

ANALYSIS OF ORIGINAL BILL

Franchise Tax Board

Author: Mullin Analyst: Darrine Distefano Bill Number: AB 644

Related Bills: See Legislative History Telephone: 845-6458 Introduced Date: February 19, 2003

Attorney: Patrick Kusiak Sponsor: _____

SUBJECT: Low-Income Housing Credit/California Tax Credit Allocation Committee Consider Child Care Projects For Credit Allocation

SUMMARY

This bill would require the California Tax Credit Allocation Committee (Committee) to consider projects that include child care as an additional criteria in allocating low-income housing credits.

This analysis will only address those provisions impacting the income tax laws.

PURPOSE OF THE BILL

According to the author's office, the purpose of this bill is to encourage the development of low-income housing projects that include child care.

EFFECTIVE/OPERATIVE DATE

As a tax levy, this bill would be effective immediately and would apply to taxable years beginning on or after January 1, 2003.

POSITION

Pending.

ANALYSIS

FEDERAL/STATE LAW

Current federal law allows a credit for the costs of constructing or rehabilitating low-income housing. The credit amount varies depending on several factors, including when the housing was placed in service and whether it was federally subsidized. The credit is claimed over 10 years. A state authority created to oversee the process must allocate the credit.

Current state law conforms to federal law except that the state credit is claimed over four years, limited to projects located in California, and allocated in amounts that may vary. The Committee is allowed to allocate an annual maximum of \$50 million, plus unused or returned credit amounts from prior or current years. The Committee is required to give preference to projects that satisfy threshold requirements and meet additional criteria. The Committee provides listings of qualified taxpayers to the Franchise Tax Board.

Board Position:

<input type="checkbox"/> S	<input type="checkbox"/> NA	<input type="checkbox"/> NP
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<input type="checkbox"/> N	<input type="checkbox"/> OUA	<input checked="" type="checkbox"/> PENDING

Department Director
Gerald H. Goldberg

Date
4/28/03

THIS BILL

This bill would add projects that provide child care as additional criteria for the Committee to consider when allocating low-income housing credits.

IMPLEMENTATION CONSIDERATIONS

Implementation of this bill would not significantly impact the department's programs and operations.

LEGISLATIVE HISTORY

AB 1626 (Torklasen & Migden, Stats. 2000, Ch. 3) increased the aggregate allocation amount for the low-income housing credit to \$50 million for each calendar year after 1999.

AB 97 (Torklasen, Stats. 1999, Ch. 983) provided that the chapter authorizing the Committee to allocate the credit would remain in effect as long as the federal low-income housing credit is in effect.

OTHER STATES' INFORMATION

The states surveyed include *Florida, Illinois, Massachusetts, Michigan, Minnesota, and New York*. These states were selected due to their similarities to California's economy, business entity types, and tax laws.

Florida provides corporations an income tax credit of 9% that is allocated among designated projects by the Florida Housing Finance Corporation.

Illinois provides an income tax credit of 50% for donations made for the development of affordable housing in the state.

Massachusetts provides an income tax credit to taxpayers that claim the federal credit for the construction or development of low-income housing. The credit is allocated by the Department of Housing and Community Development and based on a total pool of money awarded to the state.

Michigan provides an income tax credit between 30%-40% that is allocated among designated projects by the Michigan State Housing Development Authority.

Minnesota does not offer an income tax credit for projects that are designated for low-income housing.

New York provides an income tax credit in conjunction with the federal credit. The credit is taken over a 10-year period. The credit is available only for residential rental buildings in low-income housing projects that have received an allocation from the New York State Division of Housing and Community Renewal.

Research of these states did not find if any of the projects were specifically designated child care projects.

FISCAL IMPACT

This bill would not significantly impact the department's costs.

ECONOMIC IMPACT

The state tax credit maximum amount is \$50 million annually. This amount, plus any unused or returned credits from previous years, is all that can be allocated. Therefore, the additional criterion proposed by this bill would not impact the state's income tax revenue.

LEGISLATIVE STAFF CONTACT

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