

SUMMARY ANALYSIS OF AMENDED BILL

Author: Strickland Analyst: William Koch Bill Number: AB 2665
 Related Bills: See Prior Analysis Telephone: 845-4372 Amended Date: May 12, 2010
 Attorney: Patrick Kusiak Sponsor: _____

SUBJECT: Service Station Emergency Standby Generator Credit

- 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 19, 2010, STILL APPLIES.
- OTHER – See comments below.

SUMMARY

This bill would allow a tax credit for the purchase and installation of an emergency standby generator at a service station located within California.

SUMMARY OF AMENDMENTS

The May 12, 2010, amendments would do the following:

1. Revise the definition of “service station,”
2. Require the depreciable basis of any emergency standby generator to be reduced by the amount of the credit that would be allowed under this bill,
3. Provide that if the State Air Resources Board or the State Energy Resources Conservation and Development Commission establish a certification standard for emergency standby generators, the credit would be limited to energy efficient or low emission emergency standby generators that satisfy that standard, as specified, and
4. Limit the carryover period of the credit to eight years.

Board Position:	Asst. Legislative Director	Date
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<input checked="" type="checkbox"/> PENDING	Patrice Gau-Johnson	05/19/10

Except for the "This Bill," "Implementation Considerations," and "Economic Impact" sections, the remainder of the department's analysis of this bill as introduced February 19, 2010, still applies.

THIS BILL

For taxable years beginning on or after January 1, 2011, and before January 1, 2016, this bill would allow a personal and a corporate income and franchise tax credit in an amount equal to 5 percent of the costs paid or incurred for the purchase and installation of an emergency standby generator at a service station located in this state.

This bill provides the following definitions:

- "Emergency standby generator" is an electrical generator that is rated by the manufacturer to generate at least 30 kilowatts of electricity and whose sole function is to automatically provide electric power when electric power from a utility service is interrupted.
- "Service station" means an independently owned and operated establishment that offers for sale or sells gasoline or other fuel to power motor vehicles to the public.

This bill would:

1. Require the taxpayer to recapture the allowed amount of the tax credit if the taxpayer subsequently sells, returns to the vendor, or otherwise removes the generator from service within one year from the date it was placed in service. The recaptured amount would be added to the tax for the taxable year in which the emergency standby generator is sold or removed from service.
2. Provide that if the State Air Resources Board or the State Energy Resources Conservation and Development Commission establish a certification standard for emergency standby generators, the credit would be limited to energy efficient or low emission emergency standby generators that satisfy that standard.. The credit would only be allowed for such generators for taxable years beginning on and after January 1 immediately following the calendar year in which the certification standard is established. Notice of such certification standard must be made to the Franchise Tax Board (FTB) within ten working days of establishing that standard.
3. Require the FTB to post on its Internet Web site a notice to taxpayers regarding the establishment of a certification standard for emergency standby generators.
4. Allow any unused credit to be carried over for eight years.
5. Repeal the tax credit as of December 1, 2016.

IMPLEMENTATION CONSIDERATIONS

The department has identified the following implementation concern for this bill. Department staff is available to work with the author's office to resolve this and other concerns that may be identified.

This bill defines "service station" as an independently owned and operated establishment that offers for sale or sells gasoline or other fuel to power motor vehicles to the public. The term "independently owned and operated" is not defined, which could lead to disputes between the department and taxpayers. If the author's intent is to prevent vertically-integrated oil companies that produce and/or refine crude oil and that own and operate service stations from claiming the credit, amendments to the bill are necessary.

ECONOMIC IMPACT

Revenue Estimate

This bill would result in revenue losses as follows:

Estimated Revenue Impact of AB 2665 as Amended May 12, 2010, Effective For Tax Years Beginning On or After January 1, 2011 Enactment Assumed After September 30, 2010			
2010-11	2011-12	2012-13	2013-14
-\$100,000	-\$400,000	-\$550,000	-\$550,000

This analysis does not account for changes in employment, personal income, or gross state product that could result from this bill.

LEGISLATIVE STAFF CONTACT

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

Revenue Manager
Monica Trefz
(916) 845-4002
monica.trefz@ftb.ca.gov

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