

SUMMARY ANALYSIS OF AMENDED BILL

Author: Arambula Analyst: Nicole Kwon Bill Number: AB 2530
 Related Bills: See Prior Analysis Telephone: 845-7800 Amended Date: May 16, 2006
 Attorney: Patrick Kusiak Sponsor: _____

SUBJECT: Qualified Development Entity Contributions Credit/FTB Provide Annually To Legislature List Of Names Of Qualified Development Entities That Received Contributions & Total Dollar Amount Of Credits Claimed

_____ 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 DEPARTMENTS 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 February 23, 2006, STILL APPLIES.

_____ OTHER – See comments below.

SUMMARY

This bill would allow taxpayers a credit for contributions made to qualified development entities.

SUMMARY OF AMENDMENTS

The May 16, 2006, amendments made the following changes:

- The term “qualified development corporation” was revised to be “qualified development entity.”
- Defined the term “qualified development entity” to mean either: 1) a regional economic development organization certified by the California Business Investment Services or 2) an entity that is recognized as the lead agency responsible for developing and implementing job creation opportunities, within the jurisdiction of the local government entity, that will serve to support business development, expansion, and retention within that jurisdiction.
- Revised the credit amount from 10% to 25%, not to exceed \$1,000, of the amount the taxpayer contributed to a qualified development entity.

Board Position:	Legislative Director	Date
_____ S		
_____ SA		
_____ N		
_____ NA		
_____ O		
_____ OUA		
_____ NP		
_____ NAR		
<u> X </u> PENDING	Brian Putler	6/14/06

- A qualified development entity is required to provide a copy of the certification issued by the California Business Investment Services to the Franchise Tax Board (FTB).
- The California Business Investment Services is required to provide an annual listing to FTB of the taxpayers who were issued credit certificates.
- FTB is required annually to provide a list of names to the Legislature of qualified development entities that received contributions and the total dollar amount of credits claimed.

The amendments also made other changes that would not impact the department.

As a result of the amendments, the implementation considerations discussed in the department's analysis of the bill as introduced February 23, 2006, have been resolved. A revised revenue estimate is included below. The remainder of the department's analysis of the bill as introduced February 23, 2006, still applies.

POSITION

Pending.

ECONOMIC IMPACT

Revenue Estimate

Based on data and assumptions discussed below, the Personal Income Tax and Corporation Tax revenue loss from this bill would be as follows:

Estimated Revenue Impact of AB 2530 Operative for Taxable Years Beginning On Or After January 1, 2007 Enactment Assumed After June 30, 2006 (\$ in Millions)			
2006-07	2007-08	2008-09	2009-10
Minor Loss	-\$1	-\$1	-\$1

A minor loss is less than \$500,000.

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

Revenue Discussion

The revenue impact of this bill would be determined by amounts contributed to qualified development entities and the amount of tax credits that can be applied to reduce tax liabilities.

For the purposes of this bill, a qualified development entity is defined as a regional economic development organization, as certified by the California Business Investment Services, under the Labor and Workforce Development Agency.

According to the California Association for Local Economic Development, there are currently 60 qualifying development entities. Under this bill, the maximum contribution per entity is limited to \$50,000. Because the credit is 25% of contributions ($\$50,000 \times 25\% = \$12,500$), the maximum credit would be approximately \$750,000 per year (60 entities \times \$12,500 credit per entity = \$750,000). The estimate presented above has been converted to fiscal years and rounded to the nearest million dollars.

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