



## UCSA Resolution- INTERNSHIP TAX CREDIT RESOLUTION FOR ACTION

WHEREAS, on September 8<sup>th</sup>, 2013, the UCSA Board passed a resolution in support of a tax credit for businesses, or better known as an “internship tax credit” to “pay their interns enrolled in higher education, or interns with outstanding student loan debt, at the state minimum wage”<sup>1</sup>;

WHEREAS, all of the points made in the September 2013 resolution in regards to student loan debt and unpaid internships are still relevant to the present situation of student debt and internships;

WHEREAS, Michael Amster of UCSC, the author and presenter of the September 2013 resolution, also authored a draft bill and white paper for an internship tax credit with the assistance of Michael Kramer of UCLA;

WHEREAS, the draft bill and white paper were consistent with the UCSA's September 2013 discussion on how the internship tax credit could benefit higher education students in California;

WHEREAS, Michael Amster and Michael Kramer spread the draft bill and white paper to various student organizations, unions, legislative offices, etc. across California;

WHEREAS, UC Santa Cruz has passed a resolution in support of an internship tax credit that was discussed by the UCSA in September 2013;

WHEREAS, Assemblymember Das Williams' office submitted the draft bill authored by Michael Amster and Michael Kramer to the Office of the Legislative Counsel in January 2014 as an unbacked bill, or a bill with “no author identified”<sup>2</sup>;

WHEREAS, several of the state legislators visited by Michael Amster and Michael Kramer were interested in the internship tax credit proposal, but would not back the proposal without strong open support from students organizations or were already committed to other bills;

WHEREAS, the 2014 legislative cycle for the State of California will not consider any type of business tax credit for paying interns either enrolled in higher education or with outstanding student loan debt;

THEREFORE, LET IT BE RESOLVED that the current UCSA Board openly supports a statewide business tax credit bill to be introduced by any legislator for the 2015 legislative cycle, *on the indispensable condition* that the bill's contents and purpose would be identical to the bill language that Assemblymember Williams'

<sup>1</sup> “UCSA Internship Tax Credit Resolution.” *University of California Student Association*, September 8, 2013. <http://ucsa.org/wp-content/uploads/2013/05/UCSA-Internship-Tax-Credit-Resolution-Sept-2013.pdf>

<sup>2</sup> League of California Cities, *Navigating the Legislative Process: Deadlines, Procedures, and Common Terms*. 2003. [http://www.seismic.ca.gov/pub/Navigating\\_the\\_Legislative\\_Process.pdf](http://www.seismic.ca.gov/pub/Navigating_the_Legislative_Process.pdf) (quote on page 12).

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office received from the Office of the Legislative Counsel in February 2014.<sup>3</sup>

LET IT FURTHER BE RESOLVED that UCSA President Kareem Aref will inform CSSA President Sarah Couch and SSSCC President Aaron Bielenberg about the passage of this resolution, and encourage them to introduce a similar resolution in their respective organizations that would declare support for the implementation of the internship tax credit.

LET IT FINALLY BE RESOLVED that the UCSA supports an internship tax credit bill, as discussed herein, and can be seen in Appendix A and can be shown on the 2014 Higher Education Report Card.

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<sup>3</sup> A copy of the bill's language was emailed to UCSA Chair Safeena Mecklai.

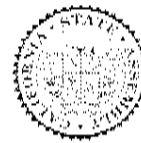


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# Assembly California Legislature

DAS WILLIAMS  
ASSEMBLYMEMBER, THIRTY-SEVENTH DISTRICT



## Facsimile

TO: Michael Amster

FROM: Sam

FAX: (916) 781-2120

PAGES:

PHONE:

DATE: 2/24/14

RE: Language

CC:

☐ Urgent ☐ For Review ☐ Please Comment ☐ Please Reply ☐ Please Recycle

Comments:

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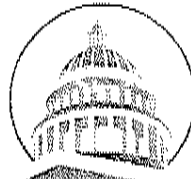
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A TRADITION OF TRUSTED LEGAL SERVICE  
TO THE CALIFORNIA LEGISLATURE

LEGISLATIVE COUNSEL BUREAU

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February 21, 2014

Honorable Das Williams  
Room 4005, State Capitol

## INCOME TAX CREDITS: CALIFORNIA INTERNS - #1403460

Dear Mr. Williams:

Pursuant to your request, we prepared and delivered to you, under the above request number, a measure relating to taxation.

The measure, if enacted, would allow a credit to a qualified taxpayer in an amount equal to 33 percent of the qualified wages paid to each qualified intern, who is a resident of this state, by the taxpayer during the taxable year, as provided (subds. (a), (b), and (c), proposed Secs. 17053.97 and 23697, R.& T.C.).

The privileges and immunities clause bars discrimination against citizens of other states where there is no substantial reason for the discrimination beyond the fact that they are citizens of other states, but it does not preclude disparity of treatment in situations where there are valid independent reasons for it (*Toomer v. Witsell* (1948) 334 U.S. 385, 396). A resident of one state is constitutionally entitled to travel to another state for purposes of employment free from discriminatory restrictions in favor of state residents imposed by the other state (*Hicklin v. Orbeck* (1978) 437 U.S. 518, 525). By authorizing statutory residence preferences, this measure

may be subject to constitutional challenges pursuant to the privileges and immunities clause of the United States Constitution (cl. 1, Sec. 2, Art. IV, U.S. Const.).

If you wish further assistance with this measure, please contact the undersigned deputy.

Very truly yours,

Diane F. Boyer-Vine  
Legislative Counsel

A handwritten signature in black ink that reads "Michelle L. Samore". The signature is written in a cursive, flowing style.

By  
Michelle L. Samore  
Deputy Legislative Counsel

DF 26  
MLS:iad

WILLIAMS

**OFFICE OF LEGISLATIVE COUNSEL  
DRAFT BILL**

**RN:** 1403460

This request was prepared for you in accordance with instructions provided to us by Sara Arce.

**LCB Deputy Contact:** Ms. Michelle Samore at 341-8141.

The boxes checked below, if any, apply to this request:

- ☐ **Cover letter:** This request is accompanied by a cover letter, to bring to your attention legal or practical issues that may be raised by this bill, if introduced.
- ☒ **Unbacked bill:** The attached bill draft has **not** been backed for introduction. When a Member has decided to introduce this bill draft, the draft should be returned to the Office of Legislative Counsel as soon as possible so that it can be prepared for introduction by that Member.
- ☐ **Spot bill:** This bill, if introduced, may not be qualified for referral to a committee, if it is deemed a bill that makes no substantive change in or addition to existing law, or that would not otherwise affect the ongoing operations of state or local government (see, for example, Assembly Rule 51.5).
- ☐ **Bill related to the budget:** In order for this measure to be deemed a bill "providing for appropriations related to the budget" within the meaning of Section 12 of Article IV of the California Constitution, thereby allowing the measure to be passed by a majority vote and to take effect immediately upon enactment, it is necessary that this measure contain an appropriation and be identified in the Budget Bill as a measure related to the state budget.
- ☐ **Reintroduced bill:** This bill, if introduced, may violate the rule that, except as specified, a Member may not author a bill during a session that would have substantially the same effect as a bill he or she previously introduced during that session (Joint Rule 54(c)).

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An act to add and repeal Sections 17053.97 and 23697 of the Revenue and Taxation Code, relating to taxation, to take effect immediately, tax levy.

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THE PEOPLE OF THE STATE OF CALIFORNIA DO ENACT AS FOLLOWS:

SECTION 1. Section 17053.97 is added to the Revenue and Taxation Code, to read:

17053.97. (a) For each taxable year beginning on or after January 1, 2014, and before January 1, 2019, there shall be allowed a credit in the amount specified in subdivision (b) against the "net tax," as defined by Section 17039, to a qualified taxpayer who employs a qualified intern during the taxable year.

(b) The credit amount shall be 33 percent of the qualified wages paid to each qualified intern by the qualified taxpayer during the taxable year.

(c) For the purposes of this section, the following definitions shall apply:

(1) "Qualified intern" means a resident of this state who is at least one of the following:

(A) An individual enrolled and in good standing at a California four-year institution of higher education, a California community college, or a California accredited postsecondary business, technical, trade, or vocational school, who is employed in California in a position that provides training and experience to the individual that meets factors 1 to 3, inclusive, and 5 of the test established by the Wage and Hour Division of the United States Department of Labor in Fact Sheet #71: Internship Programs Under the Fair Labor Standards Act dated April 2010, and is paid a wage of no less than the minimum wage in this state by the taxpayer during a term of employment that lasts at least 12 weeks and includes a minimum of 12 hours per week.

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(B) An individual with outstanding student loan debt with the federal government or an American-based accredited lender, who is employed in California in a position that provides training and experience to the individual that meets factors 1 to 3, inclusive, and 5 of the test established by the Wage and Hour Division of the United States Department of Labor in Fact Sheet #71: Internship Programs Under the Fair Labor Standards Act dated April 2010, and is paid a wage of no less than the minimum wage in this state by the taxpayer during a term of employment that lasts at least 12 weeks and includes a minimum of 12 hours per week.

(C) An individual enrolled and in good standing at a California four-year institution of higher education, a California community college, or a California accredited postsecondary business, technical, trade, or vocational school, who has outstanding student loan debt with the federal government or an American-based accredited lender, and who is employed in California in a position that provides training and experience to the individual that meets factors 1 to 3, inclusive, and 5 of the test established by the Wage and Hour Division of the United States Department of Labor in Fact Sheet #71: Internship Programs Under the Fair Labor Standards Act dated April 2010, and is paid a wage of no less than the minimum wage in this state by the taxpayer during a term of employment that lasts at least 12 weeks and includes a minimum of 12 hours per week.

(2) "Qualified Taxpayer" means an employer who (A) does not employ fewer employees in the state, other than qualified interns, on the first day of the third month before the taxable year period for which this credit is claimed than on the last day of the taxable year period for which this credit is claimed, (B) would not have employed

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a qualified intern but for the credit allowed pursuant to this section, (C) paid a wage to a qualified intern of no less than the minimum wage in this state for a term of employment that lasts at least 12 weeks and includes a minimum of 12 hours of employment per week, and (D) did not reduce the number of employees employed by the qualified taxpayer, other than qualified interns, that existed before the availability of the credit.

(3) "Qualified wages" means wages subject to Division 6 (commencing with Section 13000) of the Unemployment Insurance Code.

(d) (1) The aggregate amount of credit that may be allocated pursuant to this section and Section 23697 shall be an amount equal to the sum of all of the following:

- (A) Ten million dollars (\$10,000,000) in credits for each calendar year.
- (B) The unused allocation credit amount, if any, for the preceding year.

(2) For the purposes of this section, the Franchise Tax Board shall do all of the following:

(A) On or after January 1, 2014, and before January 1, 2019, allocate and certify tax credits to qualified taxpayers on a first-come-first-served basis by determining and designating applicants who meet the requirements of this section.

(B) Once the credits allocated for the employment of a qualified intern exceeds the limit established in subparagraph (A) of paragraph (1), the Franchise Tax Board shall cease to allocate and certify tax credits to qualified taxpayers.

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



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(f) A deduction otherwise allowed under this part for any amount paid or incurred by the qualified taxpayer upon which the credit is based shall be reduced by the amount of the credit allowed by this section.

(g) Notwithstanding subdivision (b), the amount of the credit allowed under this section against the net tax for the taxable year period, together with any other credits allowed against the net tax, shall not exceed 50 percent of the tax liability otherwise due.

(h) Credit under this section shall be allowed only for credits claimed on a timely filed original return of the qualified taxpayer.

(i) (1) The Franchise Tax Board may prescribe rules, guidelines, or procedures necessary or appropriate to carry out the purposes of this section.

(2) Chapter 3.5 (commencing with Section 11340) of Part 1 of Division 3 of Title 2 of the Government Code does not apply to any standard, criterion, procedure, determination, rule, notice, or guideline established or issued by the Franchise Tax Board pursuant to this section.

(j) This section shall be repealed on December 1, 2019.

SEC. 2. Section 23697 is added to the Revenue and Taxation Code, to read:

23697. (a) For each taxable year beginning on or after January 1, 2014, and before January 1, 2019, there shall be allowed a credit in the amount specified in subdivision (b) against the "net tax," as defined by Section 17039, to a qualified taxpayer who employs a qualified intern during the taxable year.

(b) The credit amount shall be 33 percent of the qualified wages paid to each qualified intern by the qualified taxpayer during the taxable year.

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(c) For the purposes of this section, the following definitions shall apply:

(1) "Qualified intern" means a resident of this state who is at least one of the following:

(A) An individual enrolled and in good standing at a California four-year institution of higher education, a California community college, or a California accredited postsecondary business, technical, trade, or vocational school, who is employed in California in a position that provides training and experience to the individual that meets factors 1 to 3, inclusive, and 5 of the test established by the Wage and Hour Division of the United States Department of Labor in Fact Sheet #71: Internship Programs Under the Fair Labor Standards Act dated April 2010, and is paid a wage of no less than the minimum wage in this state by the taxpayer during a term of employment that lasts at least 12 weeks and includes a minimum of 12 hours per week.

(B) An individual with outstanding student loan debt with the federal government or an American-based accredited lender, who is employed in California in a position that provides training and experience to the individual that meets factors 1 to 3, inclusive, and 5 of the test established by the Wage and Hour Division of the United States Department of Labor in Fact Sheet #71: Internship Programs Under the Fair Labor Standards Act dated April 2010, and is paid a wage of no less than the minimum wage in this state by the taxpayer during a term of employment that lasts at least 12 weeks and includes a minimum of 12 hours per week.

(C) An individual enrolled and in good standing at a California four-year institution of higher education, a California community college, or a California



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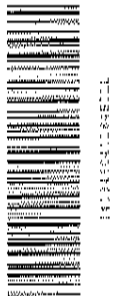
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accredited postsecondary business, technical, trade, or vocational school, who has outstanding student loan debt with the federal government or an American-based accredited lender, and who is employed in California in a position that provides training and experience to the individual that meets factors 1 to 3, inclusive, and 5 of the test established by the Wage and Hour Division of the United States Department of Labor in Fact Sheet #71: Internship Programs Under the Fair Labor Standards Act dated April 2010, and is paid a wage of no less than the minimum wage in this state by the taxpayer during a term of employment that lasts at least 12 weeks and includes a minimum of 12 hours per week.

(2) "Qualified Taxpayer" means an employer that (A) does not employ fewer employees in the state, other than qualified interns, on the first day of the third month before the taxable year period for which this credit is claimed than on the last day of the taxable year period for which this credit is claimed, (B) would not have employed a qualified intern but for the credit allowed pursuant to this section, (C) paid a wage to a qualified intern of no less than the minimum wage in this state for a term of employment that lasts at least 12 weeks and includes a minimum of 12 hours of employment per week, and (D) did not reduce the number of employees employed by the qualified taxpayer, other than qualified interns, that existed before the availability of the credit.

(3) "Qualified wages" means wages subject to Division 6 (commencing with Section 13000) of the Unemployment Insurance Code.

(d) (1) The aggregate amount of credit that may be allocated pursuant to this section and Section 23697 shall be an amount equal to the sum of all of the following:



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(A) Ten million dollars (\$10,000,000) in credits for each calendar year.

(B) The unused allocation credit amount, if any, for the preceding year.

(2) For the purposes of this section, the Franchise Tax Board shall do all of the following:

(A) On or after January 1, 2014, and before January 1, 2019, allocate and certify tax credits to qualified taxpayers on a first-come-first-served basis by determining and designating applicants who meet the requirements of this section.

(B) Once the credits allocated for the employment of a qualified intern exceeds the limit established in subparagraph (A) of paragraph (1), the Franchise Tax Board shall cease to allocate and certify tax credits to qualified taxpayers.

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

(f) A deduction otherwise allowed under this part for any amount paid or incurred by the qualified taxpayer upon which the credit is based shall be reduced by the amount of the credit allowed by this section.

(g) Notwithstanding subdivision (b), the amount of the credit allowed under this section against the net tax for the taxable year period, together with any other credits allowed against the net tax, shall not exceed 50 percent of the tax liability otherwise due.

(h) Credit under this section shall be allowed only for credits claimed on a timely filed original return of the qualified taxpayer.

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## LEGISLATIVE COUNSEL'S DIGEST

Bill No.

as introduced, \_\_\_\_\_.

General Subject: Income tax: credits: qualified intern.

The Personal Income Tax Law and the Corporation Tax Law authorize various credits against the taxes imposed by those laws, including a credit for an increase in qualified full-time employees of a qualified employer.

This bill would, under both laws, for taxable years beginning on and after January 1, 2014, and before January 1, 2019, allow a credit to a qualified taxpayer, as defined, in an amount equal to 33 percent of the qualified wages paid to each qualified intern, as defined, by the taxpayer during the taxable year, as provided. The bill would specify that the aggregate amount of credit that may be allocated under both laws shall not exceed \$10,000,000 for each calendar year, as specified, and would require the Franchise Tax Board to perform certain duties with regard to allocating and certifying the tax credits allowed under these provisions.

This bill would take effect immediately as a tax levy.





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