

White Paper: Business Tax Credit for Employers of Texas National Guard Members

Subject: National Guard Association of Texas - Business Tax Credit for Employers of Actively Serving Texas National Guard Members

References:

1. Texas Military Department Annual Report.
2. U.S. Bureau of Labor Statistics. (2023). Employment Situation of Veterans — 2022. Retrieved from <https://www.bls.gov/news.release/vet.htm>
3. Texas Comptroller of Public Accounts. (2023). Franchise Tax. Retrieved from <https://comptroller.texas.gov/taxes/franchise/>

Issue: Texas businesses shoulder a hidden cost when employing National Guard members. While Guardsmen bring valuable skills—such as leadership, teamwork, and technical expertise—their service obligations can create challenges, including:

- **Scheduling Disruptions:** Guardsmen may need time off for monthly drills, annual training, or unexpected deployments, leaving employers to adjust workflows.
- **Additional Costs:** Businesses may face expenses for overtime, temporary staff, or training replacements to cover these absences.
- **Hiring Hesitation:** Some employers might view Guardsmen as less reliable due to their unpredictable availability, overlooking their qualifications.

This tax credit flips the narrative by:

- **Offsetting Costs:** Offering financial relief to cover the indirect expenses of employing Guardsmen.
- **Shifting Perceptions:** Encouraging employers to see National Guard service as an employment incentive—a marker of a disciplined, skilled worker—rather than a scheduling burden.
- **Supporting Texas Values:** Reinforcing the state’s dual priorities of military readiness and economic growth.

By providing this credit, Texas ensures that businesses are rewarded for their role in supporting the National Guard, turning a potential liability into a competitive advantage.

Point of Contact: Resolutions Committee, NGAT

Proposal: Establish a business tax credit for employers who hire and retain Texas National Guard members. The credit shall be calculated as a \$1,500 Tax Credit per Guardsmen, for each year the Guardsman remains employed and in active service with the Texas National Guard.

Background:

The Texas National Guard serves as a cornerstone of the state's security, disaster response, and support for federal missions.

Texas businesses that employ National Guard members experience unique challenges, such as scheduling disruptions and temporary staffing shortages, due to the Guardsmen's commitments to training, deployment, Texas domestic responses, and more.

These challenges impose indirect costs on employers, potentially dispiriting them from hiring or retaining National Guard members despite their exceptional skills, discipline, and leadership.

A tax credit would acknowledge the shared burden of National Guard service, providing financial relief to businesses and incentivizing them to see Guardsmen as valuable assets rather than scheduling burdens.

Supporting employers of Guardsmen aligns with Texas's commitment to both its military community and its business-friendly environment, fostering a stronger economy and a ready National Guard.

Benefits of the Tax Credit:

1. **For Businesses:** Reduces the financial and operational strain of employing Guardsmen, making it easier to retain skilled workers.
2. **For Guardsmen:** Increases job opportunities by removing employer disincentives, supporting their civilian careers alongside their military service.
3. **For Texas:** Strengthens the economy by keeping talented Guardsmen in the workforce and bolsters National Guard readiness by ensuring members can maintain stable employment.

Fiscal Impact: The estimated annual cost of this credit is approximately \$25,000,000. This estimate is based on:

- Total Texas National Guard members: 21,000 (Texas Military Department, 2023)
- Proportion employed by Texas businesses: 80% (U.S. Bureau of Labor Statistics, 2023)

- Number of eligible Guardsmen: 16,800
- Tax credit per Guardsman: \$1,500
- Total annual cost: $16,800 \times \$1,500 = \$25,200,000$

This credit would reduce the state's franchise tax revenue by approximately \$25 million annually, assuming all eligible businesses claim the credit against their tax liability.

Recommendation

Pass a resolution to establish a business tax credit of \$1,500 per Texas National Guard member employed annually. This resolution recognizes the shared burden Texas employers bear, transforms National Guard service into an employment incentive, and aligns with Texas's commitment to its military and business communities. By supporting employers who hire Guardsmen, Texas can build a stronger, more resilient workforce and economy.
