Franchise Tax Board

SUMMARY ANALYSIS OF AMENDED BILL

Author:	Ackerman and Poochigian	Analyst:	Norman Catelli	Bill Number:	SB 47
Related Bills:	See Prior Analysis	Telephone:	845-5117	Amended Date:	January 5, 2004
		Attorney:	Patrick Kusiak	Sponsor:	

SUBJECT: Manufacturers' Investment Credit/Delete Repeal Date to Extend Indefinitely

____	DEPARTMENT AMENDMENTS ACCEPTED. Amendments reflect suggestions of previous analysis of bill as introduced/amended ____________________.
X	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 ____________________.
X	REMAINDER OF PREVIOUS ANALYSIS OF BILL AS INTRODUCED January 9, 2003. STILL APPLIES.
X	OTHER - See comments below.

SUMMARY

This bill would reinstate indefinitely the Manufacturers' Investment Credit (MIC), which sunseted by its own terms on January 1, 2004.

This analysis addresses only those provisions of the bill affecting the Franchise Tax Board (FTB).

SUMMARY OF AMENDMENTS

The proposed amendments would:

- Reinstate the MIC indefinitely, and
- Make several non-substantive technical changes.

The revenue analysis is revised from the department's January 9, 2003, analysis of the bill to reflect changes that have occurred since then.

Except for these items, the department's analysis of the bill introduced January 9, 2003, still applies.

EFFECTIVE/OPERATIVE DATE

As a tax levy, this bill would be effective immediately upon enactment and would be operative for taxable years beginning on or after January 1, 2004.

Board Position:			Legislative Director	Date
____ S	____ NA	____ NP		
____ SA	____ O	____ NAR	Brian Putler	1/12/04
____ N	____ OUA	X PENDING		

POSITION

Pending.

ECONOMIC IMPACT

Revenue Estimate

Based on the discussion below, the revenue impact from this bill is revised as follows:

Revised Estimated Revenue Impact For Investments Put In Place After January 1, 2004 Assumed Enactment After June 30, 2004 (In Millions)		
2004-05	2005-06	2006-07
-$220	-$245	-$310

This analysis does not consider the possible changes in employment, personal income, or gross state product that could result from this proposal.

Revenue Discussion

As in our previous analysis of this bill, this revised estimate includes the impact of allowing net operating loss deductions for taxable years beginning on or after January 1, 2004.

The above revised estimate represents only that portion of applied credits with respect to newly generated credits pursuant to this bill. Prior years MIC carryover credits will continue to be applied as allowed by prior law. Therefore, any revenue loss would be the result of newly generated credits.

The revised revenue losses above also include a reduction of $40 million for 2003-4, an increase of $25 million for 2004-5, and a reduction of $100 million for 2005-6 from the previous version of this bill. The change in losses is primarily attributable to updating the department's micro simulation model of California corporate tax returns to incorporate recently quantified data reflecting actual decreases in capital expenditures for manufacturing equipment and credit usage of the MIC. Changing the enactment date from after January 1, 2004 to after June 30, 2004, reflects a timing issue and did not have a significant impact in overall revenue.

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