



States Offering Veteran Tax Credits To Combat High Unemployment Rates

An interview featuring Kevin Potter of
Deloitte Tax LLP, in the Tax Management
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Job Creation Credits

States Offering Veteran Tax Credits To Combat High Unemployment Rates

Over the past few years, a number of states, including New York and California, have adopted tax credits for businesses that hire veterans—especially veterans who were deployed after Sept. 11, 2001.

These veteran hiring credits are a “growing trend” among the states, Kevin Potter, a director at Deloitte Tax LLP specializing in tax credits and incentives, told Bloomberg BNA via e-mail Aug. 14.

Unemployment Among Veterans. In 2013, the unemployment rate among post-Sept. 11 veterans was 9 percent, with veterans between the ages of 18 and 24 suffering from a 21.4 percent unemployment rate, according to a March 20 PBS NewsHour article. “The U.S. Department of Labor has reported that the unemployment rate for recent veterans has remained stubbornly high over the past few years, in spite of an overall drop in unemployment,” Gordon Griffin, an associate at Crowell & Moring and a Major in the U.S. Marine Corps Reserve told Bloomberg BNA via e-mail Aug. 14.

Compounding the issue, recent budget restraints are leading to military downsizing. Soon, the U.S. Army will have its fewest active duty service members in more than half a century, according to a Feb. 24 U.S. News & World Report article. This mass exodus from the U.S. Armed Forces will inevitably lead to an influx of veterans into a civilian workforce that is struggling to accommodate those who are already there.

The Credits. Nine states currently offer some form of tax credit to businesses that hire veterans. States, such as Delaware and Illinois, offer credits to businesses that hire veterans equal to a percentage of the wages paid to that veteran. Other states, such as Alabama and New Mexico, offer credits for hiring veterans equal to a set dollar amount per veteran hired. In addition, certain states offer increased credits for businesses that hire disabled veterans. Alaska, for example, normally offers a credit of \$2,000 per qualified veteran. If the business hires a disabled veteran, however, the credit is increased to \$3,000.

Beginning in 2015, New York will join the ranks of states that reward businesses for hiring veterans through the use of tax credits. The credit will equal 10 percent of the wages paid, up to a maximum of \$5,000,

to a qualified veteran. As with Alaska, if the veteran hired is disabled, then the credit increases to 15 percent of the wages, up to \$15,000, paid.

For a list of states offering veteran tax credits see below.

Will It Be Enough? “Veteran unemployment can be complex, so employment rate increases or decreases are not attributed to only tax credit or incentive programs,” Potter said. “States that have built veteran programs beyond just a tax credit will be best positioned to help their current veteran populations and those returning to the civilian workforce over the next couple of years,” he added.

“Tax credits are only one tool that states have at their disposal for lowering veteran unemployment, and will be most effective when implemented as part of a larger scheme that includes education, job training, and mechanisms for translating military work experience into civilian licenses and credentials,” Griffin said.

Even so, hiring credits are a valuable part of any plan to lower veteran unemployment. “Tax credits and incentives can be an effective tool in assisting our veterans seeking employment because it incentivizes businesses to hire individuals who have historically faced barriers to employment,” Potter said.

However, it might not be simple or even possible to get a clear picture of the impact of these credit programs at this point in time. “Because the push on veteran hiring is relatively new, it is too soon to tell which states have been the most successful in implementing veteran tax credits and incentives,” Potter added.

For comparison purposes, one need only look to the federal equivalent of these state tax credit programs. “There is a study that was done several years ago by the RAND Corporation that showed that an expansion of the Work Opportunity Tax Credit (WOTC) [which expired Dec. 31, 2013] resulted in increased employment of veterans by 32,000 jobs in the first year,” Potter noted. This study illustrated the impact that tax credits and incentives can have in promoting employment programs focusing on veterans.

Nevertheless, the impact of these veteran credits has been “relatively modest,” Griffin said. “Although some studies show a 1 to 2 percent increase in veteran employment due to these federal tax credits, most employers surveyed reported that the credits had minimal impact on their hiring decisions.”

Drawbacks. “A challenge to all of these programs is that employers are faced with managing the additional resources needed to maintain these programs, including keeping track of who they are hiring, requesting the

credits, and ensuring they are in compliance with the credit regulations,” Potter said.

Looking Ahead. Unemployment among our recently deployed veteran population will continue to be an ongoing concern for the immediate future. Tax credits are just one option available to address the issue, but it remains to be seen if they will be enough on their own.

“With over 700,000 unemployed veterans in 2013, states should consider being proactive about establish-

ing programs for their veteran population. Hopefully, there is more to come,” Potter said.

BY JASON PLOTKIN

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□ For a discussion of the veteran hiring credit in New York, see 1470-2nd T.M., *Credits and Incentives: MO Through OK*, at 1470.13. For additional discussion of the credit in New York, see *Individual Income Tax Navigator*, at New York 3.6.2.

State Veteran Credits			
State	Credit	Amount	Authority
Alabama	Small Business Job Creation Credit	\$1,000 for each recent deployed veteran hired. A one-time credit of up to \$2,000 is available to businesses that are at least 50 percent owned by a veteran to cover start-up expenses.	Ala. Code §§40-18-293(b), -321 and -323
Alaska	Veteran Employment Credit	\$2,000 for each qualified veteran hired who works at least 1,560 hours within a 12-month period. The credit increases to \$3,000 if the qualified veteran is disabled.	Alaska Stat. §43.20.048
California	New Employment Credit	The credit is equal to 35 percent of the qualified wages paid multiplied by the “applicable percentage” for the taxable year.	Cal. Rev. & Tax. Code §23626(b)(10)(A)
Delaware	Veteran’s Opportunity Credit	10 percent of wages, up to \$1,500, paid to a qualified veteran.	Del. Code Ann. tit. 30, §§20A-100 to -104
Illinois	<ul style="list-style-type: none"> ■ Credit for Wages Paid to Unemployed Veterans ■ Credit for Wages Paid to Qualified Veterans 	<ul style="list-style-type: none"> ■ 20 percent of wages paid to a veteran up to \$5,000. ■ 10 percent of wages paid to a veteran, up to \$1,200 	<ul style="list-style-type: none"> ■ 35 ILCS 5/217 ■ 35 ILCS 5/217.1
Iowa	<ul style="list-style-type: none"> ■ Agricultural Asset Transfer ■ Custom Farming Contract Credit 	<ul style="list-style-type: none"> ■ 8 percent of the gross amount paid under a cash lease, or 18 percent of the amount paid from crops or animals sold under a commodities lease, limited to \$50,000 per taxpayer. ■ 8 percent of the gross amount paid under the contract, limited to \$50,000 per taxpayer. 	<ul style="list-style-type: none"> ■ Iowa Code Ann. §175.37(5) ■ Iowa Code Ann. §175.38(8)
New Mexico	Veteran Employment Tax Credit	Credit equals up to \$1,000 per qualified veteran	N.M. Stat. Ann. §7-2-18.28
New York	Hire a Veteran Credit	Beginning Jan. 1, 2015, the credit equals 10 percent of wages paid to qualified veterans up to \$5,000. The credit equals 15 percent of the wages paid to qualified disabled veterans up to \$15,000.	N.Y. Tax Law §210(23-a)(a)

State Veteran Credits			
State	Credit	Amount	Authority
Utah	Credit for Employing Recently Deployed Veterans	\$200 per month in the first taxable year, up to \$2,400. \$400 per month during the second taxable year, up to \$4,800.	Utah Code Ann. §59-10-1031
West Virginia	Military Incentive Credit	30 percent of the first \$5,000 of compensation paid. If the veteran was a member of the reserve or West Virginia National Guard, the credit equals 25 percent of the first \$5,000 of compensation. The credit equals the percentage of disability suffered by the veteran, as determined by the U.S. Department of Veteran Affairs, multiplied by the first \$5,000 of compensation	W. Va. Code §§21A-2C-4 and -5