

ANALYSIS OF ORIGINAL BILL

Author: Sher Analyst: Jeani Brent Bill Number: SB 301

Related Bills: See Legislative History Telephone: 845-3410 Introduced Date: 02/07/97

Attorney: Doug Bramhall Sponsor
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SUBJECT: Salmon and Steelhead Trout Habitat Restoration Credit/Increase Amount and Extend Repeal Date

SUMMARY

This bill would increase the maximum annual aggregate amount of salmon and steelhead trout habitat restoration credit that may be granted and would extend the repeal date five years.

EFFECTIVE DATE

This bill would apply to taxable and income years beginning on or after January 1, 1997.

LEGISLATIVE HISTORY

SB 846 (Stats. 1996, Ch. 166); AB 2925 (Stats. 1994, Ch. 1296).

SPECIFIC FINDINGS

Existing state law allows a tax credit equal to 10% of the qualified costs paid or incurred for salmon and steelhead trout habitat restoration and improvement projects. For purposes of computing the credit, taxpayers are required to reduce project costs by the amount of any grant or cost-share payment provided for the project by a public entity.

Credits are certified and allocated by the Department of Fish and Game. The maximum aggregate amount of credits that may be allocated in any one year is \$500,000. The maximum credit that may be allocated to any one taxpayer in any year is \$50,000.

Any amount of the credit in excess of the taxpayer's tax liability may be carried over until exhausted. This credit is available for taxable or income years beginning before January 1, 2000.

SB 301 would increase the maximum aggregate amount of salmon and steelhead trout habitat restoration and improvement credits that may be allocated in any one year from \$500,000 to \$2 million and increase the maximum credit that may be allocated to any one taxpayer in any year from \$50,000 to \$100,000. **This bill** also would extend the repeal date of the credit from January 1, 2000, to January 1, 2005.

DEPARTMENTS THAT MAY BE AFFECTED:

STATE MANDATE

GOVERNOR'S APPOINTMENT

Department Director Position:

S O
 SA OUA
 N NP
 NA NAR
 PENDING

Agency Secretary Position:

S O
 SA OUA
 N NP
 NA NAR
DEFER TO _____

GOVERNOR'S OFFICE USE

Position Approved
Position Disapproved
Position Noted

Department Director

Agency Secretary Date

By: Date:

This bill also would make one technical change to the existing law by inserting the words "10 percent of" in the credit allocation language.

Implementation Considerations

Implementing this bill would occur during the department's normal annual system update.

Technical Considerations

Senate Bill 715 (Stats 1996, Ch. 952) amended the definition of "taxpayer" under the Personal Income Tax Law to include partnership. As a result, the use in existing law of the phrase "taxpayer or partnership" is unnecessary. The suggested amendments included with this analysis would remove "or partnership" where used in this bill.

FISCAL IMPACT

Departmental Costs

This bill would not significantly impact the department's costs.

Tax Revenue Estimate

This bill would provide that up to an additional \$1.5 million credits could be allocated each year. Based on data and assumptions discussed below, this bill would result in revenue losses largely under the B&CTL estimated to be as shown in the following table:

Estimated Revenue Impact of SB 301 As Introduced 2/7/97 [\$ In Millions]		
1997-98	1998-99	1999-00
minor loss	minor loss	minor loss

Minor loss is less than \$500,000. The bill would be effective for years beginning after December 31, 1996, with enactment assumed after June 30, 1997.

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

Tax Revenue Discussion

The revenue impact of this bill would be determined by (1) the amount of qualified costs paid or incurred for salmon and steelhead trout habitat restoration and improvement projects, (2) the amount of credits allocated in any given year, and (3) the amount of credits that can be applied to reduce tax liabilities.

According to staff at the Department of Fish and Game, credits currently are being allocated for costs paid or incurred in 1995 and 1996. Based on incomplete information to date for these years, credits allocated do not

exceed \$100,000 for either year. Estimates above assume that by 2000, credits totaling \$1.5 million would be allocated.

POSITION

Neutral.

The staff's position is determined by administrative considerations and does not take into account tax policy considerations or revenue impact on the state. However, these issues are discussed in the analysis.

Jeani Brent
845-3410
Doug Bramhall

FRANCHISE TAX BOARD'S
PROPOSED AMENDMENTS TO SB 301
As Introduced February 7, 1997

AMENDMENT 1

On page 2, line 9, strikeout "or partnership".

AMENDMENT 2

On page 2, line 16, strikeout "or partnership".

AMENDMENT 3

On page 3, line 10, strikeout "or partnership".

AMENDMENT 4

On page 4, line 1, strikeout "or partnership".

AMENDMENT 5

On page 5, line 37, strikeout "or partnership".

AMENDMENT 6

On page 6, lines 5 and 6, strikeout "or partnerships".

AMENDMENT 7

On page 6, lines 8 and 9, strikeout "or partnership".

AMENDMENT 8

On page 6, line 35, strikeout "or partnership".