

SUMMARY ANALYSIS OF AMENDED BILL

Franchise Tax Board

Author: Maze Analyst: Darrine Distefano Bill Number: AB 1843

Related Bills: See Prior Analysis Telephone: 845-6458 Amended Date: April 27, 2004

Attorney: Patrick Kusiak Sponsor: _____

SUBJECT: Department of Housing And Community Development Designate Up To 3 Manufacturing Enhancement Areas

DEPARTMENT AMENDMENTS ACCEPTED. Amendments reflect suggestions of previous analysis of bill as introduced/amended _____.

AMENDMENTS IMPACT REVENUE. A new revenue estimate is provided.

AMENDMENTS DID NOT RESOLVE THE DEPARTMENT'S CONCERNS stated in the previous analysis of bill as introduced/amended _____.

FURTHER AMENDMENTS NECESSARY.

DEPARTMENT POSITION CHANGED TO _____.

REMAINDER OF PREVIOUS ANALYSIS OF BILL AS INTRODUCED January 29, 2004. STILL APPLIES.

OTHER - See comments below.

SUMMARY

This bill would expand the number of designated Manufacturing Enhancement Areas (MEA) in the state.

SUMMARY OF AMENDMENTS

The April 27, 2004, amendments made the following changes:

- Delete the bill's provisions to designate the City of Needles as an MEA.
- Adds the term "department" to identify the Department of Housing and Community Development (DHCD) as the authority to designate MEAs and enterprise zones.
- Allows DHCD to designate three MEAs.
- Expands the criteria for an MEA designation such as:
 - The applicant city is within 10 miles of a border state with a lower cost of living index.
 - At least 15% of households within the applicant city are at or below federal poverty level.
 - The designated area experienced a decline in population since the last federal census before the application date.

The April 27th amendments resolve the department's implementation considerations for the bill as introduced January 29, 2004. The revenue estimate is provided below for convenience. The remainder of the department's analysis of the bill as introduced January 29th still applies.

Board Position:
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Legislative Director Date
Brian Putler 5/14/04

POSITION

Pending.

ECONOMIC IMPACT

Based on the historically low costs associated with the MEA program, it is projected that the expansion from two to three designated cities would produce rather minor revenue losses (less than \$500,000) over the initial several years.

To determine the fiscal impact, historical trend data for the existing MEA Cities of Brawley and Calexico was examined. Taxpayers in either of these cities claimed no hiring credits in the first two years following their date of initial designation as a MEA (1997). For the following four years (1999-2002), no more than a combined \$132,000 of credits was claimed in a given year.

LEGISLATIVE STAFF CONTACT

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