

This bill would define the following terms:

- “New veteran-owned small business” means a corporation that is incorporated under the laws of the state or has qualified to transact intrastate business in the state on or after January 1, 2015, and begins business operations at or after the time of its incorporation and that has total income derived from, or attributable to, the state of \$250,000 or less. Excluded from this definition are any corporations that began business operations as a sole proprietorship, a partnership, or any other form of business entity prior to its incorporation.
- “Operates at a loss,” means negative net income as defined in Section 24341.
- “Veteran,” means an individual honorably discharged from the Armed Forces of the United States.
- “Veteran-owned Corporation” means a corporation in which stock representing more than 50 percent of the voting power of the corporation and representing more than 50 percent value of the stock of the corporation is owned by one or more veterans.

The provisions of this bill would be inapplicable to any corporation that reorganizes solely for the purpose of reducing its minimum tax.

IMPLEMENTATION CONSIDERATIONS

The term “total income derived from or attributable to the state” is undefined. The absence of definitions to clarify this term could lead to disputes with taxpayers and would complicate the administration of this exemption.

FISCAL IMPACT

Costs have not been determined at this time. As the bill continues to move through the legislative process, costs will be identified and an appropriation will be requested, if necessary.

ECONOMIC IMPACT

Revenue Estimate

Estimated Revenue Impact of AB 2466* As Amended March 27, 2014 For Taxable Years Beginning On Or After January 1, 2015 And Before January 1, 2018 Assumed Enactment After June 30, 2014 (\$ in Millions)		
2015-16	2016-17	2017-18
-\$1.5	-\$6.6	-\$5.6

*No revenue impact in 2014-15 due to corporations not being subject to minimum franchise tax in their first year.

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

SUPPORT/OPPOSITION

Support: None provided.

Opposition: None provided

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