employees meet one of the required qualification tests.

A qualified employee must meet one of the following federal (FD) or California (CA) criteria:

- Veterans discharged in the last 48 months before being hired (CA)

- Veterans receiving Food Stamps, or disabled veterans participating in vocational or physical rehabilitation programs through the Veterans Administration (V.A.) (FD/ CA)
- Resident of a low-income census tract designated as a "Targeted Employment Area" (CA)
- Native American (CA)
- Unemployed due to layoff or business closure (CA)
- Unemployed for 15 weeks and actively seeking employment (CA)
- Claiming unemployment and other government benefits (TANF, Social Security, Food Stamps, etc.) (FD/CA)
- Economically Disadvantaged (CA)
- Enrolled in a federal or state job assistance/training program (JTPA/WIA, GAIN, Cal Works, etc.) (CA)
- Ex-Offender (FD/CA)
- Disabled Individual (CA)
- Summer Youth Employee (FD)

Another advantage of this card is that it will allow lower income job seekers obtaining employment in a California Enterprise Zone to personally claim a credit of up to \$525 per year to reduce their individual state income tax.



**Tax Credit Card**®  
*"Qualified" Wage Credit Candidate*

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**Steven A. Sample**

Screening Effective Date: 1/1/2008

*Please note that qualification status may be impacted by changes in employee circumstances.*

**ID#: MV112233** V 2.0

This candidate may entitle your business to one or more of the following **tax credits**:

- CA Enterprise Zone wage credits - up to \$35,000 of tax credits. (Depending on Business Address)**
- Federal WOTC/WIW/etc. - \$1,500\* to \$8,500\***

**For additional information on how these credits can potentially save you thousands in taxes, please contact us:**

**(800) 791-3589      [www.ntcgtax.com](http://www.ntcgtax.com)**

*\*Documentation must be filed within 28 days from the date of hire with your company.*

**NTCG** | National Tax Credit Group, LLC      (800) 791-3589 or visit [www.ntcgtax.com](http://www.ntcgtax.com)

*Credited Source by National Tax Credit Group, LLC*



Know Your Skills  
Develop and Improve Your Skills  
Get the Best Job Possible with Your Skills

**Pacific Gateway Workforce  
Investment Network**

3447 Atlantic Ave.  
Long Beach, CA 90807  
562.570.WORK / TTY 562.570.4629  
[pacificgatewayworkforce.com](http://pacificgatewayworkforce.com)

Career Transition Center • Center for Working Families • Torrance Career Center  
Harbor WorkSource Center • Youth Opportunity Center

**SUGGESTED ACTION:**

Approve recommendation.



May 8, 2009

Councilmember Dee Andrews  
City of Long Beach / City Hall  
333 West Ocean Boulevard, 14<sup>th</sup> floor  
Long Beach, California 90802

***Re: Tax Credit Card Program***

Dear City Councilmembers and Mayor:

Unfortunately, due to a conflicting obligation in Sacramento I am unable to be present this evening.

I am confident that you will find the attached information regarding the "Tax Credit Card" a useful idea to improve local hiring of youth, veterans and other economically disadvantaged employee candidates.

The idea is to issue these cards to employee candidates handled through Pacific Gateway Workforce Investment Network or other city or county agencies, to highlight these tax incentive programs and improve the attractiveness of the employees to prospective employers.

With the cooperation of City Council and city staff, along with Long Beach Chamber and the regional "Hire-a-Youth" efforts, already underway through the Pacific Gateway Workforce Investment Network, highlighting these valuable (yet underutilized) tax incentives to our local employers will help reduce unemployment and crime and have a stimulating effect to our region.

The Long Beach Enterprise Zone Program, the new California Small Business Hiring Tax Credit, as well as the various federal hiring credit programs can be used to encourage local businesses to hire these individuals – thereby reducing unemployment rates while reducing employers' after-tax labor costs. These credits range from \$2,400 to \$13,000 per qualified employee – so the impact is significant and tax refunds can be obtained for up to 4 years.

The Enterprise Zone Program also offers valuable equipment tax credits up to 9.25% for investment in technology, pollution control and energy conservation equipment.

I would like to specifically thank Councilmember Andrews and John Edmond for their backing of the program over the past several months and for agreeing to move this initiative forward.

Thank you for your consideration in adopting the Tax Credit Card concept.

Sincerely,

LONG BEACH AREA CHAMBER OF COMMERCE

A handwritten signature in black ink, appearing to read "Blake Christian". The signature is written over the printed name below it.

Blake Christian, Chairman

BEC: jm

***Skyrocketing National and California Unemployment Focuses Employers and Legislators on Hiring Tax Credit Programs***

*By Blake Christian, CPA, MBT*

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One of the many negative repercussions from the Wall Street credit meltdown and stock market plunge is a dramatic increase in unemployment. The U.S. unemployment rate was 6.1 percent as of September 30, 2008, and jumped to 6.7 percent nationally in November after shedding another 533,000 jobs. Hardest hit sectors include manufacturing, construction, finance, service and retail. Healthcare jobs have fared better than other industries, but are starting to see some softening. Teens, African -Americans, and Hispanics have felt the personal impact of unemployment more directly than other groups, and Asians have experienced lower-than-average unemployment.

The California job market is even bleaker, with November unemployment rates reaching 8.4% in November after losing another 42,000 positions. Los Angeles' unemployment rate is now 8.9%. The California unemployment rate places the Golden State in the third worst position nationally behind Rhode Island and Michigan. Similar to the national job loss trends, California is seeing job decreases in construction, manufacturing, service, retail, as well as international trade and transportation—due to the effects of decreasing imports and exports.

With a myriad of economic challenges impacting both the national and state landscape, unemployment is clearly one of the most challenging issues that national, state and local legislators will need to deal with during calendar 2009. Fortunately there are a number of existing state, local and federal hiring credit programs, which offer employers significant advantages for hiring and training economically challenged employees, including those who have recently been laid off, or meet other criteria. Depending on the specific program – employers can obtain annual tax credits ranging from \$500 per employee to over \$15,000 per employee. These program benefits can encourage businesses to continue operating in the U.S. since the credits can effectively reduce their labor costs to less than 50% of the cash wages paid to these eligible employees.

Federal eligibility for these credit programs is often driven by the individual or family income levels of the newly hired employee. Those employee candidates with wages at or near the poverty level will often generate credits for the new employer. The forty plus State-level incentive programs are often more liberal in their definitions of eligible employees and scope of benefits as compared to federal programs. Common themes in both federal and state programs are typically targeted to the groups that are being hardest hit by the current economic downturn, residents in economically distressed regions, as well as military veterans rejoining the workforce.

The fact is that, on a national basis, at least 20% of businesses have one or more locations that are eligible for these valuable tax breaks, which range from \$500 to over \$15,000 per “qualified” employee, yet many businesses are unaware of the full scope and value of these program benefits. We typically see 90% of businesses eligible for these programs grossly understate these program benefits, simply because the programs are not actively marketed by the sponsoring agencies or the employers believe the programs are too burdensome to access. However these programs are fairly straightforward and require relatively simple forms to complete.

While unemployment can have a devastating impact on the families of the unemployed breadwinner, there are many existing federal and state tax programs, including Location-Based Incentive Credit (LBIC) programs, which can offer both employers and employees significant tax and economic benefits. There are currently over 8,500 distinct LBIC regions throughout the United States ranging from specific blocks, census tracts, counties and occasionally entire states which offer very valuable tax credits and other incentives to businesses that increase employment and make other financial investments in economically challenged regions. These tax incentive regions have often been around for decades but are grossly underutilized due to a general belief by many companies and tax practitioners that the programs do not apply to them or that the documentation requirements are too burdensome.

President-Elect Obama has also announced that he will be proposing a \$3,000 hiring tax credit for any business that hires additional U.S. employees. Business owners will need to wait and see if this proposal will advance through Congress and when such credit will be applicable to incremental hiring. In the meantime there are multiple programs that can be accessed in the current year, as well as retroactively for up to four prior years. These programs can work very well in lowering the labor costs associated with the billions of dollars of national and local infrastructure costs.

By promoting these existing programs via outreach to the business community, the new Administration, as well as state and local government officials can have invaluable economic development tools at their disposal to reduce unemployment while offering tax savings to businesses who hire these economically disadvantaged employee candidates.

LBIC programs are readily available throughout the country and include state Enterprise Zone (EZ) programs (available in approximately 80% of the states), as well as numerous federal programs. These tax incentive programs were originally developed in the U.K. to stimulate job growth in decaying "smokestack" regions throughout England. In the early 80's, after seeing the success in Europe, the U.S. government and a large number of states adopted their own tax incentive programs.

### **Wide Variety of LBICs**

LBICs include the following incentive hiring credits and other benefits associated with operating in any one of the distinct incentive "zones" throughout the country:

<b>Program Type</b>	<b>Maximum Hiring Credit</b>	<b>Number of Zones</b>	<b>Form Number</b>
State Enterprise Zones	\$500 to \$15,000	41	Varies by State
Empowerment Zone	\$3,000/yr. per employee	41	IRS Form 8844
Renewal Community	\$1,500/yr. per employee	39	IRS Form 8844
Indian Tribal Lands	\$4,000/yr. per employee	4476	IRS Form 8845
Gulf Opportunity (GO) Zone	\$2,400 per employee	132	IRS Form 8850
Free-Trade Zone	Deferred Customs Duty	612	N/A
Rural Renewal Counties	Eligibility for \$2,400 to \$4,800 WOTC	408	IRS Form 8850

To qualify for these programs, it is generally only required that the employer operate in the specified zone and that the employee live in certain designated areas (generally lower income census tracts). State LBIC programs can generate credits ranging from \$500 to \$15,000 per qualified employee.

### **Federal WOTC and WtW Credits**

In addition to the LBIC benefits, businesses located anywhere in the country are also eligible for two valuable federal wage credits such as the Work Opportunity Tax Credit (WOTC) and the Welfare-to-Work Tax Credit (WtW). WOTC can generate up to \$2,400 to \$4,800 for public assistance employees, residents in the 408 Rural Renewal Counties throughout the country. Any business that hires a resident from one of these counties can obtain a credit ranging from \$2,400 to \$4,800 for most resident residing in the designated county. The WtW Credit can generate up to \$8,500 per qualified employee for hiring former welfare recipients.

### **Magnitude of Tax Savings**

The amount of tax savings are often in the tens of thousands to hundreds of thousands annually — even for single location middle-market companies. Certain states, such as California and larger employers in federal zones, can often generate credits in the \$100,000 to \$1,000,000 plus range annually — providing them with valuable funds to increase hiring and expand operations.

By utilizing these existing tax programs, business and legislators can accelerate the process of getting their constituents back to work in a cost effective manner.

***Blake Christian, CPA/MBT is a Tax Partner in the Long Beach office of Holthouse Carlin & Van Trigt LLP, CPAs and is Co-Founder of National Tax Credit Group, LLC***

***For more information, contact Blake at [blakec@hcvl.com](mailto:blakec@hcvl.com) or (562) 216-1800 or see [www.blakechristian.com](http://www.blakechristian.com) or [www.hcvl.com](http://www.hcvl.com)***



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**Randy Gordon**

Long Beach Area Chamber of Commerce

## Chairman's Message

# Portion of Stimulus Package Finds Way to Long Beach for Job Training and Placement

**Blake Christian**  
Partner, Holthouse  
Carlin & Van Trigt LLP



With the California unemployment rate over 9.3%, and the national rate climbing above 7.6%, it is no surprise that home foreclosures have skyrocketed and sales have plummeted. Even profitable companies have announced layoffs.

Okay—enough of the bad news. On the positive side, the 2009 federal Stimulus Package is projected to allocate nearly \$80 billion to the state and a reasonable portion should find its way to the greater Long Beach region. This will hopefully give Long Beach businesses, residents and area workers a much-needed shot in the arm.

The large number of unemployed or under-employed in Long Beach, combined with very beneficial state and federal hiring tax programs in our region offers local employers ways to reduce their labor costs by up to 50% on many employees they hire. These credits come in the form of the California Enterprise Zone Credits of up to \$6 per hour (over \$12,000/ yr), the new California \$3,000 small business hiring credit, the recently expanded \$2,400 to \$4,800 federal Work Opportunity Tax Credit (WOTC) and the \$8,400 Welfare-to-Work credit. These credits have an immediate and lasting effect on employers, the employ-

In addition to the federal Stimulus funds getting allocated to city hall, peripheral project funding in the local ports are expected in the coming years.

One of the more immediate and impactful positives from the federal Stimulus Package is a projected \$5.4 million infusion into the Long Beach based Pacific Gateway Workforce Investment Network (WIN). These funds are directed primarily at job training and place-

*"This pool of ready, willing and able workers is perfect for these tough economic times when businesses are running lean and mean but often need additional short-term and long-term resources..."*

ment of local youth, as well as adult workers dislocated by the current economic downturn.

The WIN expects these funds to be allocated within the next month and are already preparing a variety of programs to ensure a very positive impact on our region.

The Chamber is partnering with WIN to promote the "Hire-a-Youth" program whereby local businesses assist with stimulating the local job market by hiring high school students for temporary or longer term assignments.

These students are carefully screened and categorized by skill set, familiarity with software applications and other criteria so they can

This pool of ready, willing and able workers is perfect for these tough economic times when businesses are running lean and mean but often need additional short-term and long-term resources to handle administrative, marketing and other operational tasks.

These WIN employees are generally available to work reasonably flexible hours after school, including weekends during the school year and can work full time during the summer and various holiday periods.

In addition to a large number of high school and college students available through the WIN programs, our region has provided the largest concentration of armed services personnel and reservists, meaning we will have the largest number of returning veterans.

These veterans deserve a break, and a good job is the perfect way to provide them an opportunity to thrive. Employers hiring these veterans will often be eligible for both federal and California hiring tax credits. The federal WOTC credit was liberalized as part of the Stimulus package and any veteran discharged in the last 48 months and who received at least 4 weeks of unemployment insurance, or who received food stamps and has a service-related physical or mental disability will generate a \$2,400 to \$4,800 federal WOTC credit.

By hiring locally and accessing these tax programs, Long Beach businesses can generate a material and sustained economic rebound for our region.

More information on these programs can be obtained at [www.longbeach.gov](http://www.longbeach.gov), and [www.edd.ca.gov/jobs](http://www.edd.ca.gov/jobs) and [trainina/Work](http://trainina/Work) On