

ANALYSIS

THIS BILL

This bill would do the following:

- Require the FTB to annually report to the DOF the amount of the preliminary estimated and final estimated revenue increase from the changes in the apportionment rules made by this bill. The methodology for computing the final estimated revenue increase has been provided in the bill.
- Make the single sales factor apportionment formula mandatory for all apportioning trades or businesses, except those in a qualified business activity (extractive, agricultural, savings and loans, and banks and financials) or those apportioning trades or businesses that make an election to use the four-factor formula. The election is only available if the tax, before credits, using the four-factor formula is not less than the tax, before credits, using the single sales factor apportionment method. This election is available for taxable years beginning on or after January 1, 2012.
- Repeal the elective single sales factor provisions for years beginning on or after January 1, 2012.
- Remove references to the provisions of the repealed elective single sales factor.
- Revise the provision that determines how to assign sales of other than tangible personal property as follows:
 - The bill requires the use of “cost of performance” for assigning sales for taxable years beginning before January 1, 2011.
 - For taxable years beginning on or after January 1, 2011, and before January 1, 2012, taxpayers that have made an election to apportion business income using the single sales factor must use the “market rule”. Those taxpayers that did not elect to use the single sales factor must use cost of performance to assign sales.
 - For taxable years beginning on or after January 1, 2012, all taxpayers, including those businesses in a qualified activity, are required to use the “market rule.”

- Add a provision to allow qualified taxpayers to exclude 50 percent of the total California sales of the apportioning trade or business determined under the market rule from the numerator of their single sales factor. A qualified taxpayer means:
 - A member of a combined reporting group that is also a qualified group; and
 - A qualified group that satisfies both of the following conditions:
 - has a minimum investment of \$250,000,000 in California for the taxable year; and
 - for the taxable year beginning in calendar year 2006, derived more than 50 percent of its U.S. network gross business receipts from operations of one or more cable systems.

FISCAL IMPACT

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

ECONOMIC IMPACT

Revenue Estimate

Estimated Revenue Impact of AB 1500 as Amended August 24, 2012 For Taxable Years Beginning On or After January 1, 2012 Enactment Assumed After June 30, 2012 (\$ in Millions)		
2012-13	2013-14	2014-15
+\$1,200	+\$950	+\$950

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

SUPPORT/OPPOSITION¹

Support:

- AFSCME
- AFT Local 1931
- Alhambra Unified School District Board of Education
- Associated Students of Chico State
- Associated Students of Sacramento State
- Associated Students of University of California

¹ reported on the Legislative Counsel's website- 8/27/12 Senate Floor Analysis at <http://leginfo.legislature.ca.gov/faces/billNavClient.xhtml> [as of August 28, 2012]

Associated Students of University of California, Davis
Associated Students of University of California, Merced
Associated Students of University of California, San Diego
Associated Students of Ventura College
BayBio
BIOCOM
California Communities United Institute
California Community Colleges Chancellor's Office
California Conference Board of the Amalgamated Transit Union
California Conference of Machinists
California Faculty Association
California Hospital Association
California Labor Federation
California Medical Association
California Professional Firefighters
California State Association of Electrical Workers
California State Conference of the NAACP
California State Pipe Trades Council
California State Student Association
California State University
California Teachers Association
California Young Democrats
California YouthBuild Coalition
Centinella Valley Union School District
Cisco
Cities of Berkeley, Carson, Long Beach, and Sacramento
Coalition of California Utility Employees
Congress of California Seniors
Engineers and Scientists of California, IEPTE Local 20
Equality California
Faculty Association of Rancho Santiago Community College District
Hacienda La Puente Unified School District
Inglewood Unified School District
International Longshore and Warehouse Union
International Longshore and Warehouse Union Southern California District Council
International Union of Elevator Constructors
Jockeys' Guild
Los Angeles City Controller Wendy Greuel
Los Angeles City Council

Los Angeles Councilmember Bill Rosendahl, 11th District
Los Angeles Councilmember Dennis Zine, 3rd District
Los Angeles Councilmember Dr. Robert Garcia, 1st District
Los Angeles Councilmember Eric Garcetti, 13th District
Los Angeles Councilmember Herb Wesson, 10th District
Los Angeles Councilmember Joe Buscaino, 15th District
Los Angeles Councilmember Jose Huizar, 14th District
Los Angeles Councilmember Paul Koretz, 5th District
Los Angeles Councilmember Paul Krekorian, 2nd District
Los Angeles Councilmember Richard Alarcón, 7th District
Los Angeles Councilmember Steven Neal, 9th District
Los Angeles Councilmember Tony Cardenas, 6th District
Los Angeles County Democratic Party
Los Angeles County Sheriff Lee Baca
Los Angeles County Sheriff's Department
Los Angeles Labor Federation
Los Angeles Mayor Antonio R. Villaraigosa
Los Angeles Unified School District
Los Angeles Unified School District School Board Member Nury Martinez
Los Angeles Unified School District Superintendent Deasy's office
Los Rios Community College District
Montebello Unified School District Board of Education
National Police Clergy Council
Professional and Technical Engineers, IEPTE Local 21
Professional Engineers in California Government
Qualcomm
Region VI Student Senate for Community Colleges
Sacramento County Board of Supervisors
San Francisco Youth Commission
Santa Barbara County Supervisor, Salud Carbajal-1st District
Santa Monica/Malibu Unified School District
Santiago Canyon College Associated Student Government
Shasta College Student Senate
Student Senate for California Community Colleges
Teamsters
Tri-Counties Central Labor Council
UAW Local 2865
UAW Local 4123
UAW Local 5810

UFCW Western States Council
UNITE-HERE, AFL-CIO
University of California
University of California Student Association
University of California, Riverside Graduate Student Association
Western Association for College Admission Counseling
Western States Council of Sheet Metal Workers

Opposition:

Alliance of Automobile Manufacturers
California Asian Pacific Chamber of Commerce
California Chamber of Commerce
California Manufacturers & Technology Association
CalTax
Chrysler
General Motors
Howard Jarvis Taxpayers Association
International Paper
Kimberly-Clark
Procter & Gamble
Southwest California Legislative Council

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