

ANALYSIS OF ORIGINAL BILL

Franchise Tax Board

Author: Parra Analyst: Norman Catelli Bill Number: AB 2585

Related Bills: See Legislative History Telephone: 845-5117 Introduced Date: 02/20/2004

Attorney: Patrick Kusiak Sponsor: _____

SUBJECT: Legislative Analyst in Conjunction w/ BOE & FTB Calculate State Tax Revenues Derived From or Attributable to Joint Strike Fighter Impact Zone

SUMMARY

This bill would require the Franchise Tax Board (FTB) to determine the increase in state income tax revenues attributable to locating the Joint Strike Fighter (JSF) program in Kings County.

This analysis addresses only those provisions of the bill affecting FTB.

PURPOSE OF THE BILL

According to the author's staff, the purpose of the bill is to assist the San Joaquin Valley Air Pollution Control District in mitigating air pollution caused by locating the JSF program in its jurisdiction.

EFFECTIVE/OPERATIVE DATE

This bill would be effective and operative on January 1, 2005.

POSITION

Pending.

ANALYSIS

FEDERAL/STATE LAW

The JSF program is the Department of Defense's "affordable next generation strike aircraft weapon systems" for the Navy, Air Force, Marines, United Kingdom Royal Navy, and other U.S. allies. Currently the first engine designs are being tested. Engineering and testing is being conducted to define the critical design elements for the aircraft. The first flight for the conventional landing version of the aircraft is scheduled for the fall of 2005.

It is the Legislature's intent to encourage the United States Navy to select Lemoore Naval Air Station (Kings County) as the Navy's West Coast Operations Center to house the F-35 Joint Strike Fighter.

Existing law requires the air quality management districts and air pollution districts, subject to the duties of the Air Resources Board, to adopt and enforce rules and regulations to achieve and maintain the required federal and state air quality standards in all areas affected by emission sources under their jurisdiction.

Board Position:	Department Director	Date
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_____ X PENDING	Gerald H. Goldberg	5/4/04

THIS BILL

This bill would require FTB to establish a state income tax revenue baseline for taxes imposed pursuant to the Personal Income Tax Law and the Corporation Tax Law and attributable to the Joint Strike Fighter Impact Zone, defined as Kings County, for the fiscal year 2003-2004. This information would be furnished to the Legislative Analyst's Office (LAO) to be included in a report due no later than December 31, 2004. For fiscal year 2006-2007, and each fiscal year thereafter, FTB would report to the LAO on the state income tax revenue attributable to the Joint Strike Fighter Impact Zone, for inclusion in a report due not later than December 31st of the subsequent year.

The Legislature would appropriate some portion of the anticipated revenue increase to pay for mitigation of air pollution caused by the JSF operations.

IMPLEMENTATION CONSIDERATIONS

The "Base fiscal year (2003-04)" overlaps two taxable years, 2003 and 2004. The tax returns for those years are due (from calendar year taxpayers), respectively, not later than October 15, 2004, and October 17, 2005. That makes it impossible to include that information in a report due no later than December 31, 2004. This timing problem carries through for all reporting periods. For example, the FTB 2002 Annual Report was prepared in September of 2003 and reflects taxable year 2001 income tax returns.

A methodology would need to be developed to distinguish JSF income tax impact from other factors, such as normal economic growth.

Also, a methodology would need to be developed to attribute corporate income tax receipts by county.

LEGISLATIVE HISTORY

AB 2797 (Machado, Ch. 322, Stats. 1998) added the Joint Strike Fighter Credit to the Revenue and Taxation Code (R&TC).

SB 1660 (Scott, Ch. 487, Stats. 2002) made technical clarifying corrections to the Joint Strike Fighter Credit.

OTHER STATES' INFORMATION

Because of the specific nature of this bill, a comparison to the tax laws of other states would not be meaningful for this bill.

FISCAL IMPACT

If the implementation considerations addressed in this analysis are resolved, the department's costs are expected to be minor.

ECONOMIC IMPACT

In its current form, this bill would not impact the state's income tax revenue.

LEGISLATIVE STAFF CONTACT

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