

LEGISLATIVE RESEARCH REPORT

DECEMBER 28, 2011



REPORT NUMBER 12.119

STATE AND FEDERAL TAX CREDITS FOR BUSINESSES THAT HIRE VETERANS

PREPARED FOR SENATOR BILL WIELECHOWSKI

BY TIM SPENGLER, LEGISLATIVE ANALYST

You wished to know whether any states provide tax credits for employers who hire veterans or for veterans who are starting a business. Additionally, you wanted to know if federal tax benefits exist for businesses hiring veterans.

Briefly, Vermont offers both benefits when veterans have recent military history, while a few other states provide benefits for businesses hiring veterans under limited circumstances.¹ Federal tax benefits are available to employers who hire veterans through the *Returning Heroes* and *Wounded Warrior* tax credit programs.

Alaska

As you may know, Alaska does not provide tax credits to employers for hiring veterans or for veterans starting their own businesses. The state does provide, however, a five percent bid preference (that may not exceed \$5,000) if a bidder for a state contract is an Alaska veteran and is a "qualifying entity." According to AS 36.30.175—Alaska Veterans' Preference—a qualifying entity means the following:

1. Sole proprietorship owned by an Alaska veteran;
2. Partnership under AS 32.06 or AS 32.11 if a majority of the partners are Alaska veterans;
3. Limited liability company organized under AS 10.50 if a majority of the members are Alaska veterans; or
4. Corporation that is wholly owned by individuals and a majority of the individuals are Alaska veterans.²

¹ None of the states with credits were able to provide us with data regarding the effectiveness of the benefit.

² For more information on how Alaska's veterans' preference is applied please contact Vern Jones, chief procurement officer, Department of Administration, (907) 465-5684.

Other States

Vermont

On May 25th, 2011, House Bill 275 was signed into law in Vermont and codified at 32 V.S.A. 5930nn. The legislation, entitled the Veterans' Tax Credit Act, provides employers with a \$2,000 tax incentive for hiring veterans who have returned from deployment in Afghanistan or Iraq within the last two years. In order to qualify for the tax credit, businesses must employ veterans before the end of 2011. The act also provides veterans who start new companies with a \$2,000 benefit. To qualify for this credit, the veteran must hold at least 50 percent ownership in the company.

Specifically, to be eligible for the tax credits a Vermont veteran must meet the following prerequisites:

- have left federal, active duty within the past 24 months;
- have been a resident of Vermont at the time of entry into military service or served in a guard or reserve unit located in Vermont; and
- be eligible to receive unemployment from the Vermont Department of Labor, or would be eligible except unemployment has been exhausted.

Clayton Clark, director of Vermont's Office of Veterans Affairs notes that earlier this year he queried fellow state directors asking if their states offered similar veteran tax benefits and none did. This corresponds to what we found in our review.³

We include, as Attachment A, various documents pertaining to the tax credit in Vermont including the state statute, a question and answer document on the credit, and the application Vermont veterans use to certify their eligibility for the tax credit.

California

The Enterprise Zone Program (EZP) in California entitles employers that hire and employ qualified applicants—including certain veterans—to tax credits. The California EZP was established in 1984 to stimulate business investment in depressed areas of the state and to create job opportunities. If a company is located in one of California's 43 EZPs, the company may be eligible for up to \$31,000 in California tax credits (over five years) if the veteran hired meets any one of the following three tests:

- left military service within the last 48 months;
- is a service-related disabled veteran; or
- is a Vietnam era veteran.⁴

³ Clayton Clark can be reached at (802) 828-3379. For this report, we contacted numerous state veteran's offices both telephonically and by email, searched many state and national veteran websites, and conducted a West Law search.

⁴ More information on California's Enterprise Zone Program can be accessed at www.caez.org/.

Illinois

Illinois employers can earn an income tax credit for hiring veterans of Operation Desert Storm, Operation Enduring Freedom, or Operation Iraqi Freedom. The credit is five percent of the total wages paid to every qualified veteran hired after January 1, 2008. The credit may not exceed \$1,200 annually. Veterans must work at least 185 days during the tax year for the employer to qualify for the credit.⁵

West Virginia

Entities hiring economically disadvantaged Vietnam or Korean era veterans, unemployed West Virginia National Guard members, or *any* disabled veteran, are entitled to a state tax credit. The credit available to the employer is 25-30 percent of the first \$5,000 in wages or compensation paid to the veteran.⁶

Federal Tax Benefits

On November 21, 2011, President Obama signed legislation that provides tax credits to employers who hire military veterans. The *VOW to Hire Heroes Act* contains two components—the *Returning Heroes Tax Credit* and the *Wounded Warriors Tax Credit*—that provide credits to businesses that hire veterans. The Act passed both bodies of Congress unanimously and, while the legislation is not expected to lead to the creation a significant number of new jobs, it is hoped that it will help many veterans secure employment.

The **Returning Heroes Tax Credit** is intended to provide an incentive for businesses to hire unemployed veterans in the following ways:

- ***Short-term unemployed:*** A new credit of 40 percent of the first \$6,000 of wages (up to \$2,400) for employers who hire veterans who have been unemployed at least 4 weeks.
- ***Long-term unemployed:*** A new credit of 40 percent of the first \$14,000 of wages (up to \$5,600) for employers who hire veterans who have been unemployed longer than 6 months.

The **Wounded Warrior Tax Credit** will double the existing tax credit for businesses that hire long-term unemployed veterans with service-connected disabilities as follows:

- Maintains the existing Work Opportunity Tax Credit for employers that hire veterans with service-connected disabilities (currently the maximum is \$4,800).
- Introduces a new credit of 40 percent of the first \$24,000 of wages (up to \$9,600) for firms that hire veterans with service-connected disabilities who have been unemployed longer than 6 months.⁷

We hope you find this information to be useful. Please let us know if you have questions or need additional information.

⁵ To file for Veteran's Tax Credit, Illinois employers complete Schedule 1299-D, "Income Tax Credits."

⁶ For disabled veterans, the credit is the percentage of disability multiplied by the first \$5,000 in wages. We include, as Attachment B, West Virginia Annotated Code 21A-2C-4, which pertains to the tax credit and tax schedule J—the "West Virginia Military Incentive Credit."

⁷ Detailed information on these tax credit programs is available at www.whitehouse.gov/the-press-office/2011/11/21/fact-sheet-returning-heroes-and-wounded-warrior-tax-credits.

Attachment A

Vermont Statute 32 V.S.A. 5930nn and other documents regarding Vermont's Veterans' Tax
Credit Act

West's Vermont Statutes Annotated [Currentness](#)

Title Thirty-Two. Taxation and Finance

Subtitle 2. Taxation

Part 3. Income and Franchise Taxes

[Chapter 151](#). Income Taxes

[Subchapter 11N](#). Recently Deployed Veteran Tax Credit

→ **§ 5930nn. Recently deployed veteran tax credit**

(a) A qualified employer shall be eligible for a nonrefundable credit against the income tax liability imposed under this chapter in an amount equal to \$2,000.00 for each new full-time employee hired after the passage of this act but on or before December 31, 2012 for a position, the majority of the duties of which are at a business location within Vermont.

(b) A recently deployed veteran shall be eligible for a nonrefundable credit against the income tax liability imposed under this chapter in an amount up to a total of \$2,000.00 for expenses associated with one start-up business in which the recently deployed veteran holds at least a 50-percent ownership interest. A credit under this subsection may only be taken for a business started after the passage of this act but on or before December 31, 2012, that is located within Vermont, and that shows a net profit of at least \$3,000.00 for the year in which the credit is taken.

(c) A credit earned under this section shall be claimed in the tax year following the new full-time employee's date of hire, or in the tax year following the date that the start-up business was created, and may be carried forward one year.

(d) In this section:

(1) "Expense associated with a start-up business" means the following expenses:

- (A) expenses associated with the development of a business plan;
- (B) professional services associated with the formation of the business (e.g., attorney and accounting services);
- (C) an analysis or survey of potential markets, products, labor supply, or transportation facilities;
- (D) advertisements for the opening of the business;
- (E) salaries and wages for employees who are being trained and their instructors;
- (F) travel and other necessary costs for securing prospective distributors, suppliers, or customers;
- (G) salaries and fees for executives and consultants, or for similar professional services.

(2) "New full-time employee" means a recently deployed veteran:

- (A) who works at least 35 hours per week for not less than 45 of the 52 weeks following the individual's date of hire;

(B) whose compensation equals or exceeds the prevailing compensation level, including wages and benefits, for the particular employment sector and region of the state as determined by the commissioner of labor;

(C) who has certification by the department of labor at the time of hire of:

(i) collecting or being eligible to collect unemployment benefits; or

(ii) having exhausted his or her unemployment benefits;

(D) who has not been employed by the qualified employer for 90 days prior to the date of hire.

(3) “Qualified employer” means a person who:

(A) is in good standing with respect to applicable registration, fee, and filing requirements with the secretary of state, the department of taxes, and the department of labor; and

(B) has in place a valid workers' compensation policy.

(4) “Recently deployed veteran” means an individual who:

(A)(i) was a resident of Vermont at the time of entry into military service; or

(ii) was mobilized to active, federal military service while a member of the Vermont National Guard or other reserve unit located in Vermont, regardless of the resident's home of record.

(B) received an honorable or general discharge from active, federal military service within the two-year period preceding the date of hire.

(C) for the purposes of the credit in subsection (b) of this section, a person who at the time of starting up a new business has been certified by the department of labor as:

(i) collecting or being eligible to collect unemployment benefits; or

(ii) having exhausted his or her unemployment benefits.

(e) The department of labor, in coordination with the department of taxes, the agency of commerce and community development, and the office of veterans' affairs, shall:

(1) promote awareness of the recently deployed veteran tax credit authorized in this section to employers and eligible veterans;

(2) establish procedures for prequalifying an individual as a recently deployed veteran and for providing notice to the department of labor when a new full-time employee is hired;

(3) establish procedures for certifying a qualified employer's compliance, or in the case of a credit under subsection (b) of this section, a recently deployed veteran's compliance, with the eligibility and expense verification requirements to claim the credit authorized under this section;

(4) adopt measurable goals, outcomes, and an audit strategy to assess the utilization and performance of the credit authorized in this section;

(5) on or before January 15, 2012, submit a written report on its assessment of the credit to the house committees on commerce and economic development and on ways and means, and to the senate committees on finance and on economic development, housing and general affairs;

(6) engage in efforts to promote the hiring of recently deployed veterans through the hiring practices of the state of Vermont.

(f) An employer shall not claim the credit in subsection (a) of this section for an employee who has claimed the credit under subsection (b) of this section, and a recently deployed veteran shall not claim the credit in subsection (b) if an employer has claimed his or her hire for the credit in subsection (a).

CREDIT(S)

[2011, No. 44](#), § 1, eff. May 24, 2011.

HISTORICAL AND STATUTORY NOTES

2011, No. 44, § 2, provides:

“Sec. 2. EFFECTIVE DATE

“This act shall take effect on passage [May 24, 2011].”

32 V.S.A. § 5930nn, VT ST T. 32 § 5930nn

Current with all laws through No. 46 of the 2011-2012 session (2011) of the Vermont General Assembly.

(C) 2011 Thomson Reuters. No Claim to Orig. US Gov. Works.

END OF DOCUMENT



Veteran Services Directory

Maintained by the Vermont Office of Veterans Affairs



Tax Credit for Hiring a Veteran with Recent Military Service

The State of Vermont now provides a tax credit to employers who hire a veteran with recent military service. The tax credit also extends to veterans with recent service who start their own business.

To be eligible, a veteran must:

- Have left federal, active duty within the past 24 months
- Have been a resident of Vermont at the time of entry into military service OR served in a guard or reserve unit located in Vermont
- Be eligible to receive Unemployment from the VT Dept of Labor, or would be eligible except Unemployment has been exhausted

Applicants should fill out [Office of Veterans Affairs Form 44](#) and send it, along with a copy of their most recent DD Form 214, to the Office of Veterans Affairs. Additional information is on the form, and there are questions and answers below.

Questions and Answers about the Tax Credit

How much is the Tax Credit?

\$2,000 to employers for hiring a veteran; up to \$2,000 to veterans who start their own business.

How long will the program be available?

The program expires December 31, 2012.

What is the date range for new hires that are covered by this credit?

The new hire must occur between May 24, 2011, and December 31, 2012. For veterans who start a new business, the business must be started by December 31, 2012.

Is this only available to Vermont residents?

This is available to veterans who were a resident of Vermont at the time of entry into the active, federal military service OR was mobilized to active, federal military service with the Vermont National Guard or a reserve unit located in Vermont.

Is the tax credit good for all businesses in Vermont?

No. The employer must be in good standing with the Secretary of State, Vermont Department of Taxes, and Vermont Department of Labor. They must also have a valid worker's compensation policy.

Can the tax credit be used by a business outside of Vermont?

The credit is only available to businesses that file state taxes in Vermont.

Is the tax credit good for all positions?

No. The position must be at least 35 hours a week, the position must be held for 45 of the 52 weeks following the hire, and the compensation must be equal to or exceed the prevailing compensation level for that employment sector and region of the state.

Where can I get information about my military service eligibility?

Call the Office of Veterans Affairs at (toll free in-state) 888-666-9844 or 802-828-3379.

Where can I get information about my unemployment status eligibility?

Call the Vermont Dept of Labor Unemployment Claimant Assistance Line at (877) 214-3332.

For veterans using this credit to start a new business, does the veteran have to be the sole owner?

The veteran must hold at least a 50% ownership interest in the business.

For a new business, does the business have to be profitable?

Yes. The business must show a net profit of at least \$3,000 for the year in which the credit is taken.

What expenses associated with starting a new business can be counted towards the tax credit?

The following expenses associated with a start-up business, up to a maximum of \$2,000, may be deducted:

- (A) expenses associated with the development of a business plan;
- (B) professional services associated with the formation of the business (e.g., attorney and accounting services);
- (C) an analysis or survey of potential markets, products, labor supply, or transportation facilities;
- (D) advertisements for the opening of the business;
- (E) salaries and wages for employees who are being trained and their instructors;
- (F) travel and other necessary costs for securing prospective distributors, suppliers, or customers;
- (G) salaries and fees for executives and consultants, or for similar professional services.

Instructions from Office of Veterans Affairs Form 44

1. Complete the Applicant Information portion of the Certification for Unemployed Veteran with Recent Military Service form. Make sure to complete all blocks within this section and to print legibly.

2. Vermont Office of Veterans Affairs (VOVA) will determine if the applicant meets the military service eligibility criteria. Deliver the form to VOVA via:

Mail or In Person: 118 State Street, Montpelier, VT 05620-4401

Fax: (802) 828-5932

Applicants should include a copy of their most recent DD Form 214 to ensure fast and accurate processing.

VOVA may require additional documentation necessary to verify eligibility. Approved applications will be stamped by VOVA and returned to the applicant. Disapproved applications will be returned to the applicant by VOVA with the reason for disapproval.

3. The Vermont Department of Labor (VDOL) will determine if the applicant meets the Unemployment eligibility criteria. Applicant will deliver applications approved by VOVA to the local VDOL Resource Center listed below. Approved applications will be stamped by VDOL and returned to the applicant. Disapproved applications will be returned to the applicant by VDOL with the reason for disapproval.

Town	Location	Phone
Barre	McFarland State Office Building, 5 Perry Street, Suite 200	476-2600
Bennington	150 Veterans Memorial Drive, Suite 2	442-6376
Brattleboro	State Office Building, 232 Main Street	254-4555
Burlington	63 Pearl Street	863-7676
Middlebury	1590 Route 7 South, Suite 5	388-4921
Morrisville	197 Harrel Street	888-4545
Newport	Emory E Hebard State Office Building, 100 Main Street, Suite 210	334-3351
Randolph	50 Randolph Avenue (by appointment only)	476-2600
Rutland	200 Asa Bloomer Building	786-5837
St. Albans	20 Houghton Street, Room 101	524-6585
St. Johnsbury	1197 Main Street, Suite 1	748-3177
Springfield	56 Main Street, Suite 101	885-2167
White River Jct.	220 Holiday Drive, Suite 28, Gilman Office Center	295-8805

4A. New Hire: After receiving approval from both VOVA and VDOL, provide the form to your new employer. The employer will then file this document with the Vermont Department of Taxes (VTAX), which will also require documentation of employer and position criteria.

4B. New Business: After receiving approval from both VOVA and VDOL, the applicant will provide the form to VTAX when filing your income tax return. Additional documentation will be required to verify eligibility criteria and allowable expenses.

Period of Eligibility

This tax credit is for new hires or new businesses started between May 24, 2011 and December 31, 2012. A credit earned under this section may be claimed in the tax year following the new full-time employee's date of hire, or in the tax year following the date that the start-up business was created, and may be carried forward one year. Appropriate tax forms and instructions to claim this credit may be downloaded from the VTAX website (www.state.vt.us/tax/index.shtml).

Military Service Eligibility Criteria

The date of hire or date of new business start up must be within 24 months of an Honorable or General Discharge from active, federal military service. The veteran must either have been a resident of Vermont at the time of entry into the military or was mobilized to active, federal military service while a member of the Vermont National Guard or other reserve unit located in Vermont.

Unemployment Eligibility Criteria

The applicant must be collecting unemployment benefits, be eligible to collect unemployment benefits, or have exhausted unemployment benefits. For new hires, the applicant must not have been employed by the employer within the past 90 days. Questions regarding Unemployment eligibility criteria can be directed to the VDOL Unemployment Claimant Assistance Line at (877) 214-3332.

Employer Criteria

To be eligible to receive the tax credit, an employer must be in good standing with respect to applicable registration, fee, and filing requirements with the Secretary of State, VTAX, and VDOL. In addition, the employer must have in place a valid workers' compensation policy.

Position Criteria

To be eligible to receive the tax credit, an employer must hire the applicant to a position that provides at least 35 hours per week of work for not less than 45 of the 52 weeks following the date of hire. In addition, the position must provide compensation that equals or exceeds the prevailing compensation level, including wages and benefits, for the particular employment sector and region of the state as determined by the VDOL Commissioner. Employers can determine if a position they have is qualified by visiting the VDOL website (www.labor.vermont.gov/veterans) or calling (802) 828-4153.

New Business Eligibility Criteria

To be eligible to receive the tax credit for a new start up business, the applicant must hold at least a 50% ownership interest in the business and the business must show a net profit of at least \$3,000 for the year in which the credit is taken.

New Business Allowable Expenses

The following expenses associated with a start-up business, up to a maximum of \$2,000, may be deducted:

- (A) expenses associated with the development of a business plan;
- (B) professional services associated with the formation of the business (e.g., attorney and accounting services);
- (C) an analysis or survey of potential markets, products, labor supply, or transportation facilities;
- (D) advertisements for the opening of the business;
- (E) salaries and wages for employees who are being trained and their instructors;
- (F) travel and other necessary costs for securing prospective distributors, suppliers, or customers;
- (G) salaries and fees for executives and consultants, or for similar professional services.





Mail Completed Applications and DD Form 214 to:
Office of Veterans Affairs, 118 State Street, Montpelier, VT 05620-4401
 Toll-free: (888) 666-9844; Phone: (802) 828-3379; Fax: (802) 828-5932
 Operating Hours: Monday – Friday, 7:30 a.m. – 4:00 p.m.

**CERTIFICATION FOR
 UNEMPLOYED VETERAN WITH RECENT MILITARY SERVICE**

In accordance with Act 44 of 2011, employers who hire a recently separated veteran may be eligible to receive a tax credit of \$2,000. Veterans who start their own business may receive up to a \$2,000 tax credit. Instructions and important eligibility information is attached.

To ensure fast and accurate processing, applicants should include a copy of their most recent DD Form 214.

APPLICANT INFORMATION (PLEASE PRINT LEGIBLY)

(Print) First Name:		Middle Initial:	Last Name:	
Date of Birth:		Social Security Number:		
Phone:		Email Address:		
Mailing Address:				
Town:		County:	State:	Zip:
Signature:			Date:	

STAFF PROCESSING (VERMONT OFFICE OF VETERAN AFFAIRS STAFF ONLY)

The applicant above meets the military service requirements for this program. <input type="checkbox"/> Yes <input type="checkbox"/> No Authorized VOVA Signature: _____ Printed Name: _____ Eligibility Expires: _____		Application not valid without Office of Veterans Affairs stamp
---	--	--

STAFF PROCESSING (VERMONT DEPARTMENT OF LABOR STAFF ONLY)

The applicant above meets the criteria relating to the Unemployment provisions for this program. <input type="checkbox"/> Yes <input type="checkbox"/> No Authorized VDOL Signature: _____ Printed Name: _____		Application not valid without Vermont Department of Labor date stamp
---	--	--

State of Vermont, Office of Veterans Affairs Form 44. Printed June 13, 2011.

For more information on the benefits and services available to veterans and their dependents in Vermont, visit:

www.veterans.vt.gov

Instructions

1. Complete the Applicant Information portion of the Certification for Unemployed Veteran with Recent Military Service form. Make sure to complete all blocks within this section and to print legibly.

2. Vermont Office of Veterans Affairs (VOVA) will determine if the applicant meets the military service eligibility criteria. Deliver the form to VOVA via:

Mail or In Person: 118 State Street, Montpelier, VT 05620-4401

Fax: (802) 828-5932

Applicants should include a copy of their most recent DD Form 214 to ensure fast and accurate processing. VOVA may require additional documentation necessary to verify eligibility. Approved applications will be stamped by VOVA and returned to the applicant. Disapproved applications will be returned to the applicant by VOVA with the reason for disapproval.

3. The Vermont Department of Labor (VDOL) will determine if the applicant meets the Unemployment eligibility criteria. Applicant will deliver applications approved by VOVA to the local VDOL Resource Center listed below. Approved applications will be stamped by VDOL and returned to the applicant. Disapproved applications will be returned to the applicant by VDOL with the reason for disapproval.

Town	Location	Phone
Barre	McFarland State Office Building, 5 Perry Street, Suite 200	476-2600
Bennington	150 Veterans Memorial Drive, Suite 2	442-6376
Brattleboro	State Office Building, 232 Main Street	254-4555
Burlington	63 Pearl Street	863-7676
Middlebury	1590 Route 7 South, Suite 5	388-4921
Morrisville	197 Harrel Street	888-4545
Newport	Emory E Hebard State Office Building, 100 Main Street, Suite 210	334-3351
Randolph	50 Randolph Avenue (by appointment only)	476-2600
Rutland	200 Asa Bloomer Building	786-5837
St. Albans	20 Houghton Street, Room 101	524-6585
St. Johnsbury	1197 Main Street, Suite 1	748-3177
Springfield	56 Main Street, Suite 101	885-2167
White River Jct.	220 Holiday Drive, Suite 28, Gilman Office Center	295-8805

4A. New Hire: After receiving approval from both VOVA and VDOL, provide the form to your new employer. The employer will then file this document with the Vermont Department of Taxes (VTAX), which will also require documentation of employer and position criteria.

4B: New Business: After receiving approval from both VOVA and VDOL, the applicant will provide the form to VTAX when filing your income tax return. Additional documentation will be required to verify eligibility criteria and allowable expenses.

Period of Eligibility

This tax credit is for new hires or new businesses started between May 24, 2011 and December 31, 2012. A credit earned under this section may be claimed in the tax year following the new full-time employee's date of hire, or in the tax year following the date that the start-up business was created, and may be carried forward one year. Appropriate tax forms and instructions to claim this credit may be downloaded from the VTAX website (www.state.vt.us/tax/index.shtml).

Military Service Eligibility Criteria

The date of hire or date of new business start up must be within 24 months of an Honorable or General Discharge from active, federal military service. The veteran must either have been a resident of Vermont at the time of entry into the military or was mobilized to active, federal military service while a member of the Vermont National Guard or other reserve unit located in Vermont.

Unemployment Eligibility Criteria

The applicant must be collecting unemployment benefits, be eligible to collect unemployment benefits, or have exhausted unemployment benefits. For new hires, the applicant must not have been employed by the employer within the past 90 days. Questions regarding Unemployment eligibility criteria can be directed to the VDOL Unemployment Claimant Assistance Line at (877) 214-3332.

Employer Criteria

To be eligible to receive the tax credit, an employer must be in good standing with respect to applicable registration, fee, and filing requirements with the Secretary of State, VTAX, and VDOL. In addition, the employer must have in place a valid workers' compensation policy.

Position Criteria

To be eligible to receive the tax credit, an employer must hire the applicant to a position that provides at least 35 hours per week of work for not less than 45 of the 52 weeks following the date of hire. In addition, the position must provide compensation that equals or exceeds the prevailing compensation level, including wages and benefits, for the particular employment sector and region of the state as determined by the VDOL Commissioner. Employers can determine if a position they have is qualified by visiting the VDOL website (www.labor.vermont.gov/veterans) or calling (802) 828-4153.

New Business Eligibility Criteria

To be eligible to receive the tax credit for a new start up business, the applicant must hold at least a 50% ownership interest in the business and the business must show a net profit of at least \$3,000 for the year in which the credit is taken.

New Business Allowable Expenses


The following expenses associated with a start-up business, up to a maximum of \$2,000, may be deducted:

- (A) expenses associated with the development of a business plan;
- (B) professional services associated with the formation of the business (e.g., attorney and accounting services);
- (C) an analysis or survey of potential markets, products, labor supply, or transportation facilities;
- (D) advertisements for the opening of the business;
- (E) salaries and wages for employees who are being trained and their instructors;
- (F) travel and other necessary costs for securing prospective distributors, suppliers, or customers;
- (G) salaries and fees for executives and consultants, or for similar professional services.

Attachment B

West Virginia Annotated Code 21A-2C-4 and tax schedule J—the “West Virginia Military Incentive Credit”

C

West's Annotated Code of West Virginia [Currentness](#)
Chapter 21A. Unemployment Compensation ([Refs & Annos](#))
 [Article 2C. Military Incentive Program \(Refs & Annos\)](#)
→ § 21A-2C-4. Tax credit; eligibility; amount

(a) Each person, partnership or corporation which employs an economically disadvantaged Vietnam era or Korean conflict veteran or any disabled veteran, or an unemployed member of the West Virginia national guard or a member of the reserve forces of the United States for a continuous period of one year, except as otherwise provided in this article, shall be entitled to an appropriate tax credit for each such individual so employed. In the case of a person or partnership so employing such individuals, the tax credit provided for in this section shall be applied against the employer's personal income tax liability. In the case of a corporation so employing such individuals, the tax credit provided for in this section shall be applied against the corporation's corporate net income tax liability. This tax credit shall be nonassignable and may not exceed an employer's total tax liability with respect to the specific tax against which the tax credit is required to be applied.

(b) The amount of the tax credit allowed under subsection (a) of this section shall be an amount equal to the following:

(1) For each economically disadvantaged Vietnam era or Korean conflict veteran employed as described in subsection (a), the amount of the tax credit allowed shall be thirty percent of the employee's wage base. For the purposes of this section, the employee's wage base is the first five thousand dollars in wages or compensation actually paid to the employee by the employer;

(2) For each disabled veteran employed as described in subsection (a), the amount of the tax credit allowed shall be a percentage equal to the percentage of disability suffered by the veteran multiplied by the employee's wage base. The employee's wage base is the same as provided in subdivision (1) of this subsection. The percentage of disability referred to in this subdivision means the percentage of compensation for service connected disability as determined by the United States department of veterans affairs; and

(3) For each member of the West Virginia national guard or member of the reserve forces of the United States employed as described in subsection (a), the amount of the tax credit allowed shall be twenty-five percent of the employee's wage base. For the purpose of this section, the employee's wage base is the first five thousand dollars in wages or compensation actually paid to the employee by the employer.

CREDIT(S)

Acts 1984, c. 174; [Acts 1991, c. 170](#).

CROSS REFERENCES

Taxation, military incentive tax credit, see [§§ 11-21-42, 11-24-12](#).

LIBRARY REFERENCES

[Taxation](#)  1047.

Westlaw Key Number Search: 371k1047.

[C.J.S. Taxation § 1098](#).

UNITED STATES CODE ANNOTATED

Income taxes, applicability on military or other reservations, see [4 U.S.C.A. § 106](#).

W. Va. Code, § 21A-2C-4, WV ST § 21A-2C-4

Current through 2011 Reg. Sess.

(C) 2011 Thomson Reuters. No Claim to Orig. US Gov. Works.

END OF DOCUMENT

WEST VIRGINIA SCHEDULE J

WEST VIRGINIA MILITARY INCENTIVE CREDIT

The purpose of the West Virginia Military Incentive Credit (formerly called the Veterans Employment Credit) is to encourage the employment of veterans and members of the guard and reserve forces in the private sector. This would be accomplished by providing tax credits to qualified employers providing employment to economically disadvantaged veterans, disabled veterans and unemployed members of the West Virginia National Guard and United States Reserve forces.

ELIGIBLE TAXPAYERS

Eligibility for the Military Incentive Credit is limited to employers hiring individuals certified as eligible by the West Virginia Division of Employment Security. The credit typically applies if the eligible individual is employed for a continuous period of one year or more. Certain other restrictions and limitations also apply.

Tax credits will not be available to employers for any individual employed for less than one year of continuous employment. However, if the individual voluntarily leaves employment with the employer; the individual becomes totally disabled and unable to continue his employment; or the individual is terminated for good cause shown, the employer shall be entitled to a partial tax credit in a proportional amount corresponding to the ratio of the time period during which the veteran was actually employed.

The tax credit is not available for the employment of any individual who displaces a person already employed or for the employment of any individual for whom the employer is receiving job training payments from either the federal or state government.

AMOUNT OF CREDIT

For economically disadvantaged veterans hired, the credit available to the employer is 30% of the first \$5,000.00 in wages or compensation actually paid the employee. For disabled veterans, the credit is the percentage of disability multiplied by the first \$5,000.00 in wages or compensation actually paid the employee. For members of the West Virginia National Guard and United States Reserve forces, the credit is 25% of the first \$5,000.00 in wages or compensation actually paid the employee.

Classification	Percentage	x	Wage Base	= Credit
Disadvantaged Veteran	30%	x	\$5,000.00	
Disabled Veteran	Disability Percentage	x	\$5,000.00	= \$1,500.00
National Guard or Reserve	25%	x	\$5,000.00	= \$0.00 - \$5,000.00 = \$1,250.00

DEFINITIONS OF QUALIFIED EMPLOYEES

An "Economically Disadvantaged" veteran means a person who:

1. Receives, or is a member of a family which receives, cash welfare payments under a federal, state or local welfare program;
2. Has been certified as eligible by the West Virginia Department of Employment Security and has been employed for a continuous period of one year;
3. Has, or is a member of a family which has, received a total family income for the six months prior to application which, in relation to family size, was not in excess of the high of:
 - a. The poverty level determined in accordance with criteria established by the federal office of management and budget; or
 - b. Seventy percent of the lower living standard income; or
 - c. Is receiving food stamps pursuant to the food stamp act of 1977; or
 - d. Is a foster child on behalf of whom local government payments are made; or
 - e. Is an adult handicapped individual whose own income meets the requirements of subdivisions 1 and 2 of this subsection, but who is a member of a family whose income does not meet such requirements.

“Korean conflict” veteran means a person who served in the armed services of the United States at least one day during the period of time beginning on the twenty-seventh day of June, one thousand nine hundred fifty, and extending through the thirty-first day of January, one thousand nine hundred fifty five.

“Vietnam era veteran” means a person who served in the armed services of the United States at least one day during the period of time beginning the fifth day of August, one thousand nine hundred sixty-four, and extending through the seventh day of may, one thousand nine hundred seventy-five.

“National Guard member” means a member of any component of the West Virginia National Guard.

“Reserve member” means a member of any component of the reserve forces of the United States.

If you desire additional information about the “Military Incentive Program Act of 1991”, you must contact your local Job Service Office or the West Virginia Employment Services Division, 112 California Avenue, Charleston, WV 25305 (304) 558-7849.

INSTRUCTIONS

Enter the name(s) and Identification number shown on your West Virginia State Personal Income Tax return or that shown on the West Virginia Corporation Net Income Tax return.

Enter the employer name and Identification number as it appears on the “Employer Certification” issued by the West Virginia Department of Employment Security.

Column 1 - Enter the Veteran’s or member’s last name, first name then middle initial on the first line. Enter his or her social security number (SSN) on the second line.

Column 2 - Check the appropriate box. If the veteran or member is disabled, enter the percentage of compensation for service connected disability as determined by the Veteran’s Administration of the United States. If the veteran or member is disadvantaged, the legislated thirty percent (30%) limitation has been preprinted. See introduction for definition of “Economically Disadvantaged Veteran”. If member of the National Guard or Reserves, the legislated twenty-five percent (25%) limitation has been preprinted.

Column 3 - Enter the Beginning and Ending date of employment during your taxable year for each veteran or member. If the period of employment for a veteran or member is less than one year, then the allowable credit must be prorated as described in the “Column 5” instructions.

Column 4 - Enter the total amount of wages or compensation paid to the veteran or member during the taxable year or \$5,000.00, **WHICHEVER IS LESS**.

Column 5 - Enter the amount of allowable credit for each qualified veteran or member you have employed for the entire taxable year computed by multiplying the amount shown in column 4 by the applicable percentage shown in column 2. If the period of employment is not for the entire taxable year you must also prorate the calculated credit according to the ratio of the employment dates shown in Column 3 to a full one-year period. In other words, if the period of employment was August 1, to December 31 of the taxable year the calculated credit must be multiplied by 5/12.

The maximum credit for each veteran or member is limited to the smallest of either the calculation just described for a partial year of employment or \$5,000.00 for a 100 percent “Disabled” veteran or member.

Add lines (a) through (e) of Column 5 and enter the total in the appropriate space. Carry this total over to the appropriate line on your Resident Personal Income Tax Form (IT-140), your Nonresident/Part-Year Resident Form (IT-140NR/PY) or Summary Schedule TC of the West Virginia Corporation Net Income Tax Return.

SCHEDULE J
WEST VIRGINIA MILITARY INCENTIVE CREDIT

TAX YEAR ENDING _____, _____

NAME(S) SHOWN ON TAX RETURN _____

YOUR SOCIAL SECURITY NUMBER _____

EMPLOYER NAME _____

TAX IDENTIFICATION NUMBER _____

(1) Veteran's or Member's Name Social Security Number	(2) Category - Check one (If disabled - enter percent of disability.)	(3) Period of Employment during tax year.	(4) Wages Paid	(5) Credit
(a) Name (Last, First, MI) _____ SSN _____	Disabled ___% Disadvantaged 30% National Guard 25% or Reserves 25%	Beg _____ End _____	\$ _____	\$ _____
(b) Name (Last, First, MI) _____ SSN _____	Disabled ___% Disadvantaged 30% National Guard 25% or Reserves 25%	Beg _____ End _____	\$ _____	\$ _____
(c) Name (Last, First, MI) _____ SSN _____	Disabled ___% Disadvantaged 30% National Guard 25% or Reserves 25%	Beg _____ End _____	\$ _____	\$ _____
(d) Name (Last, First, MI) _____ SSN _____	Disabled ___% Disadvantaged 30% National Guard 25% or Reserves 25%	Beg _____ End _____	\$ _____	\$ _____
(e) Name (Last, First, MI) _____ SSN _____	Disabled ___% Disadvantaged 30% National Guard 25% or Reserves 25%	Beg _____ End _____	\$ _____	\$ _____

Total (Column 5 a-e) _____

Carry this total over to the appropriate line on your Resident Personal Income Tax Form (IT-140), your Nonresident/Part-Year Resident Form (IT-140NR/PY) or Summary Schedule TC of the West Virginia Corporation Net Income Tax Return.