Franchise Tax Board

SUMMARY ANALYSIS OF AMENDED BILL

Author: Ridley-Thomas
Analyst: Nicole Kwon
Bill Number: AB 912

Related Bills: See Prior Analysis
Telephone: 845-7800
Amended Date: January 23, 2006

Attorney: Patrick Kusiak
Sponsor: ____

SUBJECT: California Disaster Credit

____ 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 AMENDED January 4, 2006, STILL APPLIES.

____ OTHER – See comments below.

SUMMARY

This bill would allow a credit to personal income taxpayers who provide housing to individuals displaced by a federally declared disaster.

SUMMARY OF AMENDMENTS

The January 23, 2006, amendments changed the allowed credit amount from $500 to $100 per displaced individual, with a corresponding reduction of the lifetime maximum credit from $2,000 to $400 per taxpayer. The amendments also clarified that the housing provided to individuals displaced by a federally declared disaster has to be in this state. A revised revenue estimate is included below. The remainder of the department's analysis of the bill as amended on January 4, 2006, still applies.

POSITION

Pending.

Board Position:			Legislative Director	Date
____ S	____ NA	____ NP		
____ SA	____ O	____ NAR	Brian Putler	02/15/06
____ N	____ OUA	X PENDING		

ECONOMIC IMPACT

Revenue Estimate

Based on data and assumptions discussed below, this provision would result in the following revenue losses.

Estimated Revenue Impact of AB 912 Effective for Tax Years BOA 1/1/2005 Assumed Enactment Date After 1/1/2006		
	(Millions)	
2005/06	2006/07	2007/08
-$1	a/	a/

a/loss of less than $500,000

Revenue Discussion

The revenue impact of this provision is dependent upon a number of factors: the number of annual federally-declared disasters, the number of homes deemed as uninhabitable, the amount of insured homes with plans that cover temporary housing costs, and the number of individuals that would opt to stay with a family versus an alternative.

Based on a sample of federally declared California disasters during a 20-year period, the average annual number of uninhabitable homes damaged or destroyed was approximately 3,500.

In an average year, 60% of the 3,500 uninhabitable homes would qualify for insurance sponsored temporary housing assistance resulting in 1,400 [3,500 x (1 - 60%)] homes without housing assistance. Based on an average three-member household, a total of 4,200 (1,400 x 3) individuals could be qualified individuals under this bill. Of these individuals, it is estimated that 60% or 2,520 individuals would be offered free housing and would accept. It is assumed that on average, the number of Californians who are temporarily housed in another state would be equal to and offset the number of non-Californians that would seek temporary housing in California. Applying the $100 per person credit to each individual, total annual revenue losses would be minor.

Actual credit usage in any particular year is dependent on the number and severity of disasters in that year and could be substantially higher or lower than this average.

Due to Hurricane Katrina, 2005 was an above average year for the number of housing units made uninhabitable by disasters. For calendar year 2005, based on information provided by the California Office of Emergency Services on the displaced Katrina individuals that relocated to California, it is estimated that 17,000 individuals would satisfy the definition of a "qualified federal disaster displaced individual" and generate tax credits in the amount of $1.7 million (17,000 x $100). This estimate assumes that 60% of this amount will be used in taxable year 2005, with the remaining amount carried forward. The estimate table presented above includes the impact due to Hurricane Katrina for 2005 and assumes that 2006 and 2007 will be average years.

LEGISLATIVE STAFF CONTACT

Nicole Kwon	Brian Putler
Franchise Tax Board	Franchise Tax Board
845-6458	845-6333
haeyoung.kwon@ftb.ca.gov	brian.putler@ftb.ca.gov