

ANALYSIS OF AMENDED BILL

Franchise Tax Board

Author: V. Manuel Perez, et. al Analyst: Jahna Carlson Bill Number: AB 2506
Related Bills: See Legislative History Telephone: 845-5683 Introduced Date: February 24, 2012
Amended Date: March 29, 2012
Attorney: Patrick Kusiak Sponsor: _____

SUBJECT: Administrative Procedures Act Modifications/Regional Innovation And Job Creation Boards/Tangible Property Exemption From Sales And Use Tax/Research And Development Expense Credit /Postsecondary Educational Institution Contribution Credit

SUMMARY

This bill would do the following:

Provision No. 1: Establish legislative oversight of the state's regulatory process.

Provision No. 2: Modify the franchise and income tax research credit.

Provision No. 3: Create a franchise and income tax credit for qualified taxpayers that contribute to a Postsecondary Educational Institution (PEI credit) to provide curriculum, consultation services, or research that leads to job opportunities in the private sector.

This analysis will not address the bill's changes to the Sales and Use Tax Law or the Government Code relating to innovation and job creation boards as they do not impact the department or state income tax revenue.

This is the department's first analysis of the bill. The provisions of the bill will be discussed separately.

RECOMMENDATION

No position.

Summary of Amendments

The March 29, 2012, amendments modified the legislative oversight, research credit, and PEI credit provisions discussed in this analysis, and made a number of technical, non-substantive changes.

Summary of Suggested Amendments

Amendments are provided to make technical corrections.

Board Position:
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_____ N _____ OUA

Department Director	Date
Selvi Stanislaus	08/07/12

ECONOMIC IMPACT – SUMMARY REVENUE TABLE

Estimated Revenue Impact of AB 2506 As Amended March 29, 2012 For Taxable Years Beginning On or After January 1, 2013 Assumed Enactment After June 30, 2012 (\$ in Millions)			
	2012-13	2013-14	2014-15
Provision 1: Establish Legislative Oversight Of Regulatory Process	\$ 0	\$ 0	\$ 0
Provision 2: Modify The Research Credit	-\$39	-\$190	-\$370
Provision 3: Credit for Contributions to Post-Secondary Education	-\$120	-\$340	-\$460
Total	-\$159	-\$530	-\$830

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

REASON FOR THE BILL

The reason for the bill is to develop a long-term economic plan for the state to partner with the private sector’s “Innovation Economy” by eliminating roadblocks in state law and regulation, and incentivizing investments in capital expenditures and higher education.

EFFECTIVE/OPERATIVE DATE

If enacted on or before September 30, 2012, this bill would be effective on January 1, 2013. The operative dates of these changes vary and are addressed separately for each provision.

PROVISION 1: Establish Legislative Oversight Of The State’s Regulatory Process

EFFECTIVE/OPERATIVE DATE

This provision would be effective and operative on January 1, 2013, and would apply to statements, regulations, or orders of repeal adopted on or after that date.

ANALYSIS

STATE LAW

Current state law requires every department, division, office, officer, bureau, board, or commission in the executive branch of California state government to follow the rulemaking procedures in the Administrative Procedures Act (APA) and in the Office of Administrative Law (OAL) regulations, unless expressly exempted by statute from some or all of these requirements. Generally, there are two types of rulemaking procedures that a state agency can pursue: regular or emergency. The regular rulemaking process requires that a state agency meet certain public hearing and notice requirements. The emergency rulemaking process has requirements, which generally include a brief public notice period, a finding of emergency, a brief public comment period, review by OAL, and an OAL decision. Additionally, some agencies have requirements related to regular or emergency rulemakings that are unique to that particular agency.

For the regular rulemaking process, once a state agency decides to conduct a regular rulemaking action, it develops the documents required to conduct a formal APA rulemaking proceeding. Some agencies involve the public during this stage, while others do not. Government Code section 11346.45 requires an agency to engage in pre-notice public discussions (also called “workshopping”) if the proposal is large or complex.

To initiate a rulemaking action, an agency issues a notice by having it published in the California Regulatory Notice Register, by mailing the notice to those persons who have filed a request for notice of regulatory action, and by posting the notice, text, and Initial Statement of Reasons on the agency’s website.¹

The APA requires at a minimum, a 45-day opportunity to comment to the agency in writing on the proposed regulation. The notice specifies where the comments must be directed and the date when this opportunity to comment in writing on the proposal closes. Under the APA, an agency has an option as to whether it will hold a public hearing on a proposed rulemaking action. However, if an agency does not schedule a public hearing, any interested person can submit a written request for one to be held. The written request for a hearing must be submitted at least 15 days prior to the close of the written public comment period, and the agency must give notice of and hold a public hearing.²

After the initial public comment period, a rulemaking agency may decide to change its initial proposal either in response to public comments received or on its own initiative. The agency must then decide whether a change is (1) nonsubstantial; (2) substantial and sufficiently related; or (3) substantial and not sufficiently related.³ A rulemaking agency must make each substantial, sufficiently related change to its initial proposal available for public comment for at least 15 days before adopting such a change. This is accomplished by mailing a notice of opportunity to comment on proposed modifications along with a copy of the text of the new proposed changes to each person who has submitted written comments on the proposal, testified at the public hearing, or asked to receive a notice of proposed modifications. The agency must also post the notice on its website. No public hearing is required. The public may comment on the proposed modifications in writing.

The agency must then consider comments received during the 15-day comment period which are specifically directed to the proposed modifications. An agency may conduct more than one 15-day opportunity to comment on modifications.

A rulemaking agency must summarize and respond on the record to timely comments that are directed at the proposal or at the procedures followed by the agency during the regulatory action. With each comment, the agency must either (1) explain how it has amended the proposal to accommodate the comment, or (2) explain the reasons for making no change to the proposal. The summary and response to comments is included as part of the rulemaking file in a document called a Final Statement of Reasons.⁴

¹ Government Code section 11346.5

² Government Code section 11346.8

³ Government Code section 11346.8(c)

⁴ Government Code section 11346.9

A rulemaking agency must transmit a rulemaking action to the OAL for review within one year from the date that the notice was published in the California Regulatory Notice Register.

The OAL then has 30 working days to conduct its review. The OAL must review the rulemaking record to determine whether it demonstrates that the rulemaking agency satisfied the procedural requirements of the APA and to review the proposed regulations for compliance with the six legal standards set forth in the APA: Authority, Reference, Consistency, Clarity, Nonduplication and Necessity. The OAL may not substitute its judgment for that of the rulemaking agency with regard to the substantive content of the regulations.⁵

THIS PROVISION

Under the Government Code, this provision would require state agencies subject to the APA to submit regular rulemaking actions to the Joint Rules Committee (JRC) of the Legislature 60 days prior to submitting actions to the OAL, and emergency rulemaking actions concurrently with the action's submission to the OAL.

The JRC could refer submitted rulemaking actions to the appropriate policy committee in each house for review. If referred for review, a policy committee could take any of the following actions:

- Make non-binding recommendations on the rulemaking action.
- Refer the rulemaking action to the floor of either house. The rulemaking action could be rejected by resolution of a simple majority. If rejected, the rulemaking action would be returned to the agency for revision and could be resubmitted within 120 days of the rejection. Rulemaking action that was not rejected would not be deemed to be approved.
- Take no action.

Rulemaking actions would remain subject to the APA's existing approval process regardless of legislative action, or inaction.

IMPLEMENTATION CONSIDERATIONS

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

This provision would, for regular rulemaking actions, extend the approval process by a minimum of 60 days and could impact the department's ability to complete all public notice and comment periods and submit the final rulemaking package to the OAL prior to the expiration of the twelve month submission period. Failure to meet the deadline would require the department to republish the proposed rulemaking action to open a new twelve month submission period and would further delay finality of an action. The author may wish to consider amending this bill to extend the deadline for submitting a final rulemaking package to accommodate the legislative review this bill would require.

⁵ Government Code section 11349.1

It is unclear what the effect of a legislative rejection of a rulemaking action would be. Would the submitting agency be required to revise the action? Could a rejected action be moved to the next step without being resubmitted to the rejecting body? How would the expiration of the 120 day resubmission period affect the rejected action? Lack of clarity could result in disputes over the rulemaking process and further delay final approval of rulemaking proposals. The author may wish to amend this bill to clarify the effect of a legislative rejection of a rulemaking action.

LEGISLATIVE HISTORY

AB 1409 (Perez, 2011/2012) would require each state agency to include additional information with their initial statement of reasons during the rulemaking process as required under the APA. AB 1409 is currently pending action by the Senate Rules Committee.

AB 2466 (Smyth, 2009/2010) would have required the OAL to submit all regulation packages to the Legislature for review by the appropriate legislative policy committees. AB 2466 failed passage out of the Assembly Appropriations Committee.

OTHER STATES' INFORMATION

Since this provision only modifies the state's regulatory approval process, a review of other states' tax information would not be relevant.

FISCAL IMPACT

If the implementation considerations addressed in this analysis are resolved, the department's costs to implement this provision are expected to be minor.

ECONOMIC IMPACT

Revenue Estimate

This provision would not impact the state's income and franchise tax revenue.

ARGUMENTS

Proponents: Supporters could argue that legislative review of proposed regulations would establish a process to ensure that legislative feedback is considered during the regulatory approval process.

Opponents: Some could say that legislative review of proposed regulations would unnecessarily delay the regulatory approval process.

PROVISION 2: Modify The Research Credit

EFFECTIVE/OPERATIVE DATE

This provision would be effective January 1, 2013, and would be specifically operative for taxable years beginning on or after January 1, 2013.

ANALYSIS

FEDERAL LAW

Existing federal law allows taxpayers a research credit that is combined with several other credits to form the general business credit. The research credit is designed to encourage companies to increase their research and development activities.

The research credit for personal income tax (PIT) taxpayers is determined as the sum of:

1. 20 percent of the qualified research expenses incurred during the taxable year that exceeds the base amount, as defined, and
2. 20 percent of the amount paid or incurred during the taxable year on research undertaken by an energy research consortium.

In addition to the two components listed above, corporate taxpayers are allowed a credit of 20 percent of expenses paid to fund basic research at universities and certain nonprofit scientific research organizations that exceed the base period amount (basic research payments), as defined.

Prior to January 1, 2009, federal law allowed a taxpayer to elect the alternative incremental credit (AIC) method to determine their research credit.

To qualify for the credit, research expenses must qualify as an expense or be subject to amortization, be conducted in the U.S., and be paid by the taxpayer. The research must be experimental or laboratory research and pass a three-part test as follows:

1. Research must be undertaken to discover information that is technological in nature. The research must rely on the principles of physical, biological, engineering, or computer sciences.
2. Substantially all of the research activities must involve experimentation relating to quality or to a new or improved function or performance.
3. The application of the research must be intended for developing a new business component. This is a product, process, technique, formula, or invention to be sold, leased or licensed, or used by the taxpayer in a trade or business.

Ineligible expenses include seasonal design factors; efficiency surveys; management studies; market research; routine data control; routine quality control testing or inspection; expenses incurred after production; and development of any plant, process, machinery, or technique for the commercial production of a business component unless the process is technologically new or improved. The federal credit does not apply to any expenses paid or incurred after December 31, 2011.⁶ However, the recently introduced "Investing in American Innovation Act of 2012" and "The Family and Business Tax Cut Certainty Act of 2012", include provisions to extend the federal research credit.

⁶ Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010 (Public Law 111-312). of 2010" (Public Law 111-312).

STATE LAW

California conforms to the federal credit with the following modifications:

- The state credit is not combined with other business credits.
- Research must be conducted in California.
- The credit percentage for increasing qualified research in California is 15 percent versus the 20 percent federal credit.
- The credit percentage for basic research payments in California is limited to corporations (other than S Corporations, personal holding companies, and service organizations) and is 24 percent versus the 20 percent federal credit.
- The percentages for the alternative incremental research portion of the credit are 1.49 percent, 1.98 percent, and 2.48 percent, which varies from the federal percentages of 3 percent, 4 percent, and 5 percent in effect as of January 1, 2009, the state's current conformity date.
- The state credit has no expiration date.

THIS PROVISION

This provision would, under both the personal income tax law (PITL) and corporation tax law (CTL), incrementally increase the credit percentage applied to qualified research expenses in excess of the base amount from 15 percent to 40 percent over the five year period beginning with taxable year 2013 and ending with taxable year 2017.

Under the CTL, this provision would also increase the credit percentage applied to basic research payments from the current 24 percent to 40 percent at a rate of 5 percent for three years and 1 percent in the fourth year over the four taxable years 2013 through 2016.

Additionally, for taxable years beginning on or after January 1, 2013, taxpayers utilizing a research credit would be required to report to the Franchise Tax Board (FTB) all of the following:

- Total research and development (R&D) expenditures made during the taxable year subject to the credit, and
- Total R&D expenditures made during the taxable year that are not subject to the credit, and
- A breakdown of the total R&D expenditures subject to the credit attributable to (1) gross wages, (2) capital expenditures, and (3) outside consultants and services.

IMPLEMENTATION CONSIDERATIONS

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

This provision uses phrases that are undefined, i.e., “capital expenditures,” “gross wages,” “outside consultants and services,” “research and development expenditures,” “separate line item,” and “utilizing a credit.” The absence of definitions to clarify these terms could lead to disputes with taxpayers and would complicate the administration of the credit. Because the state research credit is a modified version of the federal credit, the author may wish to consider, to the extent that terms consistent with the author’s intent are defined in the federal research credit, amending this bill to match federal terms, phrases, and definitions.

This provision would require taxpayers utilizing a research credit to report specified information to the FTB, yet fails to specify what would be done with the information received. For example would the information be required to be assembled and reported to the Legislature? Would the reporting requirement apply to a taxpayer using only carryover credits from taxable years before the changes made by this bill? When and in what format would the report be made? It is suggested that this provision be amended to clarify the author’s intent regarding the purpose of the additional reporting requirements.

TECHNICAL CONSIDERATIONS

Paragraph (3) of subdivision (b) of Revenue and Taxation Code sections 17052.12 and 23609 needs to be amended to include an end date for the modifications that currently apply to taxable years beginning on or after January 1, 2000. Amendments 1 and 3 are provided to make this correction.

LEGISLATIVE HISTORY

AB 1484 (Anderson, 2009/2010) would have increased the credit percentage for qualified research expenses to 20 percent and conformed to the federal AIC percentages for taxable years beginning on or after January 1, 2010. AB 1484 failed to pass out of the Assembly Revenue and Taxation Committee by the constitutional deadline.

AB 2278 (Anderson, 2009/2010) would have increased the credit percentage for qualified research expenses to 20 percent, conformed to the federal alternative simplified credit, and eliminated the AIC methodology for taxable years beginning on or after January 1, 2010. AB 2278 was held in the Assembly Committee on Revenue and Taxation without further action.

SB 444 (Ashburn, 2009/2010) would have increased the credit percentage for qualified research expenses to 20 percent and conformed to the federal AIC percentages for taxable years beginning on or after January 1, 2009. SB 444 failed to pass out of the Senate Committee on Revenue and Taxation by the constitutional deadline.

PROGRAM BACKGROUND

The department annually releases a report on state tax expenditures. The 2011 State Tax Expenditure Report contains information regarding the usage of the Research Expense Credit. The relevant section begins on page 46 of the report. The entire report can be viewed by accessing: https://www.ftb.ca.gov/aboutftb/Tax_Expenditure_Report_2011.pdf.

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.

As of July 1, 2011, *Florida* allows a corporate income tax credit of up to 10 percent of the qualified research expenses in excess of the base amount for research performed in the state. For taxpayers that have been in existence less than four years, the maximum tax credit is reduced by 25 percent for each taxable year during the immediately preceding four taxable years that the taxpayer, or a predecessor corporation that was a business enterprise, did not exist. The credit taken in any taxable year may not exceed 50 percent of the business enterprise's remaining net income tax liability after all other credits have been applied. *Florida* lacks a comparable credit for personal income taxpayers because *Florida* has no state personal income tax. Unused credits may be carried forward up to 5 years.

For taxable years ending on or before December 31, 2015, *Illinois* corporate and individual taxpayers may claim an income tax credit for qualified expenditures that are used for increasing research activities in *Illinois*. The credit equals 6½ percent of the qualifying expenditures. Unused credits generated in taxable years ending on or after December 31, 2004, may be carried forward for up to 5 years.

Massachusetts allows corporate taxpayers to claim an excise tax credit for qualified expenditures that are used for increasing research activities in *Massachusetts*. The credit is 15 percent of the basic research payments and 10 percent of qualified research expenses conducted in *Massachusetts*. Effective for taxable years beginning on or after January 1, 2009, and before January 1, 2018, a certified life sciences company is allowed a refundable credit on expenditures for research activity that takes place both within and outside of *Massachusetts*. Unused credits may be carried forward for up to 15 years.

Effective January 1, 2012, *Michigan* replaced the Michigan Business Tax with a corporate income tax. There is no research credit under the corporate or personal income tax. Taxpayers with unused hybrid technology research and development credits that were certificated under the Michigan Business Tax regime may continue to file Michigan Business Tax returns until the credit is paid or exhausted.

Effective for taxable years beginning after December 31, 2009, *Minnesota* allows two refundable corporate franchise tax credits for research and development: a general research credit available to all businesses, and a refundable credit allowed to a qualified business for increasing research activities in a biotechnology and health sciences zone. The general research credit is equal to 10 percent (5 percent for the zone based research credit) for qualified research expenses up to \$2 million. The amount of the credit is reduced to 2.5 percent for expenses exceeding the first \$2 million. Unused credits may be carried forward up to 15 years.

Beginning in 2005, *New York* allows a credit for qualified emerging technology companies. The credit is equal to the sum of 18 percent of the cost of research and development property, 9 percent of the qualified research expenses, and the cost of qualified high-technology training expenditures, limited to \$4,000 per employee, per year, subject to a maximum of \$250,000 per taxable year. Any excess credit can be refunded or applied as a payment for the following taxable year.

FISCAL IMPACT

This provision would modify the calculation of the research credit and require taxpayers to report certain information that would require forms and systems modifications. As a result, this bill would impact the department’s printing, processing, and storage costs for tax returns. Additionally, the language that would require the department collect, analyze, and report on the information provided could result in significant additional costs to the department.

ECONOMIC IMPACT

Revenue Estimate

Estimated Revenue Impact of Research Credit Modification For Taxable Years Beginning On or After January 1, 2013 Assumed Enactment After June 30, 2012 (\$ in Millions)		
2012-13	2013-14	2014-15
-\$39	-\$190	-\$370

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

ARGUMENTS

Proponents: Supporters could argue that this provision would stimulate job creation by offering an enhanced research credit to businesses that have the ability to employ new workers and expand their current workforce, and the reporting requirements would provide the ability to monitor the credit’s benefit to the state.

Opponents: Some could argue that with the state’s current fiscal crisis, additional tax expenditures should be avoided and the provision’s reporting requirements would be unduly burdensome.

PROVISION 3: Create The PEI Credit

EFFECTIVE/OPERATIVE DATE

This provision would be effective January 1, 2013, and would be specifically operative for taxable years beginning on or after January 1, 2013.

ANALYSIS

Existing state and federal 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/STATE LAW

Current state and federal laws generally allow taxpayers engaged in a trade or business to deduct all expenses that are considered ordinary and necessary in conducting that trade or business.

Existing state and federal laws allow deductions from income for charitable contributions. An individual can deduct an amount not to exceed 50 percent of their adjusted gross income. Charitable contributions made by business entities operating as a sole proprietorship or single member limited liability company, and the flow through amounts from a partnership or S corporation, are reported on the owner's or partner's individual income tax return. Business entities operating as a corporation or S-corporation are allowed deductions for charitable contributions that are limited to 10 percent of the taxpayer's net income. Contributions in excess of 10 percent of net income may be carried over to the following five succeeding taxable years.

A business entity's charitable contributions in excess of the allowed charitable contribution deduction are specifically excluded as a deduction for ordinary and necessary business expenses.

THIS PROVISION

This provision would, for taxable years beginning on or after January 1, 2013, create an income and franchise tax credit equal to 40 percent of the qualified contributions made by a qualified taxpayer during the taxable year.

Qualified contributions would be defined as monetary contributions made by a business entity to a postsecondary educational institution for either:

- curriculum or research leading to job opportunities in the private sector, or
- consultation services associated with the establishment of curriculum or research leading to job opportunities in the private sector.

The business entity and the postsecondary educational institution must agree that there is a substantial potential for the future employment of students as a result of the contribution.

Qualified taxpayer would mean a business entity that makes a qualified contribution to a postsecondary educational institution.

Unused PEI credits could be carried forward until exhausted.

The department would be authorized to develop rules, guidelines, or procedures as necessary and appropriate. Standards, criteria, procedures, determinations, rules, notices, and guidelines necessary to implement this provision would be exempt from APA requirements.

IMPLEMENTATION CONSIDERATIONS

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

The provision is silent on how, when, by whom, and what information would be provided to the department to confirm eligibility for the PEI credit. As a result, verification of the PEI credit would require the department to request substantiating documents from the taxpayer. In order to reduce taxpayer burden and provide for ease of administration, it is recommended that the provision be amended to include certification language specifying the certifying agency and the responsibilities of both the certifying agency and the taxpayer. Additionally, the author may wish to consider amending this provision to require certification by the postsecondary educational institution that the taxpayer would be required to provide to the department upon request.

This provision uses phrases that are undefined, i.e., "business entity," "curriculum or research leading to job opportunities in the private sector," "monetary contribution," "postsecondary educational institution" The absence of definitions to clarify these terms could lead to disputes with taxpayers and would complicate the administration of this credit.

TECHNICAL CONSIDERATIONS

The definition of qualified taxpayer unnecessarily duplicates language that appears in the definition of a qualified contribution. Amendments 2 and 4 are provided to eliminate the duplication.

LEGISLATIVE HISTORY

SB 974 (Steinberg, et al., 2009/2010) would have, among other things, established the career pathways investment credit (CPIC) for career exploration activities, curriculum and professional development programs, and middle school or high school programs that create career pathways, as defined. The CPIC would have been allocated and certified by the Superintendent of Public Instruction. SB 974 was held in the Assembly Committee on Jobs, Economic Development, and the Economy.

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, Illinois, Massachusetts, Michigan, Minnesota, and New York laws do not provide a credit comparable to the credit allowed by this provision.

FISCAL IMPACT

If the implementation considerations addressed in this analysis are resolved, the department's costs are expected to be minor.

ECONOMIC IMPACT

Revenue Estimate

Estimated Revenue Impact of PEI Credit For Taxable Years Beginning On or After January 1, 2013 Assumed Enactment After June 30, 2012 (\$ in Millions)		
2012-13	2013-14	2014-15
-\$120	-\$340	-\$460

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

ARGUMENTS

Proponents: Supporters could argue that this provision could stimulate job growth by offering a credit to business entities for contributions to postsecondary educational institutions that are used to develop job opportunities in the private sector.

Opponents: Some could argue that with the state’s current fiscal crisis, additional tax expenditures should be avoided.

POLICY CONCERNS

This provision would allow a credit for qualified contributions that, in some circumstances, could also be deductible as a business expense or charitable contribution. Generally, a credit is allowed in lieu of a deduction in order to eliminate multiple tax benefits for the same item of expense.

The PEI credit would be allowed for contributions to postsecondary educational institutions located inside and outside California.

This provision lacks a sunset date. Sunset dates generally are provided to allow periodic review of the effectiveness of a credit by the Legislature.

This provision would allow for an unlimited carryover period. Consequently, the department would be required to retain the carryover on the tax forms indefinitely. Recent credits have been enacted with a carryover period limitation because experience shows credits typically are exhausted within eight years of being earned.

SUPPORT/OPPOSITION⁷

Support: None identified.

Opposition: None identified.

LEGISLATIVE STAFF CONTACT

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⁷ As reported on the Legislative Counsel's website at
<http://leginfo.legislature.ca.gov/faces/billNavClient.xhtml?bill_id=201120120AB2506>[as of July 31, 2012].

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FRANCHISE TAX BOARD'S
PROPOSED AMENDMENTS TO AB 2506
AS AMENDED MARCH 29, 2012

AMENDMENT 1

On page 13, strikeout line 6, and insert:

and before January 1, 2013, the reference to "20 percent" in Section 41(a)(1) of the Internal

AMENDMENT 2

On page 16, line 5, strikeout "to a postsecondary institution"

AMENDMENT 3

On page 17, line 10, before "both" insert:

and before January 1, 2013,

AMENDMENT 4

On page 21, line 34, strikeout "to a postsecondary institution"