Franchise Tax Board

ANALYSIS OF AMENDED BILL

Author:	Torres	Analyst:	William Koch	Bill Number:	AB 902
Related Bills:	See Legislative History	Telephone:	845-4372	Amended Date:	April 14, 2009
		Attorney:	Patrick Kusiak	Sponsor:	

SUBJECT: Principal Residence Foreclosed House Purchase Credit/Mortgage Interest Deduction Allowed Only For Principal Residence/Adjust Minimum Franchise Tax For Inflation

SUMMARY

This bill would:

Provision 1: Allow a tax credit for the purchase of a foreclosed house, as specified.

Provision 2: Limit the deduction for qualified residence interest to a taxpayer's principal residence, as specified.

Provision 3: Adjust the Minimum Franchise Tax (MFT) for inflation, as specified.

SUMMARY OF AMENDMENTS

The April 14, 2009, amendments removed legislative intent language and added the provisions discussed in this analysis.

PURPOSE OF THE BILL

According to the author's office, the purpose of this bill is to reduce blight and increase stability in neighborhoods suffering from California's foreclosure crisis.

EFFECTIVE/OPERATIVE DATE

As a tax levy, this bill would be effective immediately upon enactment. Provisions 1 and 3 would be specifically operative for taxable years beginning on or after January 1, 2009, and before January 1, 2012. Provision 2 would be specifically operative for taxable years beginning on or after January 1, 2010, and before January 1, 2012.

POSITION

Pending.

Board Position:			Department Director	Date
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ECONOMIC IMPACT – SUMMARY REVENUE TABLE

Estimated Revenue Impact of AB 902 Enactment Assumed After 06/30/2009 $ in Millions			
	2009/10	2010/11	2011/12
Provision 1: Tax Credit for The Purchase of a Foreclosed House	-$58	-$137	-$153
Provision 2: Limit the Deduction for Qualified Residence Interest	$15	$76	$38
Provision 3: Adjust the MFT for Inflation	$19	$25	$6
TOTAL	-$24	-$36	-$109

Provision 1: Tax Credit for the Purchase of a Foreclosed House

ANALYSIS

FEDERAL/STATE LAW

Existing federal and state laws provide various tax credits designed to provide tax relief for taxpayers who incur certain expenses (e.g., child adoption) or to influence behavior, including business practices and decisions (e.g., research credits or economic development area hiring credits). These credits generally are designed to provide incentives for taxpayers to perform various actions or activities that they may not otherwise undertake.

FEDERAL LAW

First-Time Homebuyer's Credit

Housing and Economic Recovery Act of 2008 (Public Law 110-289)

A "first-time homebuyers" credit was enacted by the Housing and Economic Recovery Act of 2008. The Act added a new refundable tax credit for "first-time homebuyers." The amount of the credit is the lesser of $7,500 or 10 percent of the home's purchase price. The credit is phased out for taxpayers with adjusted gross income[1] (AGI) between $75,000 and $95,000 ($150,000 and $170,000 for joint filers). The credit applies to principal residences purchased after April 8, 2008, and before July 1, 2009.

The credit is recaptured under the terms of Internal Revenue Code (IRC) section 36(f) over 15 years with no interest charge, beginning with the second tax year after the tax year in which the home is purchased. If the home is sold before the 15-year period ends, the remaining credit must be recaptured in the year of sale.

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[1] Adjusted gross income, as defined by IRC section 62, means gross income, which includes all income from whatever source derived, adjusted for certain allowable amounts, including IRA contributions, alimony paid, moving expenses, and Keogh account contributions.

American Recovery and Reinvestment Act of 2009 (Public Law 111-5)

The "first-time homebuyers" credit was modified by the American Recovery and Reinvestment Act of 2009. In general, for homes purchased after December 1, 2008, and before December 1, 2009, the maximum credit allowed is increased to $8,000 ($4,000 for married individuals filing separately). The credit is no longer required to be recaptured unless the taxpayer sells the qualified residence within 36 months. The credit applies to homes that are financed by exempt mortgage revenue bonds or located in the District of Columbia.

STATE LAW

Newly enacted state law, SBX2 15 (Ashburn, Stats. 2009 Third Extraordinary Session, Ch. 11), provides a tax credit in the amount of 5 percent of the purchase price of a qualified principal residence or $10,000, whichever is less. The credit is allowed for one purchase of a qualified principal residence by an individual and applies to purchases made on or after March 1, 2009, and before March 1, 2010. Within one week of the sale of the qualified principal residence, the seller is required to provide to the purchaser and to the Franchise Tax Board (FTB) certification that the residence has never been previously occupied.

The tax credit is allocated by FTB with a maximum of $100 million. Upon receipt of certification from the seller, the credit is allocated on a first-come, first-serve basis. The credit must be claimed on a timely filed original return. The determination by FTB with respect to the date a certification is received, and whether a return has been timely filed, may not be reviewed in any administrative or judicial proceeding. Any disallowance of a credit claimed on the basis of exceeding the $100 million limitation is treated as a mathematical error and any tax resulting from such disallowance may be assessed in the same manner as applicable to mathematical errors. The newly enacted state law remains in effect until December 1, 2013, and is repealed as of that date.

THIS PROVISION

For taxable years beginning on or after January 1, 2009, and before January 1, 2012, this provision would allow a tax credit equal to the lesser of $3,000 or 2 percent of the amount paid or incurred during the taxable year by a qualified taxpayer for a single purchase of a qualified property.

This provision would do the following:

- Define "qualified taxpayer" as an individual whose annual gross income is equal to or less than 120 percent of the area median income.
- Define "area media income" as area median income as periodically established by the Department of Housing and Community Development.
- Define "qualified property" as a house or dwelling unit that has been foreclosed upon and purchased by a qualified taxpayer as his or her primary residence.
- Allow the credit to be carried over until exhausted.
- Remain in effect until December 1, 2012, and as of that date be repealed.

IMPLEMENTATION CONSIDERATIONS

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

This provision defines a qualified taxpayer as an individual whose annual gross income is equal to or less than 120 percent of the area median income, as established periodically by the Department of Housing and Community Development. It appears the Department of Housing and Community Development determines area median income annually, by county. This provision fails to specify what year the taxpayer's gross income would need to be less than 120 percent of the area median income. It is also unclear if the area median income would be the county in which the qualifying property is located, the county where the taxpayer works, or the county in which the taxpayer resides prior to, at the time of, or following the purchase. This provision also lacks guidance on how FTB would verify the taxpayer's gross income. The author may wish to amend this provision to resolve these issues and to require the Department of Housing and Community Development to provide certification that a taxpayer meets the definition of a qualified taxpayer.

This provision is silent on treatment for the credit if more than one individual purchases the qualified property. For instance, it is unclear if the income limitation and the maximum credit amount would apply per individual or per purchase. It is recommended the bill be amended to clarify this issue.

This provision lacks definitions for the term "primary residence" and "foreclosed upon." Undefined terms can lead to disputes between the taxpayers and the department. The author may wish to amend this provision to define these phrases to ease the department's administration of this provision.

LEGISLATIVE HISTORY

SB 49 (Dutton, 2009/2010) would make revisions to the Qualified Principal Residence Credit, including extending the cease operative date to purchases made before December 1, 2010. This bill is currently in the Senate Revenue and Taxation Committee.

SB 206 (Dutton, 2009/20100) would allow a maximum credit of $8,000 for the purchase of a qualified principal residence for purchases on or after January 1, 2009, and before December 1, 2009. This bill is currently in the Senate Revenue and Taxation Committee.

SBX 2 15 (Ashburn, Stats. 2009 Third Extraordinary Session, Ch. 11) allows a $10,000 credit for the purchase of a qualified principal residence for purchase made after March 1, 2009, and before March 1, 2010. The credit is being allocated by FTB with a maximum allocation of $100 million.

OTHER STATES' INFORMATION

Florida, Illinois, Massachusetts, Michigan, Minnesota, and *New York* laws do not provide a credit comparable to the credit proposed by this provision. The laws of these states were reviewed because their tax laws are similar to California's income tax laws.

FISCAL IMPACT

The department's costs to administer this bill cannot be determined until implementation concerns have been resolved but are anticipated to be minor.

ECONOMIC IMPACT

Revenue Estimate

Based on data and assumptions discussed below, projected revenue losses for this provision are shown in the table below:

Estimated Revenue Impact of Provision 1 - AB 902 – Tax credit for Taxpayers Buying Foreclosed Homes Enactment Assumed After 06/30/2009 Effective Tax Years BOA 01/01/2009 and Before 01/01/2012 $ in Millions		
2009/10	2010/11	2011/12
-$58	-$137	-$153

This analysis does not take into account any change in employment, personal income, or gross state product that may result from this provision becoming law.

Revenue Discussion

The revenue impact of this provision depends on the number of qualified taxpayers, the number of qualified properties, and the amount of the tax credit.

The revenue estimate is calculated as follows:

First, the total number of notices of default (NOD) is used as an indicator of the actual number of foreclosures. Information from DataQuick shows that in the first quarter of 2009, 139,623 homes received a NOD, up 16 percent from a year earlier. Extrapolating the first quarter NODs in 2009 to the entire year using the percentage change from a year earlier, NODs in 2009 is estimated to total 479,244. In 2010, it is assumed that the number of NODs would increase by 10 percent from a year earlier to 527,169. In 2011 it is assumed the number would decline by 15 percent to 448,094.

Second, recent data indicates that an increasing number of homes receiving a NOD end up foreclosed. In 2008, 67 percent of homes receiving a NOD were foreclosed, compared to 32 percent a year earlier. For 2009, it is assumed approximately 68 percent of homes with a NOD would be foreclosed. Despite various estimates that the economy will start to rebound in late 2010, the foreclosure percentage was revised up to 70 percent to take into account the possibility that variable rate mortgage resets occurring in 2010 would actually increase the foreclosure rate. However, the foreclosure rate for 2011 is estimated to be 60 percent under the assumption that the economy would be recovering and the housing market would start to improve. Hence, the number of homes foreclosed after receiving a NOD is estimated to be 325,886 (68% x 479,244), 369,018 (70% x 527,169) and 268,856 (60% x 448,094), in 2009, 2010, and 2011, respectively.

Third, since not all foreclosed homes will be resold during the year they were foreclosed, it is assumed, based on various reports, that 30 percent, 40 percent, and 50 percent of foreclosed homes would be sold in 2009, 2010 and 2011, respectively. It should be noted that unsold foreclosed homes in one year would be added to newly foreclosed homes in the next year. Thus, 97,766 foreclosed homes would be sold in 2009. In 2010, approximately 238,855 foreclosed homes would be sold. This number reflects the higher percentage of homes that would be sold in 2010, as well as the increase in the number of foreclosed homes in 2010, and the sale of the homes that were foreclosed upon in 2009 that would be sold in 2010. In 2011, the number is estimated to be 313,570.

Fourth, this provision restricts the tax credit to a qualified taxpayer, who is defined as “an individual whose annual gross income is equal to or less than 120 percent of the area median income.” To account for this restriction, it is assumed that 25 percent of taxpayers who bought a foreclosed home would qualify for the tax credit each year the credit is available. Under this assumption, 24,441 would qualify for the tax credit under this provision in 2009, 59,714 in 2010 and 78,392 in 2011.

Fifth, not all taxpayers would qualify for the full $3,000 tax credit because the credit is limited to 2 percent of the cost of the home. It is assumed that, on average, $2,500 of the tax credit would be claimed during the year the average qualified taxpayer purchased a foreclosed home. In addition, since most qualified taxpayers would have a far smaller ‘net tax’ liability during the year they claim the credit, it is assumed that qualified taxpayers on average would claim 60 percent of the credit in the first year the, 30 percent in the second year and 10 percent in the third year.

Based on the discussion above, it is estimated that the total tax credit claimed under this provision would be $37 million for 2009, $108 million for 2010, $168 million for 2011, and $74 million for 2012 (which does not include new credit, but is instead carryovers from the previous three years).

The tax year estimates are converted to fiscal year estimates as shown in the table above.

POLICY CONCERNS

Because this provision fails to specify otherwise, a taxpayer could potentially claim the credit proposed by this bill and the newly enacted Qualified Purchase Residence Credit SBX2 15 (Ashburn, Stats. 2009 Third Extraordinary Session, Ch. 11). Generally, a credit is allowed in lieu of any deduction or credit already allowable for the same item of expense to eliminate multiple tax benefits.

This provision requires the qualified property to be purchased by a qualified taxpayer as his or her primary residence, but fails to require the taxpayer to use the property as a primary residence for a minimum amount of time. Most credits involving the acquisition and use of property require the taxpayer to use the property for a specified period, or recapture all or some portion of the credit amount back to his or her tax liability.

Provision 2: Limit the Deduction for Qualified Residence Interest

ANALYSIS

FEDERAL/STATE LAW

Under federal and state law, only a limited amount of interest paid or accrued on acquisition indebtedness incurred on or after October 13, 1987, is deductible as qualified residence interest. Qualified residence interest is interest that is paid or accrued during the taxable year on acquisition or home equity indebtedness with respect to the principal residence of the taxpayer and one other residence (i.e., vacation home). If the residence is rented out during the taxable year, special rules require that to retain its qualified status, it must be used by the taxpayer for at least a specified minimum amount of time and it must be rented out at a fair rental value.

The aggregate amount of acquisition indebtedness may not exceed $1 million (or $500,000 in the case of married person filing separately). Acquisition indebtedness is debt incurred in acquiring, constructing, or substantially improving a qualified residence and secured by that residence. Refinanced debt remains acquisition debt to the extent that it does not exceed the principal amount of acquisition debt immediately before refinancing.

The aggregate amount of home equity indebtedness may not exceed $100,000 (or $50,000 in the case of married person filing separately). Home equity indebtedness is all non-acquisition indebtedness that is secured by a qualified residence to the extent it does not exceed the fair market value of the residence reduced by any acquisition indebtedness. Interest on home equity indebtedness is deductible even if the proceeds are used for personal expenditures.
Interest attributable to the amount of debt equal to or less than these maximum mortgage amounts is fully deductible, while interest attributable to debt over the maximum mortgage amounts is nondeductible personal interest.

In addition, special rules apply to pre-October 13, 1987, acquisition indebtedness (commonly called grandfathered debt). Under those rules, interest attributable to the amount of that debt is not subject to the $1 million (or $500,000 in the case of married person filing separately) maximum mortgage limits. Thus, interest attributable to the amount of grandfathered debt is fully deductible.

THIS PROVISION

For taxable years beginning on or after January 1, 2010, and before January 1, 2012, this provision would prohibit the deduction of qualified residence interest attributable to a taxpayer's second/vacation home. The deduction of qualified residence interest would be limited to the interest attributable to a taxpayer's principal residence.

This provision would remain in effect until December 1, 2012, and as of that date be repealed.

IMPLEMENTATION CONSIDERATIONS

Implementing this provision would require some changes to existing tax forms and instructions and information systems, which could be accomplished during the department's normal annual update.

LEGISLATIVE HISTORY

ABX 16 (Goldberg, 2003/2004) would have reduced the deduction for qualified residence interest by lowering the maximum acquisition home mortgage by 50 percent. This bill died at the Assembly Desk.

OTHER STATES' INFORMATION

The states surveyed include *Florida, Illinois, Massachusetts, Michigan, Minnesota, and New York.* These states were selected due to their similarities to California's economy, business entity types, and tax laws.

Florida only has a corporation income tax and therefore the personal income tax deduction for home mortgage interest is not applicable.

Illinois, Massachusetts, and *Michigan* do not permit any itemized deductions including home mortgage interest. However, unlike California, these states have flat tax rates ranging from 3 percent to 5.3 percent.

Minnesota and *New York* laws treat interest attributable to a taxpayer's principal residence and a second/vacation home as qualified residence interest.

FISCAL IMPACT

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

ECONOMIC IMPACT

Revenue Estimate

Based on data and assumptions discussed below, projected revenue gains for this provision are shown in the table below:

Estimated Revenue Impact of Provision 2 - AB 902 - Limit Interest Deduction to Principal Residence Enactment Assumed After 6/30/2009 Effective Tax Years BOA 01/01/2010 and Before 01/01/2012 $ in Millions		
2009/10	2010/11	2011/12
$15	$76	$38

This analysis does not take into account any change in employment, personal income, or gross state product that may result from this provision becoming law.

Revenue Discussion

The revenue impact of this provision depends on the number of second homes owned by taxpayers, the total amount of qualified residence interest deductions reported for second homes, the personal income tax rate and assumed behavioral changes in response to this provision.

In 2005, the share of second homes nationally was 5.3 percent of all housing units in the United States. This share is assumed to remain stable and California's share of second home ownership is also assumed to be the same as the national percentage.

Homes with mortgages account for 76 percent of housing in California in 2005 and about 2.01 percent of those homes are second homes. This percentage is applied to the total qualified residence interest deductions reported in 2005 to arrive at the portion of the qualified residence interest deductions that applies to second homes. The total amount of qualified residence interest deductions reported in 2005 is $76 billion, and the qualified residence interest deductions for second homes, after adjusting for smaller second home mortgage balances, is estimated to be $1.2 billion. The 2005 estimate is then projected to future years using qualified residence interest deduction growth rates (2009-10 Governor's budget, December 2008). For 2010 and 2011, the total amount of qualified residence interest deductions for second homes is estimated to be $1,304 million and $1,334 million, respectively. The average marginal tax rate of 8 percent is applied to the estimated qualified residence interest deductions for second homes to obtain the gain in tax revenue from removing the qualified residence interest deduction for a taxpayer's second home. For 2010 and 2011, the estimated gains in tax revenue are estimated to be $104 million (8 percent x $1,304 million) and $107 million (8 percent x $1,334 million), respectively.

Possible behavioral changes such as decrease in second home purchases, pulling out equity to pay off mortgage debts on second homes and switching to investment property, are taken into account and their combined impact is projected to decrease the revenue gains to $74 million (from $104 million) in 2010 and $54 million (from $107 million) in 2011.

Calendar year estimates are converted to fiscal year estimates as shown in the table above.

Provision 3: Adjust the MFT for Inflation

STATE LAW

Under existing state law, unless specifically exempted by statute, every corporation organized or qualified to do business or that is doing business in this state, whether organized in state or out-of-state, is subject to the MFT. For taxable years beginning on or after January 1, 1990, the MFT is $800. Taxpayers must pay the MFT only if it is more than their measured franchise tax. For taxable years beginning on or after January 1, 1997, only taxpayers with net income less than approximately $9,040 pay the MFT because the amount of measured tax owed would be less than $800 ($9,039 x 8.84% = $799).

Real estate mortgage investment conduits (REMICs) are subject to and required to pay the MFT. Regulated investment companies (RICs) and real estate investment trusts (REITs) organized as corporations are also subject to and required to pay the MFT.

The tax on limited partnerships (LPs), limited liability companies (LLCs) not classified as corporations, limited liability partnerships (LLPs), and qualified Subchapter S subsidiaries (QSSSs) is set at $800 by reference to the MFT.

Every corporation that incorporates or qualifies to do business in this state is exempt from the MFT for the first taxable year of existence. This exemption is inapplicable to any corporation that reorganizes solely for the purpose of avoiding payment of the MFT. In addition, the exemption does not apply to LPs, LLCs not classified as corporations, LLPs, charitable organizations, RICs, REITs, REMICs, financial asset securitization investment trusts, and QSSSs.

The MFT is not adjusted for inflation under current state law.

THIS BILL

For taxable years beginning on or after January 1, 2009, and before January 1, 2012, this provision would require FTB to adjust the MFT for inflation.

The annual adjustment would be based on the change in the California Consumer Price Index for all items from June of the prior calendar year to June of the current calendar year, as reported to FTB by the California Department of Industrial Relations.

This provision would remain in effect until December 1, 2012, and as of that date be repealed.

The MFT would be restored to $800 for taxable years beginning on or after January 1, 2012.

IMPLEMENTATION CONSIDERATIONS

Implementing this provision would require some changes to existing tax forms and instructions and information systems, which could be accomplished during the normal annual update.

TECHNICAL CONSIDERATIONS

Amendment 1 has been provided to correct a technical error regarding the computation of the inflation adjustment.

Amendments 2 and 3 have been provided to remove out-dated language.

LEGISLATIVE HISTORY

AB 327 (Garrick, 2009/2010) would reduce the MFT from $800 to $100. AB 327 is currently referred to the Assembly Revenue and Taxation Committee.

AB 1179 (Garrick, 2007/2008) and AB 1419 (Campbell, 1997/1998) would have reduced the MFT from $800 to $100. AB 1179 failed passage out of the Assembly Revenue and Taxation Committee. AB 1419 failed passage out of the Senate Revenue and Taxation Committee.

AB 2178 (Garrick, 2007/2008) would have reduced the MFT from $800 to $200. AB 2178 failed passage out of the Assembly Revenue and Taxation Committee.

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.

OTHER STATES' INFORMATION

The states surveyed include *Florida, Illinois, Massachusetts, Michigan, Minnesota, and New York.* These states were selected due to their similarities to California's economy, business entity types, and tax laws.

Florida has a corporate income tax of 5.5 percent with no minimum tax.

Illinois has an annual franchise tax of 1 percent of the tax base. The tax base is calculated by using the shares of stock issued by the corporation as disclosed in the annual statement reported to the *Illinois* Secretary of State. The tax ranges from a minimum of $25 to a maximum of $1 million, and is not adjusted for inflation.

Massachusetts imposes the greater of a corporate excise tax of 9.5 percent based on taxable income or a minimum tax equal to $456, which is not adjusted for inflation. In lieu of the corporate excise tax, the corporate franchise tax is imposed on cemetery companies, crematory companies, canal companies, and safe deposit companies.

Michigan replaced the Single Business Tax with the *Michigan* Business Tax (MBT) that includes a business income tax and a gross receipts tax, for taxable years beginning on or after January 1, 2008. *Michigan* does not have a minimum tax. All persons engaged in a "business activity" and that have "gross receipts" in *Michigan* are subject to the MBT. The business income tax is 4.95 percent and the gross receipts tax is .080 percent.

Minnesota has a franchise tax that is imposed on a corporation's taxable income at the rate of 9.8 percent. An additional franchise tax is imposed, ranging from $0 to $5,000, based on the sum of the property determined by property, payroll, and sales in the state. The additional franchise tax is not adjusted for inflation.

New York imposes a franchise tax of 7.01 percent based on net income plus a fixed dollar minimum tax based on gross payroll. The fixed dollar minimum tax ranges from $100 to $1,500, and is not adjusted for inflation.

FISCAL IMPACT

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

ECONOMIC IMPACT

Revenue Estimate

Based on data and assumptions discussed below, this provision would result in the following revenue gains:

Estimated Revenue Impact of Provision 3 - AB 908 - Adjust the Minimum Franchise Tax for Inflation Enactment Assumed After 6/30/2009 Effective Tax Years BOA 01/01/2009 and Before 01/01/2012 $ in Millions		
2009/10	2010/11	2011/12
$19	$25	$6

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

Revenue Discussion

The revenue impact of this provision would be determined by the amount of the MFT paid by corporations and other business entities and the annual change in the California Consumer Price Index.

The revenue gain is estimated separately for C and S corporations, LLCs, LPs, and LLPs.

First, the MFT paid by C and S corporations is estimated using a corporate microsimulation model based on 2006 corporate sample data. Banks and financial corporations are also included in the sample data. The results from the simulation are expanded to the corporate population (684,363 in 2006). In 2006, these corporations paid an estimated $547 million in MFT.

Second, because LLCs, LPs and LLPs are not subject to the corporate income tax, but instead pay the MFT, the MFT tax paid by these business entities is estimated by multiplying the number of LLCs (221,293), LPs (67,731) and LLPs (5,137) by the amount of the MFT ($800). For tax year 2006, the tax paid by LLCs, LP and LLPs is $177 million, $54 million and $4 million, respectively.

Third, the estimated MFT revenues from C and S corporations, LLCs, LPs and LLPs are summed up: a total of $783 million in MFT was collected in 2006. The $783 million is grown by the average growth rate of the number of corporations and other business entities. For taxable year 2009, the total MFT tax paid by corporations and other business entities is estimated to be $880.6 million. Because this provision would require MFT to be adjusted for inflation, the total amount of the MFT is increased to $883.3 million based on the California Consumer Price index obtained from the Department of Finance (December 2008). The difference between these two estimates is $2.7 million ($883.3 million - $880.6 million) which is the revenue gain from adjusting the MFT for inflation for taxable year 2009. Similar estimates were performed for subsequent years and the revenue gain for taxable years 2010 and 2011 is $21 million and $27 million, respectively.

Taxable year estimates are then converted to fiscal year estimates, as shown in the table above.

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FRANCHISE TAX BOARD'S PROPOSED AMENDMENTS TO AB 902
As Amended April 14, 2009

AMENDMENT 1

On page 7, line 4, strike out "and dividing the result by 100"

AMENDMENT 2

On page 8, strike out lines 21-40, and on page 9, strike out lines 1-30

AMENDMENT 3

On page 9, line 33, strike out "2000" and insert:

2012