

SUMMARY ANALYSIS OF AMENDED BILL

Author: Atkins Analyst: Jessica Deitchman Bill Number: AB 1999
 Related Bills: See Prior Analysis Telephone: 845-6310 Amended Date: May 15, 2014
 Attorney: Bruce Langston Sponsor: _____

SUBJECT: Rehabilitation of Certified Historic Structure Tax Credit

SUMMARY

This bill would, under the Personal Income Tax Law (PITL) and the Corporation Tax Law (CTL), allow a tax credit for a portion of the costs paid or incurred to rehabilitate certain historic structures.

RECOMMENDATION

No position.

SUMMARY OF AMENDMENTS

The May 15, 2014, amendments added a definition, changed when a deduction of a loss is claimed, and added a requirement for the Governor's Office of Business to provide the Franchise Tax Board (FTB) with a list of those being awarded the credit. As a result of these amendments, the department's Implementation Concerns and Technical Considerations as provided in the department's analysis of the bill as amended April 30, 2014, have been resolved and the "This Bill" and "Economic Impact" sections have been revised. The "Fiscal Impact," "Economic Impact" and the remaining "Policy Concerns" have been restated below for convenience. The remainder of the department's analysis of the bill as amended April 30, 2014, still applies.

ANALYSISTHIS BILL

For taxable years beginning on and after January 1, 2015, and before January 1, 2021, this bill would modify the PITL and the CTL to generally conform to the federal rehabilitation credit, modified to provide that the California credit would be a two-tiered credit for the rehabilitation of a certified historic structure in this state, as follows:

- A general 25 percent credit would be allowed for the qualified rehabilitation expenses of a certified historic structure (other than expenses that qualify for the 30-percent credit), and

Board Position:

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Asst. Legislative Director

Date

Rachel Hallgren

5/21/14

For Jahna Carlson

- A 30 percent credit would be allowed for the qualified rehabilitation expenses of a certified historic structure if that structure meets any of the following conditions:
 - The rehabilitated structure is located on either federal surplus property, if obtained by a local agency under Section 54142 of the Government Code, on surplus state real property, as defined by Section 11011.1 of the Government Code, or on surplus land, as defined by subdivision (b) of Section 54221 of the Government Code.
 - The rehabilitated structure includes affordable housing for lower-income households.¹
 - The structure is located in a designated census tract.²
 - The structure is part of a military base reuse authority.³
 - The structure is a transit-oriented development that is higher-density, mixed-use development within a walking distance of one-half mile of a transit station.

Unlike the federal credit, no state credit would be allowed for expenditures with respect to a qualified building unless it is a certified historic structure.

A “certified historic structure” would mean a structure in this state that appears on either the National Register of Historic Places or the California Register of Historical Resources.

Coordinating provisions would provide that no deduction would be allowed for any expense for which a credit is allowed, and if a credit is allowed with respect to property, the basis of that property would be reduced by the amount of the credit.

Any unused credits could be carried over for eight years or until exhausted.

In addition, this bill would modify federal law by adding that the Governor’s Office of Business and Economic Development would do the following:

- Allocate tax credit to applicants.
- Establish a procedure for applicants to file with the Governor’s Office of Business and Economic Development a written application.
- Establish criteria consistent with the requirements of this bill.
- Determine and designate, in consultation with the Office of Historic Preservation, applicants that meet the requirements of this bill.
- Process and approve, or reject, all applications.

¹ As defined in Section 50079.5 of the Health and Safety Code.

² As defined in paragraph (7) of subdivision (b) of Section 17053.73.

³ Established pursuant to Title 7.86 (commencing with Section 67800 of the Government Code).

- Allocate an aggregate amount of credits, subject to the annual cap, equal to the sum of all of the following:
 - One hundred million dollars (\$100,000,000) in tax credits for the 2015 calendar year and each calendar year thereafter, through and including the 2020 calendar year.
 - The unused allocation tax credit amount, if any, for the preceding calendar year.
- To the extent the allocation of the credit to a partner under this section lacks substantial economic effect, any loss or deduction otherwise allowable under this part that is attributable to the sale or other disposition of that partner's partnership interest made prior to the expiration of the federal credit shall not be allowed in the taxable year in which the sale or other disposition occurs, but shall instead be deferred until, and treated as if, it occurred in the first taxable year immediately following the taxable year in which the federal credit period expires for the project.
- Certify tax credits allocated to taxpayers.
- Provide the FTB an annual list of the taxpayers that were allocated a credit pursuant to this section and Section 23686, including each taxpayer's taxpayer identification number, and the amount allocated to each taxpayer.

This bill would remain in effect only until December 1, 2021, and as of that date would be repealed.

ECONOMIC IMPACT

Revenue Estimate

Estimated Revenue Impact of AB 1999 As Amended May 15, 2014 Assumed Enactment After June 30, 2014 (\$ in Millions)		
2014-15	2015-16	2016-17
- \$27	- \$75	- \$95

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

SUPPORT/OPPOSITION⁴

Support: California Preservation Foundation (co-sponsor), American Institute of Architects CA Council (co-sponsor), Structural Engineers Association of California, Building Industry Association, City and County of San Francisco, and Family Business Association.

Opposition: None provided.

⁴ From the Assembly Committee Analysis posted on May 12, 2014.

POLICY CONCERNS

This bill would provide a state credit in an amount greater than the federal credit for the rehabilitation expenses for a historic structure. In general, a taxpayer's federal income tax liability is significantly higher than his or her state income tax liability. As a result, a state tax credit equal in amount or exceeding the federal credit could be considered to provide a greater proportionate benefit for state tax purposes than for federal tax purposes.

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