

ANALYSIS OF ORIGINAL BILL

Franchise Tax Board

Author: Maze Analyst: Angela Raygoza Bill Number: AB 297
Related Bills: See Legislative History Telephone: 845-7814 Introduced Date: February 9, 2007
Attorney: Patrick Kusiak Sponsor: _____

SUBJECT: Property Tax Exemption/Fruit & Nut Bearing Trees/January 2007 Freeze

SUMMARY

This bill would provide a property tax exemption for fruit and nut trees affected by the freeze of January, 2007.

PURPOSE OF THE BILL

It appears the author's intent for the bill, is to extend an existing property tax exemption for certain newly-planted fruit and nut bearing trees to existing trees that were damaged during the January, 2007, freeze.

EFFECTIVE/OPERATIVE DATE

As a tax levy, this bill would be effective immediately upon enactment and operative for taxable years beginning on and after January 1, 2007.

POSITION

Pending.

ANALYSIS

FEDERAL/STATE LAW

Current state law exempts from property taxation fruit and nut trees until four years after the season in which planted in orchard form, and exempts grapevines until three years after the season in which planted in vineyard form.

For purposes of this property tax exemption, any fruit-or nut-bearing tree, or any grapevine, severely damaged during the exemption period by the December, 1990, or December, 1998, freeze, so as to require pruning to the trunk or bud union to establish a new shoot as a replacement for the damaged tree or grapevine, shall be considered a new planting in orchard or vineyard form.

Board Position:

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Department Director

Date

Selvi Stanislaus

2/28/07

THIS BILL

This bill would add fruit and nut trees that were severely damaged by the freeze of January, 2007, to the current property tax exemptions allowed for trees subject to other specified freezes.

IMPLEMENTATION CONSIDERATIONS

Implementing this bill would not impact the department's programs and operations.

LEGISLATIVE HISTORY

SB 148 (Hollingsworth, 2007/2008) contains language similar to this bill. This bill is currently scheduled for hearing in the Senate Revenue and Taxation Committee.

SB 114 (Florez, 2007/2008) would allow disaster loss treatment for losses sustained as a result of the January, 2007, freezing conditions in the Counties of El Dorado, Fresno, Imperial, Kern, Kings, Madera, Merced, Monterey, Riverside, San Bernardino, San Diego, San Luis Obispo, Santa Barbara, Santa Clara, Stanislaus, Tulare, Ventura and Yuba. This bill is currently scheduled for hearing in the Senate Revenue and Taxation Committee.

SB 287 (Nava, 2007/2008) would allow a credit for wages paid to agricultural employees for employers that were affected by the January 2007 freezing conditions. This bill is currently in the first house.

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, Illinois, Massachusetts, Michigan, and Minnesota do not provide a general property tax exemption for fruit and nut trees.

New York provides a property tax exemption for orchard and vineyards. That portion of the value of land that is used solely for replanting or crop expansion as part of an orchard or vineyard is exempt from real property taxation for a period not to exceed four successive years following the date of the replanting or crop rotation, starting on the first eligible taxable status date following the replanting or expansion.

FISCAL IMPACT

This bill would not impact the department's costs.

ECONOMIC IMPACT

The primary impact of this proposal is on property taxes. The property tax revenue impact will be estimated by the Board of Equalization. Because property taxes are deductible from the calculation of income under income tax laws, changes in property taxes result in changes to income taxes. Based on an analysis of income tax data, it is estimated that the effect of this bill would be to produce a 6 percent offset. Thus, there would be a \$0.6 million increase in income tax revenues for each \$10 million decrease in property tax revenues.

LEGISLATIVE STAFF CONTACT

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