

REVISED ANALYSIS

Franchise Tax Board

Author: Correa Analyst: John Pavalasky Bill Number: AB 382
Related Bills: See Prior Analysis Telephone: 845-4335 Original Analysis Date: September 8, 2003
Attorney: Patrick Kusiak Sponsor: _____

SUBJECT: Exemption/Interest On Bonds Issued By Federally Recognized Indian Tribal Government Located In This State

- REVENUE ESTIMATE CHANGED.
 FURTHER CONCERNS IDENTIFIED.
 REMAINDER OF PREVIOUS ANALYSIS OF BILL AS AMENDED
September 4, 2003 STILL APPLIES.
 OTHER – See comments below.

SUMMARY OF BILL

This bill expands the list of bonds that are treated as California tax-exempt to include certain bonds issued by Indian tribal governments located in California.

SUMMARY OF REVISION

The prior analysis dated September 8, 2003, of the bill as amended September 4, 2003, contained an effective/operative date for the bill that assumed passage during 2003. This revised analysis is for the purpose of updating the effective/operative date that assumes passage during 2004.

SUMMARY OF AMENDMENTS

The September 4, 2003, amendments treat interest on bonds issued by Indian tribal governments located in California as tax-exempt under California law only if the interest on the bonds is tax-exempt for federal purposes, and the tribe adopts an environmental ordinance along with a written agreement with local governments impacted by the project that mitigates off-reservation environmental impacts, as defined.

The provisions relating to off-reservation environmental impacts that this bill adds to the Public Resources Code are not administered by the Franchise Tax Board and are not discussed in this analysis.

Board Position:

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Legislative Director

Date

Brian Putler

5/24/04

The September 4, 2003, amendments resolve the policy concerns raised in the analysis of the bill as amended July 21, 2003. That is, the interest on bonds issued by Indian tribal governments located in California is required to be tax-exempt for federal purposes in order to be tax-exempt under California law. In addition, the tribe is required to adopt an ordinance that, among other things, would require consultation with local governments impacted by the project being financed with the bond proceeds.

The revenue estimate in the analysis of the bill as amended July 21, 2003, has not changed but is restated for convenience.

EFFECTIVE/OPERATIVE DATE

As amended September 4, 2003, if enacted during 2004, this bill would be effective on January 1, 2005, and operative for taxable years beginning on or after that date.

POSITION

Pending.

ECONOMIC IMPACT

Revenue Estimate

This bill would not impact the collection of state income tax revenue. Under current law, federally recognized Indian tribal governments in this state can effectively get tax-exempt bond financing by way of tax-exempt "conduit revenue bonds." So-called conduit bonds are issued by a public entity, such as the California Statewide Communities Development Authority, and the proceeds are lent to the tribe for public benefit projects. The statewide development authority created new policies in 2002 for gaming businesses and tribes looking for tax-exempt bond financing. Approximately 100 federally recognized Indian tribal governments currently exist in California.

LEGISLATIVE STAFF CONTACT

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