Legislators Ponder Credits to Boost Manufacturing Jobs

Two California Chamber of Commerce-supported bills to increase manufacturing and research and development (R&D) jobs are under consideration in the Legislature.

Both AB 486 (Mullin; D-South San Francisco) and SB 376 (Correa; D-Santa Ana) are job creators that encourage employers to maintain and expand their manufacturing operations in California by providing a full state sales-and-use tax exemption for purchases of manufacturing and R&D equipment.

Encouraging Investment

AB 486 and SB 376 exempt California taxpayers from having to pay state sales and use tax on purchases of qualified manufacturing and R&D equipment made between January 1, 2017 and December 1, 2020.

Most states recognize that taxing the input as well as the final manufactured product is double taxation and discourages investment. The current policy has contributed to less production in California — out-of-state companies electing to grow elsewhere and in-state companies continuing to shift workers or facilities to other regions that do not burden capital investments with excess taxation.

Fixes Tax Inequity

AB 486 and SB 376 address this tax inequity and barrier to capital investment by exempting manufacturing equipment purchases from state and local sales-and-use tax, and seek to exempt sustainable development and R&D equipment from the state portion of sales-and-use tax.

Removing investment barriers to promote new machinery and equipment purchases in California will foster productivity, make manufacturers more competitive, and allow them to keep employees and strengthen the state’s economy.

The ability to meet the state’s economic needs depends on a healthy and competitive California economy. A new and improved tax treatment for manufacturing and R&D investments will send a strong message that California favors fair tax policies that make the state more business-friendly, even during difficult economic times.

Status

AB 486 was sent to the Assembly Revenue and Taxation Committee Suspense File on April 22 pending a review of its fiscal impacts.

SB 376 won approval from the Senate Governance and Finance Committee on April 24.

Newly Identified ‘Job Killer’ Increases Health Care Costs, Litigation

The California Chamber of Commerce has identified a new “job killer” bill that will impose a number of significant new penalties on private employers with 500 or more employees in California and would dramatically increase the amount of frivolous litigation.

AB 880 (Gomez; D-Los Angeles) increases health care costs and discrimination litigation by assessing large employers a penalty if any of their employees who work as little as 8 hours per week enroll in California’s Medi-Cal program and by expanding the Labor Code to include a protected classification for any person who is enrolled in California’s Medi-Cal program or in the California Health Benefit Exchange.

AB 880’s proposed penalty on employers is based on 110% of the average cost of health care coverage, including both the employer’s and employee’s share of the premium.

Penalty/Part-Time Workers

AB 880 goes well beyond the requirements of the federal Patient Protection and Affordable Care Act (PPACA) in two ways:

See Newly Identified ‘Job Killer’: Page 7

See Legislators: Page 4
Labor Law Corner

Q&A on Use of Form I-9 for Verifying Employment Eligibility

Do we have to have current employees fill out the new form?

No. If an I-9 Form was completed at the time of hire, there is no need to ever complete a new form even though I-9 Forms may change from time to time. When do I have to use the new I-9 Form?

A new I-9 Form went into effect on March 8, 2013; however, employers have until May 6, 2013 to stop using the old form. The new I-9 Form must be used starting May 7, 2013 for all new hires, rehires, and whenever new work authorization documents are issued.

Who is not required to complete an I-9?

- Employees not physically working in the United States;
- Independent contractors;
- Employees who work for independent contractors on your site, i.e., temporary agency employees or leased employees;
- Individuals hired to do casual domestic work in a private home on a sporadic, irregular or intermittent basis; and
- Employees hired prior to November 6, 1986.

May I copy the I-9 Form?

Yes. Form I-9 may be photocopied.

Do I need to retain the instructions, which are quite lengthy, with the completed I-9 Form?

No. Only the completed three pages of the Form I-9 are required to be retained.

In order to save paper, employers may laminate the instructions. That way only one set of instructions needs to be copied and retained for I-9 use in filling out the form. This suggestion was provided by the I-9 Team at the U.S. Citizens and Immigration Services (USCIS).

What are some of the changes in the new I-9 that I need to know?

The new form contains much more detailed instructions (six pages) and new inquiries are included in Section 1. Some of those key points are summarized below:

Section 1 Employee Information

- The employee may not be asked to complete Section 1 before the employee has accepted a job offer.
- Email Address and Telephone Number (Optional): If an employee chooses not to provide this information, the employee can simply put “N/A” or not applicable in the blank.
- Employee Social Security Number: Providing a Social Security number is voluntary, unless the employer is required to do E-Verify or has voluntarily registered for E-Verify.
- Preparer and/or Translator Certification: This provision must be completed by a translator or someone who provided assistance to the employee in completing Section 1. The person providing that assistance must sign and date that section and provide his/her name and address. The section should be left blank if the employee has not needed assistance in completing the form.
- Minors and Certain Employees with Disabilities (Special Placement): There are special guidelines in the I-9 “Handbook for Employers“ pertaining to parents or legal guardians involving “minors under 18” or “special placement” of individuals with disabilities. These individuals have special procedures for assistance in completing the form.

See Q&A: Page 4

CalChamber-Sponsored Seminars/Trade Shows

More information: calchamber.com/events.

Labor Law


Leaves of Absence: Making Sense of It All. CalChamber. May 9, Sacramento. (800) 331-8877.


California Employers and Workplace

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CalChamber Calendar

Legislative Briefing:
May 21, Sacramento

International Forum:
May 21, Sacramento

Environmental Regulation Committee:
May 21, Sacramento

Water Committee:
May 21, Sacramento

CalChamber Fundraising Committee:
May 21, Sacramento

Board of Directors:
May 21–22, Sacramento

Host Breakfast:
May 22, Sacramento

See Next Page
Tax Credit Sunset Bill Moves to Assembly

A California Chamber of Commerce—opposed “job killer” bill that imposes an arbitrary maximum 10-year sunset on all future tax credits passed the Senate on April 22.

SB 365 (Wolk; D-Davis) creates uncertainty for California employers making long-term investment decisions by requiring tax incentives end 10 years after their effective date.

The CalChamber supports efforts of the state to consider the effectiveness of tax policies and programmatic expenditures. SB 365, however, attempts to address this periodic review and good government structure related to tax policy by mandating a maximum 10-year sunset on all future tax credits. This would have the adverse effect of creating uncertainty about the future of the state’s tax structure.

Stability Is Key

When businesses choose to locate in a state, factors such as the availability of a skilled workforce, infrastructure, regulatory environment, and tax structure all play a significant role. Businesses evaluate whether they can rely on these factors to remain relatively stable and consistent in the long term.

Furthermore, for capital-intensive industries like manufacturing and research and development, investment decisions are made many years into the future. The ability for corporate decision makers in these industries to plan anticipated costs over a span of many years is an important factor when determining locations for these investments.

Establishing an arbitrary maximum 10-year sunset puts the long-term viability of any credit in jeopardy and, in many cases, could ultimately render the credit’s value useless in a company’s final decision on a location.

Amendments Needed

The CalChamber believes that the arbitrary maximum 10-year sunset requirement should be amended to allow tax credits introduced in the future to be evaluated on their own merit. A reasonable sunset should be applied only if appropriate.

Key Vote

SB 365 passed the Senate, 22-11, and will be considered next by the Assembly.

Ayes: Beall (D-San Jose), Block (D-San Diego), Corbett (D-San Leandro), de León (D-Los Angeles), DeSaulnier (D-Concord), Evans (D-Santa Rosa), Hancock (D-Oakland), Hernández (D-West Covina), Hill (D-San Mateo), Jackson (D-Santa Barbara), Lara (D-Bell Gardens), Leno (D-San Francisco), Lieu (D-Torrance), Liu (D-La Cañada Flintridge), Monning (D-Carmel), Padilla (D-Pacoima), Pavley (D-Agoura Hills), Price (D-Los Angeles), Roth (D-Riverside), Steinberg (D-Sacramento), Wolk (D-Davis), Yee (D-San Francisco/San Mateo).

Noes: Anderson (R-Alpine), Berryhill (R-Modesto), Cannella (D-Ceres), Emmerson (R-Hemet), Fuller (R-Bakersfield), T. Gaines (R-Rocklin), Huff (R-Diamond Bar), Knight (R-Palmdale), Nielsen (R-Gerber), Walters (R-Irvine), Wyland (R-Escondido).

No vote recorded: R. Calderon (D-Montebello), Correa (D-Santa Ana), Galgiani (D-Stockton), Hueso (D-Logan Heights), Wright (D-Ingleswood).

Staff Contact: Jeremy Merz

CalChamber-Sponsored Seminars/Trade Shows

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Ask the HR Compliance Experts Webinar. CalChamber. August 15. (800) 331-8877.

Business Resources


International Trade
Canada and the Americas: A Partnership for Global Competitiveness. Institute of the Americas. May 1, La Jolla. (858) 453-5560.
World Trade Week Kickoff Breakfast. Los Angeles Area Chamber. May 2, Los Angeles. (213) 580-7569.

The BRICS (Brazil, Russia, India, China and South Africa) Countries Conference. MBITA. May 24, Monterey. (831) 335-4780.
Think Asia, Think Hong Kong. Hong Kong Trade Development Council. June 14, Los Angeles. (212) 838-8688.
Spanish Language/Media Conference. California Leadership Institute and Mentoring Bridges. June 21–22, Los Angeles. (916) 719-1405
Federal Commission Offers Guidance on Corporate Social Media Use

The Securities and Exchange Commission (SEC) issued a report earlier this month that clarifies how companies can use social media outlets, such as Facebook and Twitter, to announce key information about the company.

Regulation Fair Disclosure (Regulation FD) requires companies to distribute material information in a manner reasonably designed to get that information out to the general public broadly and non-exclusively.

Facebook Post

The report was issued April 2 after the SEC’s Division of Enforcement investigated a post by Netflix CEO Reed Hastings, who used his personal Facebook page to announce that Netflix’s monthly online viewing exceeded one billion hours for the first time.

According to the SEC, Netflix failed to report this information to investors through a press release or a Form 8-K filing, and a company press release later that day did not include the information.

Netflix’s stock price started to rise before the posting, and increased from $70.45 at the time of the Facebook post to $81.72 at the close of the following trading day, the SEC report stated.

The SEC stated that it chose not to pursue an enforcement action against Hastings or Netflix because of market uncertainty about the application of Regulation FD to social media. Instead, the SEC issued its report.

Key Considerations

In a news release, the law firm of Brownstein Hyatt Farber Schreck, LLP, a California Chamber of Commerce member, lists key considerations for companies to ensure social media and other disclosure policies comply with applicable SEC guidance:

- The SEC has confirmed that Regulation FD applies to social media and other emerging means of communication used by public companies the same way it applies to company websites.
- The SEC issued guidance in 2008 clarifying that websites can serve as an effective means for disseminating information to investors if they have been made aware that’s where to look for it.
- A public company may disseminate material non-public information via social media channels as long as the social medium used is a “recognized channel of distribution” of information.

The company must inform the public that it will disclose that information via social media, identify the social medium used to provide the information, and give instructions on how the public may receive the information.

In the 2008 guidance, the SEC encouraged companies to include such disclosures in periodic reports and press releases.

- Companies should disclose information via both social media and other methods complying with Regulation FD before relying on social media as the primary outlet for such information.
- The social medium used must disseminate the information in a way that makes it available to the public.
- As the number of avenues for distributing information increases, companies should evaluate the costs and benefits of using one or more of them.

The SEC report is available at www.sec.gov/litigation/investreport/34-69279.pdf.

Staff Contact: Erika Frank

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establishing identity if they cannot present an identity document for the I-9 Form. In the case of a minor, the parent or guardian completes Section 1 and in the employee signature block writes either “minor under age 18” or “special placement,” whichever applies. The employer then writes “minor under age 18” or “special placement” under List B in Section 2.

More Information

USCIS has developed a very helpful guide for employers in reference to the Form I-9. It is called “Handbook for Employers” and may be viewed or downloaded at www.uscis.gov/files/form/m-274.pdf.

I-9 Forms are available in both English and Spanish. Questions may be directed to the California Chamber of Commerce Helpline and information also is available on HBCalifornia.com.

The Labor Law Helpline is a service to California Chamber of Commerce Preferred and executive members. For expert explanations of labor laws and Cal/OSHA regulations, not legal counsel for specific situations, call (800) 348-2262 or submit your question at www.hrcalifornia.com.

Legislators Ponder Credits to Boost Manufacturing Jobs

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Key Vote

The Senate Governance and Finance vote on SB 376 was 7-0:

Ayes: Wolk (D-Davis), Knight (R-Palmdale), Beall (D-San Jose), DeSaulnier (D-Concord), Emmerson (R-Hemet), Hernández (D-West Covina), Liu (D-La Cañada Flintridge).

Action Needed

The CalChamber is urging employers to contact their representatives in the Assembly and Senate to urge support for AB 486 and SB 376.


Staff Contact: Jeremy Merz
Senate Committee Rejects Proposal to Reduce Employer Costs, Add Flexibility

California Chamber of Commerce-supported legislation that lowers costs for employers and provides more flexibility was rejected by a Senate policy committee this week.

SB 607 (Berryhill; R-Modesto) reduces costs for employers by allowing employees to request and work up to 10 hours in a day without the payment of overtime. The CalChamber identified SB 607 as a job creator that seeks to eliminate the burdensome alternative workweek election process and allow the employee the opportunity to request a four, 10-hour day workweek schedule that will address the needs of both the employer and employee.

California Requirement
California is one of only three states that require employers to pay daily overtime after eight hours of work and weekly overtime after 40 hours of work. Even the other two states that impose daily overtime requirements allow the employer and employee to essentially waive the daily eight-hour overtime requirement through a written agreement.

California, however, provides no such common-sense alternative. Rather, California requires employers to navigate through a multi-step process to have employees elect an alternative workweek schedule that, once adopted, must be “regularly” scheduled. This process is filled with potential traps for costly litigation, as one misstep may render the entire alternative workweek schedule invalid and leave the employer on the hook for claims of unpaid overtime wages.

Currently, there are 23,994 reported alternative workweek schedules with the Division of Labor Standards and Enforcement. According to the Employment Development Department’s calculations in 2009, there are approximately 1,347,245 employers in California.

Few Use Current Process
At best, approximately 2% of California employers are utilizing the alternative workweek schedule option. Even realistically, however, given that the information in the database is according to work unit instead of employer, it is likely that less than 1% of employers in California are utilizing this process.

SB 607 would have relieved employers, especially smaller employers, from the administrative cost and burden of adopting an alternative workweek schedule. Pursuant to SB 607, at the request of the employee, an employer would have been able to implement a flexible work schedule that allows the employee to work up to 10 hours in a day or 40 hours in a week, without the payment of overtime.

Employers should be able to negotiate through a written agreement, revocable by either party, the daily/weekly schedule that satisfies the needs of both the employee(s) and the employer.

Key Vote
SB 607 was rejected by the Senate Labor and Industrial Relations Committee on April 24, 1-4.

Ayes: Wyland (R-Escondido).
Noes: Lieu (D-Torrance), Leno (D-San Francisco), Yee (D-San Francisco/San Mateo).
No vote recorded: Padilla (D-Pacoima).

Staff Contact: Jennifer Barrera

CalChamber Political Action Committee Workshop Set for September
The California Chamber of Commerce will be holding a political action committee (PAC) training workshop September 27 at Woodbury University in Burbank, from 9 a.m. to 4 p.m.

The workshop will focus on key strategies for business success in state and local elections, and will cover candidate assessments and endorsements, new Fair Political Practices Commission (FPPC) regulations, and PAC management.

Agenda
The agenda will include:
• A discussion of legal issues and requirements associated with a PAC led by attorneys Brian Hildreth, partner, Bell, McAndrews & Hiltachk, LLP, and Bradley Hertz, partner, The Sutton Law Firm.
• How to interact with the California FPPC, featuring Lynda Cassady, chief of the FPPC Technical Assistance Division.
• Keynote presentations by legislators. Invited to speak are Assemblyman Raul Bocanegra (D-Pacoima), Assemblyman Jeff Gorell (R-Camarillo), and Senator Alex Padilla (D-Pacoima).
• How to recruit, train and endorse candidates.

Registration
Online registration is available at www.regonline.com/calchamber2013pacworkshop.

Questions may be directed to CalChamber Grassroots Coordinator Cathy Mesch at (916) 930-1295 or cathy.mesch@calchamber.com.
Legislative Outlook

A California Chamber of Commerce-supported bill allowing the creation of an enhanced driver license is scheduled to be considered by the Senate Transportation and Housing Committee on April 30.

The CalChamber considers SB 397 (Hueso; D-Logan Heights) a job creator that encourages international trade and tourism by authorizing the Department of Motor Vehicles to issue enhanced driver licenses to U.S. citizens to expedite legal traffic at the border.

The ports of entry along the California-Mexico border are among the busiest ports in the world. Each year, 45 million vehicle passengers cross the border via one of the six ports of entry.

At San Ysidro Port, 50,000 vehicles are processed by U.S. Customs and Border Protection (CBP) each day. The average wait for travelers at these ports is over an hour. These delays result in a loss of 8 million trips each year. In the San Diego region alone, this results in an estimated loss of $1.2 billion in revenues.

SB 397 relieves the border congestion by implementing the federal enhanced driver license program. This program grants U.S. residents who possess an enhanced driver license access to “ready lanes” at California ports of entry.

An enhanced driver license is a standard driver license that has been enhanced in process, technology, and security to denote identity and citizenship for purposes of entering the United States. This technology provides CBP real-time access to a traveler’s biometric and biographical information, allowing the CBP officer to look quickly at the results and focus on the traveler’s vehicle as opposed to scanning documents—reducing wait time by up to 60%.

As California continues to recover from the recession, it is essential to enact legislation that promotes economic growth. Reducing border wait times will allow greater movement of travelers and consumers and achieve significant economic benefits.

Staff Contact: Jeremy Merz

Bill Reducing Business Energy Costs Fails to Pass Assembly Committee

A California Chamber of Commerce-supported job creator bill that would have encouraged job growth by reducing burdensome energy costs on businesses failed to pass an Assembly committee on April 22.

AB 762 (Patterson; R-Fresno) would have reduced energy costs and promoted renewable energy by including hydroelectric generation in the definition of a renewable energy resource.

Electricity rates in California are among the highest in the nation, making it difficult for businesses to operate cost-effectively. California’s Renewable Portfolio Standard (RPS) mandate is the most aggressive in the nation and will likely increase electricity rates even higher.

AB 762 would have improved the ability of California electricity providers to cost effectively meet their 33% RPS by allowing hydroelectric facilities of any size to count toward a utility’s RPS.

Key Vote

AB 762 fell short of the votes needed to pass the 15-member Assembly Utilities and Commerce Committee, 6-5. The bill was granted reconsideration.

Ayes: Chávez (R-Oceanside), B. Gaines (R-Rocklin), Gorell (R-Camarillo), R. Hernández (D-West Covina), Jones (R-Santee), Patterson (R-Fresno).

Noes: Fong (D-Cupertino), Quirk (D-Hayward), Rendon (D-Lakewood), Skinner (D-Berkeley), Williams (D-Santa Barbara).

Absent/abstaining/not voting: Bradford (D-Gardena), Bonilla (D-Concord), Buchanan (D-Alamo), Garcia (D-Bell Gardens).

Staff Contact: Amy Mmagu
Under the PPACA, the formula for assessing a penalty on employers who do not offer affordable health care coverage when their employee receives subsidized care is $2,000 annually times the number of full-time employees minus 30.

In contrast, the formula for assessing a penalty under AB 880 is based on the cost of health insurance premiums for the employee and the employer, which far exceeds $2,000.

Indeed, according to the Kaiser Family Foundation, the national average cost for health care coverage in 2012 was $5,615 for individuals and $15,745 for families. It is unclear whether AB 880 sets the penalty level at the individual or family level of health care coverage.

AB 880 applies its provisions to part-time as well as full-time employees. The CalChamber understands the goals of supporting employer coverage for full-time employees, since this has been a common and expected practice for decades; the “employer responsibility” provisions of the PPACA reflected that. This bill, however, goes far beyond common practice and the PPACA by applying the penalty to employers whose part-time employees receive Medi-Cal benefits.

Protected Classification

Creating such a broad protected classification as proposed under AB 880 will encompass a large portion of employees and will significantly hamper an employer’s ability to manage its workforce.

Specifically, under AB 880, an employer will potentially be subject to costly litigation for alleged discrimination or retaliation each time it makes an adverse employment decision that has an impact on an employee who has enrolled in a public health benefit program.

California employers are already overwhelmed with employment litigation. There were approximately 19,500 discrimination claims filed in 2010 with the Department of Fair Employment and Housing (DFEH) under the Fair Employment and Housing Act (FEHA), which was 1,000 complaints more than in 2009. Notably, more than 4,000 of these complaints were dismissed due to lack of evidence of any violation. Adding this new expansive classification will only cause such cases to dramatically increase and burden California employers with costly litigation.

Equally concerning is AB 880’s extension of the Labor Code Private Attorney General Act (PAGA) to include retaliation/discrimination claims that generally are pursued through FEHA and subject to the exhaustion of administrative remedies.

Specifically, instead of filing a retaliation claim through FEHA based upon race or national origin, AB 880 would allow an employee to side step the FEHA requirement that administrative remedies be exhausted and pursue a PAGA claim for retaliation that allows the employee to obtain statutory penalties, as referenced above, as well as attorney fees for the employee only. The CalChamber believes discrimination and retaliation claims that are based on a protected class should be mandated to comply with the administrative process of first submitting such claims to the DFEH for review.

Finally, determining the status of a person as an independent contractor versus an employee is a daunting task for many businesses because of the subjective nature of the factors utilized in the analysis. Even state agencies admittedly do not agree on who qualifies as an independent contractor. Without clarification, AB 880 would expose employers to additional litigation. The bill should apply only to employers who purposefully and/or specifically intend to misclassify an individual as an independent contractor in order to avoid the law.

Most large California employers provide health care coverage to their employees and do their best to make it affordable, although health care costs are beyond employer control. Although the CalChamber understands the concern that some employers may attempt to avoid the rising costs of health care coverage, AB 880 goes far beyond any reasonable response to that concern.

Action Needed

AB 880 will be considered by the Assembly Health Committee on April 30. Contact members of the committee and your Assembly representative and urge them to oppose AB 880.

Staff Contact: Jeanne Cain
Simplify your required AB 1825 training.

California companies with 50 or more employees are required to provide two hours of sexual harassment prevention training to all supervisors within six months of hire or promotion, and every two years thereafter. CalChamber’s online supervisor course meets AB 1825 training requirements and helps your company avoid work situations that put you at risk for costly lawsuits. Regardless of company size, we recommend training for all supervisors and employees. Learners can start and stop anytime because the system tracks their progress.

Get a $5 Starbucks eGift Card for every California Harassment Prevention training seat you purchase by 5/31/13. Use priority code HPTST3. Preferred and Executive members receive their 20% discount in addition to this offer.

ORDER online at calchamber.com/harassment1 or call (800) 331-8877.