

SUMMARY ANALYSIS OF AMENDED BILL

Author: Atkins Analyst: Jessica Deitchman Bill Number: AB 1999
 Related Bills: See Prior Analysis Telephone: 845-6310 Amended Date: July 2, 2014
 Attorney: Bruce Langston Sponsor _____

SUBJECT:	Rehabilitation of Certified Historic Structure Tax Credit
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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 July 2, 2014, amendments changed the operative date, modified the percentage amount of the credit, and reduced the amount of credit that could be allocated by the Governor’s Office of Business and Economic Development. The “Fiscal Impact” section has been updated, and as a result of the amendments, the “Effective/Operative Date,” “This Bill,” and “Economic Impact” sections of the department’s analysis of the bill as amended May 15, 2014, have been revised. The remaining “Policy Concern” has been restated below for convenience. The remainder of that analysis still applies.

EFFECTIVE/OPERATIVE DATE

As a tax levy, this bill would be effective immediately upon enactment and operative for taxable years beginning on or after January 1, 2015, and before January 1, 2023.

THIS BILL

For taxable years beginning on and after January 1, 2015, and before January 1, 2023, 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 20 percent credit would be allowed for the qualified rehabilitation expenses of a certified historic structure (other than expenses that qualify for the 25-percent credit), and
- A 25 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.

Board Position:	Asst. Legislative Director	Date
_____ S _____ NA _____ X _____ NP	Jahna Carlson	07/17/14
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- 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.
- Allocate an aggregate amount of credits, subject to the annual cap, equal to the sum of all of the following:
 - Eighty million dollars (\$80,000,000) in tax credits for the 2015 calendar year and each calendar year thereafter, through and including the 2022 calendar year.
 - The unused allocation tax credit amount, if any, for the preceding calendar year.

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).

- 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 Franchise Tax Board (FTB) an annual list of the taxpayers that were allocated a credit, including each taxpayer's taxpayer identification number, and the amount allocated to each taxpayer.

This bill would remain in effect until December 1, 2023, and as of that date would be repealed.

FISCAL IMPACT

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

ECONOMIC IMPACT

Revenue Estimate

Estimated Revenue Impact of AB 1999 As Amended July 2, 2014 (\$ in Millions)		
2014-15	2015-16	2016-17
- \$21	- \$60	- \$80

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

SUPPORT/OPPOSITION

Support⁴: American Institute of Architects California Council; Applied Architecture Inc.; Architectural Resources Group, Inc.; Barstow Area Chamber of Commerce; Brunzell Historical; California Building Industry Association; California Conference of Machinists; California Conference of the Amalgamated Transit Union; California Historical Route 66 Association; California-Nevada Conference of Operating Engineers; California Preservation Foundation; California Teamsters Public Affairs Council; City and County of San Francisco; City of San

⁴ As included on the committee analysis found here: http://www.leginfo.ca.gov/pub/13-14/bill/asm/ab_1951-2000/ab_1999_cfa_20140620_155738_sen_comm.html

Gabriel; City of Sonoma; City of Woodland; Daniel Malmuth, Fine Arts Commissioner and Historical Preservation Commissioner; Engineers & Scientists, IFPTE, Local 20; Eric Garcetti, Mayor of the City of Los Angeles; Hollywood Heritage Inc.; International Longshore and Warehouse Union, Coast Division; League of California Cities; Northern California Community

Opposition: None provided.

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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