Franchise Tax Board

SUMMARY ANALYSIS OF AMENDED BILL

Author:	Dutton, et al.	Analyst:	Jahna Alvarado	Bill Number:	SBX6 9
Related Bills:	See Prior Analysis	Telephone:	845-5683	Amended Date:	May 5, 2010
		Attorney:	Patrick Kusiak	Sponsor:	

SUBJECT: Research Expense Credit/20 Percent Of Excess Qualified Expenses/Conformity To Election Of Alternative Incremental 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 _____.

__X__ REMAINDER OF PREVIOUS ANALYSIS OF BILL AS INTRODUCED February 24, 2010, STILL APPLIES.

__X__ OTHER – See comments below.

SUMMARY

This bill would do the following:

- Conform to the federal credit percentage for increasing research activities; and
- Conform to the federal alternative incremental research credit (AIC) percentages in effect on January 1, 2007.

SUMMARY OF AMENDMENTS

The May 5, 2010, amendments revised the bill to conform to the federal AIC percentages in effect as of January 1, 2007, rather than January 1, 2005, which resolves the implementation consideration identified in the department's analysis of this bill as introduced February 24, 2010. Due to rounding, the revenue estimate for this bill as introduced February 24, 2010, is unchanged.

Except for the "This Bill" and "Implementation Considerations" sections, the department's analysis of this bill as introduced February 24, 2010, still applies. The "Economic Impact" remains unchanged and is repeated below for convenience.

Board Position:			Asst. Legislative Director	Date
_____ S	_____ NA	_____ NP		
_____ SA	_____ O	_____ NAR	Patrice Gau-Johnson	05/11/10
_____ N	_____ OUA	__X__ PENDING		

The previously identified technical consideration remains unresolved and is restated in this analysis.

THIS BILL

Under the Personal Income Tax Law and the Corporation Tax Law, this bill would, for taxable years beginning on or after January 1, 2010:

- Increase the credit for increasing qualified research expenses from 15 percent to 20 percent; and
- Increase the state's AIC percentages to equal the federal percentages in effect on January 1, 2007. Thus, the federal percentages of 3 percent, 4 percent, and 5 percent would apply for state purposes.

IMPLEMENTATION CONSIDERATIONS

Implementing this bill could be accomplished during the department's normal annual updates.

TECHNICAL CONSIDERATIONS

Effective January 1, 2011, the state's general conformity date will change to January 1, 2009. Because this change affects the research credit that this bill would allow, the author may wish to amend this bill to prevent chaptering out changes made by the recently enacted bill, SB 401 (Stats. 2010, Ch. 14).

ECONOMIC IMPACT

Revenue Estimate

This bill would result in the following revenue losses:

Estimated Revenue Impact of SBX6 9 As Introduced February 24, 2010, And Amended May 5, 2010 Operative For Taxable Years Beginning On or After January 1, 2010 Enactment Assumed After June 30, 2010 ($ in Millions)				
	2010-11	2011-12	2012-13	2013-14
Total Revenue impact	-$175	-$165	-$155	-$150

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

Legislative Analyst
Jahna Alvarado
(916) 845-5683
jahna.alvarado@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