

SUMMARY ANALYSIS OF AMENDED BILL

Author: Berryhill/Evans Analyst: Victoria Favorito Bill Number: AB 454
 Related Bills: See Prior Analysis Telephone: 845-3825 Amended Date: January 16, 2008
 Attorney: Pat Kusiak Sponsor: _____

SUBJECT: Charitable Contribution Deduction/Qualified Conservations/Conformity

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

March 29, 2007, STILL APPLIES.

OTHER – See comments below.

SUMMARY

This bill would allow individuals and corporations a deduction for making a charitable contribution of a qualified conservation easement.

SUMMARY OF AMENDMENTS

The bill as amended January 16, 2008, added a provision providing that the federal law termination date would not apply for California purposes. Thus, for state purposes the deduction would apply to qualified conservation contributions made on or after January 1, 2008. Revised THIS BILL and ECONOMIC IMPACT sections are provided below.

In addition, a technical consideration is suggested below to correct a misspelled word and to clarify terminology.

Board Position:	Legislative Director	Date
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ANALYSIS

THIS BILL

Current California law allows a charitable deduction to PIT and corporate taxpayers for a qualified conservation contribution. This bill would expressly conform the California deduction to the Pension Protection Act of 2006 (PPA) amendments of the federal deduction that relate to contributions of a qualified conservation easement and to the federal contribution base limitation.

Unlike federal law, this bill would make the deduction permanent for California without regard to any federal termination dates.

Section 1206 of the PPA amended Internal Revenue Code section 170, relating to charitable contributions, to add the following to the definition of a qualified real property interest:

- A) the entire interest of the donor other than a qualified mineral interest,
- B) a remainder interest, and
- C) a restriction (granted in perpetuity) on the use which may be made of the real property.

This bill would limit the charitable conservation contribution of qualified real property interests to conservation easements (item C above).

TECHNICAL CONSIDERATIONS

A technical correction is needed on page 2, line 9, to delete the word "conservative", and inserting "conservation".

ECONOMIC IMPACT

Revenue Estimate

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

Estimated Revenue Impact of AB 454 Effective for Tax Years BOA 1/1/2008 Assumed Enactment Date After 6/30/2008 (\$ In Millions)		
2008/09	2009/10	2010/11
-\$1	-\$1	-\$1

This analysis 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 be determined by the additional amount of qualified conservation contributions that result in reduction of personal and corporate income or franchise tax. Based on the federal revenue estimates for special treatment of qualified conservation contributions, if California conforms its treatment of qualified conservation contributions in the nature of easements to the special treatment that was allowed pursuant to PPA 2006, a revenue loss is estimated of approximately \$1.4 million for tax year 2008. Estimated revenue losses in subsequent years would be less than \$1.4 million because fewer contributions would be carried over as a result from this special treatment.

Estimates in the table above have been converted to California fiscal year estimates.

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