

SUMMARY ANALYSIS OF AMENDED BILL

Franchise Tax Board

Author: Maze Analyst: Darrine Distefano Bill Number: AB 1856

Related Bills: See Prior Analysis Telephone: 845-6458 Amended Date: May 3, 2004

Attorney: Patrick Kusiak Sponsor: _____

SUBJECT: Targeted Tax Areas/Credits/Department of Housing & Community Development Approve Expansion of No More Than 15%

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 AMENDED April 12, 2004. STILL APPLIES.

OTHER - See comments below.

SUMMARY

This bill would make various changes to the Targeted Tax Area (TTA) provisions.

SUMMARY OF AMENDMENTS

The May 4, 2004, amendments make the following changes:

- Add a co-author.
- Delete the provisions that would have added taxpayers engaged in agricultural services and business services to the list of trades or businesses that may claim the tax incentives available in a TTA.
- Require the Tulare County Economic Development Corporation to report to the Legislature on or before January 1, 2008, on the number of additional jobs created by the expansion of the TTA and the number of taxpayers, including subsidiaries, doing business within the TTA.

The May 4th amendments do not impact the department. The revenue estimate provided in the department's analysis of the bill from April 12th regarding agricultural and business services no longer applies. However, the revenue impact for the 15% expansion of the TTA still applies and is provided below for convenience. The remainder of the department's analysis from April 12th still applies.

POSITION

Pending.

Board Position:	Legislative Director	Date
<input type="checkbox"/> S		
<input type="checkbox"/> SA		
<input type="checkbox"/> N		
<input type="checkbox"/> NA		
<input type="checkbox"/> O		
<input type="checkbox"/> OUA		
<input type="checkbox"/> NP		
<input type="checkbox"/> NAR		
<input checked="" type="checkbox"/> PENDING	Brian Putler	5/24/04

ECONOMIC IMPACT

The expansion of the geographic boundaries up to 15% would produce potential additional revenue losses to the extent the Department of Housing and Community Development can ascertain whether a proposed expansion meets the requisite criteria. For this analysis, it is assumed a proportionate relationship exists between size of a TTA and amount of tax incentives allowed. A proportionate loss in revenue assumes the 15% expansion would occur over a five-year period at an expansion rate of 3% per year starting in 2006 (delay based on a strict approval/allocation process). This produces an insignificant revenue impact of under \$150,000 annually for the following five years.

LEGISLATIVE STAFF CONTACT

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