

SUMMARY ANALYSIS OF AMENDED BILL

Author: Garrick, et al. Analyst: Angela Raygoza Bill Number: AB 2126
 Related Bills: See Prior Analysis Telephone: 845-7814 Amended Date: April 5, 2010
 Attorney: Patrick Kusiak Sponsor: _____

SUBJECT: Minimum Franchise Tax/Corporations That First Commence Business On Or After January 1, 2009, Exempt First Taxable Year And \$100 Succeeding 9 Taxable Years

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 INTRODUCED
 February 18, 2010, STILL APPLIES.
 OTHER – See comments below.

SUMMARY

This bill would exempt new corporations from the minimum franchise tax (MFT) for the first taxable year, and reduce the MFT for nine years thereafter, as specified.

SUMMARY OF AMENDMENTS

The April 5, 2010, amendments would revise the date that new corporations would be exempt from the MFT and added co-authors. The date change would be from January 1, 2009, to January 1, 2011.

Except for the “Effective/Operative Date,” the “This Bill,” the “Revenue Impact,” and the “Implementation Consideration” discussions, the remainder of the department’s analysis of the bill as introduced February 18, 2010, still applies. The “Program Background” discussion has been repeated below for convenience.

Board Position:	Asst. Legislative Director	Date
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EFFECTIVE/OPERATIVE DATE

As a tax levy, this bill would be effective immediately and specifically operative for corporations first commencing business operations on or after January 1, 2011.

ANALYSIS

PROGRAM BACKGROUND

The MFT was established to ensure that all corporations pay at least a minimum amount of franchise tax for the privilege of doing business in this state, regardless of the corporation's income or loss.

THIS BILL

This bill would exempt each corporation that first commences business operations on or after January 1, 2011, from the MFT for the first taxable year and would reduce the MFT for those corporations from \$800 to \$100 for the next nine taxable years.

This bill would not apply to any corporation that began business operations as a sole proprietorship, a partnership, or any other form of business entity prior to its incorporation, or any corporation that reorganizes solely for the purpose of reducing its MFT.

IMPLEMENTATION CONSIDERATIONS

Current law exempts corporations that commence business operations for taxable years beginning on or after January 1, 2000, from the MFT. This bill would exempt corporations that commence business operations on or after January 1, 2011, from the MFT. Duplicate provisions could cause confusion and could lead to disputes between taxpayers and the department.

REVENUE ESTIMATE

Estimated Revenue Impact of AB 2126 As Amended April 5, 2010 Effective For Tax Years Beginning On or After January 1, 2011 Enactment Assumed After June 30, 2010 (\$ in Millions)		
2010-11	2011-12	2012-13
-\$0	-\$38	-\$60

LEGISLATIVE STAFF CONTACT

Legislative Analyst
Angela Raygoza
(916) 845-7814

angela.raygoza@ftb.ca.gov

Revenue Manager
Monica Trefz
(916) 845-3375

monica.trefz@ftb.ca.gov

Asst. Legislative Director
Patrice Gau-Johnson
(916) 845-5521

patrice.gau-johnson@ftb.ca.gov