Franchise Tax Board

SUMMARY ANALYSIS OF AMENDED BILL

Author:	Nazarian	Analyst:	Jessica Deitchman	Bill Number:	AB 1510
Related Bills:	See Prior Analysis	Telephone:	845-6310	Amended Date:	May 15, 2014
		Attorney:	Bruce Langston	Sponsor:	

SUBJECT: Seismic Retrofit of At-Risk Property Credit

SUMMARY

This bill would, under the Personal Income Tax Law and Corporation Tax Law, allow a credit for costs to seismically retrofit "at-risk" buildings.

RECOMMENDATION

No position.

SUMMARY OF AMENDMENTS

The May 15, 2014, amendments added a sunset date, modified the definition of "at-risk property," further defined "qualified costs," and added language stating that the credit shall be in lieu of any other credit or deduction. As a result of the amendments, the department's "Policy Concerns" and some, but not all, of the "implementation considerations" provided in the analysis of the bill as amended May 1, 2014, have been resolved. The "Implementation Consideration" that still applies, has been restated for convenience. Except for the "Effective/Operative Date," "This Bill," and "Economic Impact" discussions, the remainder of the department's analysis of the bill as amended May 1, 2014, still applies.

This analysis only addresses the provisions of this bill that impact the department's programs and operations.

EFFECTIVE/OPERATIVE DATE

As a tax levy, this bill would be effective immediately upon enactment and specifically operative for taxable years beginning on or after January 1, 2015, and before January 1, 2020.

ANALYSIS

THIS BILL

For taxable years beginning on or after January 1, 2015, and before January 1, 2020, this bill would allow a qualified taxpayer a credit in an amount equal to 30 percent of the qualified taxpayer's qualified costs.

Board Position:			Asst. Legislative Director	Date
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The bill would define the following phrases:

- "Qualified taxpayer" means a taxpayer that is an owner of a qualified building located in this state. A taxpayer that owns a proportional share of a qualified building in this state may claim the credit allowed by this bill based on the taxpayer share of the qualified costs.
- "Qualified costs" means the costs paid or incurred by the taxpayer for the seismic retrofit construction on a qualified building, including any engineering or architectural work preceding the construction and does not include either of the following:
    - The costs paid or incurred by the qualified taxpayer for ordinary repair or replacement of existing fixtures or items on or in the qualified building or;
    - Any amount paid by the qualified taxpayer to the jurisdiction with authority for building code enforcement for issuing the certification required.
- "Qualified building" means a building that has been certified as an at-risk property by the local housing authority for the area within which the building is located.
- "At-risk property" means a building that is deemed hazardous and in danger of collapse in the event of a catastrophic earthquake, including, but not limited to, soft story buildings, concrete residential buildings, and pre-1994 concrete residential buildings.
- "Seismic retrofit construction" means changes or additions to the structure of a qualified building to mitigate seismic damage, including:
    - Anchoring the structure to the foundation
    - Bracing cripple walls
    - Bracing hot water heaters
    - Installing automatic gas shutoff valves
    - Installing earthquake-resistant bracing system for mobile homes that is certified by the California Department of Housing and Community Development

Seismic retrofit construction does not include construction preformed solely to bring a qualified building into compliance with standard local building codes.

To be eligible for the credit both of the following must apply:

- The qualified taxpayer must obtain, and retain, certification from the jurisdiction with authority for building code enforcement, upon a review of the building, that the building is an at risk property. Upon request, the qualified taxpayer would be required to provide a copy of the certification to the Franchise Tax Board (FTB).
- The jurisdiction with authority for building code enforcement in which a qualified building is located has entered into an agreement with the state to provide certifications pursuant to this section and to not seek reimbursement from the state for any costs incurred in providing those certifications.

The qualified taxpayer may claim one-fifth of the credit amount for the taxable year in which the credit is allocated and one-fifth of the credit amount for each of the subsequent four taxable years.

The qualified costs used to calculate the credit shall be reduced by any grant provided by a public entity for the seismic retrofit construction.

This bill would allow unused credits to be carried over for five years, if necessary, until exhausted.

This credit shall be in lieu of any other credit or deduction that the qualified taxpayer may otherwise claim pursuant to this part with respect to qualified costs.

This section shall remain in effect only until December 1, 2020, and as of that date is repealed.

IMPLEMENTATION CONSIDERATIONS

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

The credit would be claimed in five equal amounts spread over the five taxable years beginning with the "taxable year that the credit is allocated." Because the bill language lacks an allocation method, it is unclear when the five year period for claiming the credit would begin. To ensure consistency with the author's intent and eliminate disputes between taxpayers and the department, this bill should be amended.

ECONOMIC IMPACT

Revenue Estimate

Estimated Revenue Impact of AB 1510* As Amended May, 15, 2014 Assumed Enactment After June 30, 2014 ($ in Millions)		
2014-15	2015-16	2016-17
- $1.4	- $5.1	- $8.4

*This estimate assumes that there will be no new mandates requiring retrofitting activities anywhere in the state. The costs could increase significantly if a state-wide mandate is put in place.

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

SUPPORT/OPPOSITION[1]

Support: Apartment Association of Greater Los Angeles, California Apartment Association, City of Los Angeles, and Santa Barbara Rental Property Association.

Opposition: California Tax Reform Association.

LEGISLATIVE STAFF CONTACT

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[1] From the Assembly Committee Analysis Dated May 12, 2014.