

**REVISED ANALYSIS**

Author: Calderon Analyst: Gail Hall Bill Number: SBX3 15  
 Related Bills: See Legislative History Telephone: 845-6111 Amended Analysis Date: February 14, 2009  
 Attorney: Patrick Kusiak Sponsor: \_\_\_\_\_

**SUBJECT:** California Motion Picture Credit/New Employee Credit/FTB Report Credits Claimed On Web Site/No Additional Tax For Underpayment Of Installment Created By Credit Disallowance/Economic Nexus/Sales Of Other Than Tangibles/Define Sales/Single Sales Factor

\_\_\_\_ REVENUE ESTIMATE CHANGED.  
 \_\_\_\_ FURTHER CONCERNS IDENTIFIED.  
 \_\_\_\_ REMAINDER OF PREVIOUS ANALYSIS OF BILL AS INTRODUCED/AMENDED STILL APPLIES.  
X OTHER – See comments below.

**SUMMARY OF BILL**

This bill would make the following changes:

**Provision No. 1:** Provide a \$3,000 credit against tax for each increase in qualified full-time employee hired by a qualified employer, as defined, limited to a cumulative total of allowable credit of \$400 million dollars.

**Provision No. 2:** Create a tax credit for the production of a qualified motion picture in California.

**Provision No. 3:** Allow specific entities to elect to utilize a sales only formula to apportion its income subject to franchise or income tax.

**Provision No. 4:** Provide a bright-line test for when an entity is doing business in California.

**Provision No. 5:** Clarify the definition for “what is a sale.”

**Provision No. 6:** Modify the rules for assigning certain receipts for inclusion in the sales factor.

**SUMMARY OF REVISION**

The “FISCAL IMPACT” discussion for the Motion Picture Tax Credit (Provision No. 2) in the department’s analysis of the bill as amended February 14, 2009, is being revised to reflect the final first year implementation costs for this provision. The first year implementation costs are \$186,000 instead of \$40,000.

**POSITION**

Pending.

Board Position:	Legislative Director	Date
_____ S      _____ NA      _____ NP _____ SA      _____ O      _____ NAR _____ N      _____ OUA <u>  X  </u> PENDING	Selvi Stanislaus	03/06/09

### **FISCAL IMPACT (Revised)**

The estimated cost to implement this provision would be approximately \$186,000 for modification of the individual and corporate tax systems to accommodate the new credits and other automated and manual return processing functions. Such functions would include the development of a process to track sales and purchases of credits originally allocated to qualified taxpayers. Estimated annual costs to process returns claiming the credit would be approximately \$96,000. It is assumed that FTB's activities to administer this provision would be limited to verifying that the taxpayer claiming the credit is in fact the qualified taxpayer allocated credits by the CFC or purchaser of such credits, and then making or denying the credit as applicable.

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