

SUMMARY ANALYSIS OF AMENDED BILL

Author: Laird Analyst: William Koch Bill Number: AB 2930
 Related Bills: See Prior Analysis Telephone: 845-4372 Amended Date: May 23, 2008

Attorney: Patrick Kusiak Sponsor: _____

SUBJECT: Natural Heritage Preservation Tax Credit – Extend Award Of Credits To Include 2012-13 Fiscal Year

- DEPARTMENT AMENDMENTS ACCEPTED. Amendments reflect suggestions of previous analysis of bill as introduced/amended _____.
- 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 _____.
- REMAINDER OF PREVIOUS ANALYSIS OF BILL AS AMENDED
- May 6, 2008, STILL APPLIES.
- OTHER – See comments below.

SUMMARY

This bill would do the following:

- Extend the Natural Heritage Preservation (NHP) tax credit through the 2012-13 fiscal year (period ending June 30, 2013), and
- Allow the Wildlife Conservation Board (WCB) to award the NHP tax credit without monetary limit, as specified.

SUMMARY OF AMENDMENTS

The May 23, 2008, amendments would do the following:

- Allow the WCB to award NHP tax credits for fiscal years 2008-09 through 2012-13.
- Require the Franchise Tax Board (FTB), when providing the WCB information regarding the NHP tax credit usage, to include the tax year for which the NHP tax credit was claimed by a taxpayer.
- Require the WCB to provide the Controller and the Department of Finance information regarding the NHP tax credit usage and reimbursement to the Natural Heritage Preservation Tax Credit Reimbursement Account (NHPTCRA).
- Remove the tax levy language.

Board Position:	Asst. Legislative Director	Date
<input type="checkbox"/> S		
<input type="checkbox"/> SA		
<input type="checkbox"/> N		
<input type="checkbox"/> NA		
<input type="checkbox"/> O		
<input type="checkbox"/> OUA		
<input type="checkbox"/> NP		
<input type="checkbox"/> NAR		
<input checked="" type="checkbox"/> PENDING	Patrice Gau-Johnson	6/6/08

As a result of the amendments, the Effective/Operative Date, This Bill, Technical Considerations, and Fiscal Impact sections have been revised. The remainder of the department's analysis of this bill as amended May 6, 2008, still applies.

EFFECTIVE/OPERATIVE DATE

This bill would become effective January 1, 2009, and would apply to taxable years beginning on or after that date.

ANALYSIS

THIS BILL

This bill would remove the June 30, 2008, sunset date of the NHP tax credit and allow the WCB to award NHP tax credits in fiscal years 2008-09 through 2012-13 for contributions made on or before June 30, 2013. Because the tax levy language was removed from this bill, the provisions of this bill would be effective on January 1, 2009, and operative for taxable years beginning on or after that date. Consequently, the WCB would not be able to award NHP tax credits during the period from July 1, 2008, through December 31, 2008.

This bill would also remove the current NHP tax credit award limitation of \$100 million, which would allow the WCB to award the credit without monetary limitation.

The award of the NHP tax credits would be contingent on the General Fund (GF) being reimbursed for all lost revenue resulting from the award of the NHP tax credits.

This bill would specify that if local governments apply directly to the WCB for acceptance of a qualified donation, they would be required to transfer the full amount of the NHP tax credit to the WCB for deposit in the NHPTCRA prior to final approval of the NHP tax credit. The NHPTCRA is within the GF.

For all other NHP tax credits approved by the WCB, the GF would be reimbursed after a taxpayer files a tax return and FTB provides the WCB with the amount of the tax credits claimed during that year for each qualified contribution.

In addition to the information FTB is currently required to provide the WCB¹, this bill would require FTB to inform the WCB of the tax year the taxpayer claimed the NHP tax credit. The WCB would be required to forward the information from FTB, as well as information regarding bond fund reimbursements to the NHPTCRA, to the Controller and the Department of Finance for the purpose of attributing the budgetary impact of the NHP tax credit and bond fund transfers to the appropriate tax and fiscal year.

¹ Revenue and Taxation Code section 19560 requires FTB to provide the WCB information regarding NHP tax credit usage.

TECHNICAL CONSIDERATIONS

Amendment 1 has been provided to correct a technical error.

ECONOMIC IMPACT

Revenue Estimate

Based on data and assumptions discussed below, this bill would result in the following revenue impact:

Estimated Revenue Impact of AB 2930 Assumed Effective For Tax Years Beginning On or After January 1, 2009 Enactment Assumed After June 30, 2008 (\$ in Millions)			
	2008-09	2009-10	2010-11
Income Tax Funds	\$0	-\$9	-\$7
Local Gov't NHPTCRA Transfers	\$0	+\$4	+\$3
WCB Initiated NHPTCRA Transfers	\$0	+\$5	+\$4
Net Impact to GF	\$0	\$0	\$0

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

Revenue Discussion

The revenue impact of this bill would depend on the fair market value of land donated for credits and the amount of credits that can be applied to reduce tax liabilities.

The WCB reports that \$48.6 million in NHP tax credits have been awarded to date. Actual credits claimed on tax returns total \$23.4 million from fiscal years 2001-02 through 2006-07, an average of approximately \$4 million annually.

This bill would be effective for tax years beginning on or after January 1, 2009, and it is assumed that awards that would have been made during the last six months of 2008 would be made in 2009.

On a fiscal year basis, this change results in credit usage of \$9 million and \$7 million in 2009-10 and 2010-11, respectively.

Local Government NHPTCRA Transfers

Prior to final approval of the NHP tax credit, local governments that apply directly to the WCB would be required to deposit the full amount of the NHP tax credit in the NHPTCRA. This amount is estimated to be 43% of the annual estimate of the NHP tax credits claimed. Therefore, the revenue loss to the income tax funds would be offset by local government payments of approximately \$4 million (\$9 million X 43%) and \$3 million (\$7 million X 43%) in fiscal years 2009-10 and 2010-11, respectively.

WCB Initiated Transfers

The estimate of WCB initiated transfers represents the amounts expected to be deposited into the NHPTCRA after a taxpayer files an income tax return and claims a NHP tax credit. As indicated above, the NHPTCRA would be reimbursed for 43% of the annual NHP tax credits in advance of the credits being claimed on an income tax return. The remaining 57% would be reimbursed after the FTB notifies the WCB a taxpayer has claimed a NHP tax credit on an income tax return. Transfers from the NHPTCRA fund to reimburse the GF, based on actual credit usage, would amount to approximately \$5 million (\$9 million X 57%) in 2009-10 and \$4 million (\$7 million X 57%) in 2010-11 on an accrued basis.

LEGISLATIVE STAFF CONTACT

Legislative Analyst
William Koch
(916) 845-4372
william.koch@ftb.ca.gov

Revenue Manager
Rebecca Schlussler
(916) 845-5986
rebecca.schlussler@ftb.ca.gov

Asst. Legislative Director
Patrice Gau-Johnson
(916) 845-5521
patrice.gau-johnson@ftb.ca.gov

Analyst	William Koch
Telephone #	845-4372
Attorney	Patrick Kusiak

FRANCHISE TAX BOARD'S
PROPOSED AMENDMENTS TO AB 2930
As Amended May 23, 2008

AMENDMENT 1

On page 9, line 16, strike "(b)" and insert:

(c)