Franchise Tax Board

SUMMARY ANALYSIS OF AMENDED BILL

Author:	V. Manuel Perez	Analyst:	Brian Werking	Bill Number:	AB 28
Related Bills:	See Prior Analysis	Telephone:	845-5103	Amended Date:	March 4, 2013
		Attorney:	Patrick Kusiak	Sponsor:	

SUBJECT: Enterprise Zone Act/Modify Definitions/Modify the FTB's Reporting Requirements

SUMMARY

This bill would modify the rules relating to Enterprise Zone (EZ) boundaries and expand the Franchise Tax Board's (FTB's) reporting requirements under the EZ Act.

This bill also would make changes to the Government Code that do not affect the department and are not discussed in this analysis.

RECOMMENDATION

No position.

SUMMARY OF AMENDMENTS

The March 4, 2013, amendments made various technical changes and removed all provisions of the bill that reference local agency military base recovery areas (LAMBRAs).

As a result of the amendments, the "This Bill" section of the department's analysis of the bill as introduced December 3, 2012, has been revised. For convenience the "Implementation Considerations," "Technical Considerations," "Fiscal Consideration," "Economic Impact," and the "Proposed Amendments" have been provided below. The remainder of the department's analysis of the bill as introduced still applies.

Summary of Suggested Amendments

Amendments are suggested to clarify definitions, correct grammatical errors, and provide for consistent use of terminology.

ANALYSIS

<u>THIS BILL</u>

This bill would make the following changes to the Government Code:

Board Position:			Acting Asst. Legislative Director	Date
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- Limit the size of a proposed EZ when the proposed EZ boundaries overlap the boundaries of one or more existing or expired EZs (previously designated EZs) on applications for EZ designation that are submitted on or after January 1, 2014, in response to a Department of Housing and Community Development (HOUSING) solicitation for new EZs issued on or after January 1, 2014, as follows.

  If any proposed EZ's boundary overlaps a previously designated EZ, the size of the proposed EZ shall not exceed the size of the previously designated and expanded EZ by more than 15 percent. If the proposed EZ is located in a rural city, as defined, or in a county with a total population under 275,000, the proposed EZ shall not exceed the size of the previously designated and expanded EZ by more than 25 percent.

  If any proposed EZ's boundary overlaps the boundaries of two or more previously designated EZs, the aggregate size of the proposed EZ shall not exceed the size of the largest previously designated and expanded EZ by more than 15 percent.

- Expand the FTB's current reporting requirement for EZ tax credits to include all geographically-targeted economic development area ("G-TEDA") tax credits and other G-TEDA tax incentives, to the extent that information is reasonably available. Additionally, the number of new employees included in the computation of the hiring credit would be eliminated as a reported item, and the total cost of qualified property, as defined, put into service within the EZs during the previous five taxable years would be added as a reported item. The FTB would be required to design and distribute forms to collect the data necessary to report the new item.

IMPLEMENTATION CONSIDERATIONS

Implementing this bill would not significantly impact the department's programs and operations.

TECHNICAL CONSIDERATIONS

The language beginning on page 4, line 11, and page 10, line 10, providing that the amendments to the specified subdivisions only apply to requests for proposals on or after January 1, 2014, is unusual and the author may wish to use other language to accomplish this result.
Amendments 1 through 4 would make this change.

The language on page 13, line 35 through 40, have been amended to become an incomplete sentence. Amendment 5 provides language to complete the sentence.

The term "enterprise zone" that appears on page 18, line 36, should be replaced with the term "G-TEDA" for consistency of use. Amendment 6 would make this change.

It is recommended that subdivision (f) of Government Code Section 7085.5 as amended by this bill be further amended for clarity and consistency. Amendment 7 provides this recommendation.

FISCAL IMPACT

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

ECONOMIC IMPACT

Expanding FTB's existing reporting requirements would not impact the state's income tax revenue.

Modifying the Government Code provisions that govern EZ designation could affect the General Fund revenue impact of the program. For example, limiting the size of EZs proposed for designation in the future could affect the number of qualified taxpayers eligible for the various EZ income and franchise tax incentives. Because insufficient data exists to predict the future effect on the general fund, we are unable to provide an estimate of the revenue effect.

SUPPORT/OPPOSITION

Support: None provided.

Opposition: None provided.

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FRANCHISE TAX BOARD'S
PROPOSED AMENDMENTS TO AB 28
AS AMENDED MARCH 4, 2012

AMENDMENT 1

On page 4, line 11, replace "during the 2012-13 Regular Session" with "by the act amending this subdivision".

AMENDMENT 2

On page 4, line 12, strikeout "only".

AMENDMENT 3

On page 10, line 10, replace "during the 2012-13 Regular Session" with "by the act amending this subdivision".

AMENDMENT 4

On page 11, line 11, strikeout "only".

AMENDMENT 5

On page 13, line 40, after "dedesignated" and before "." insert ", dedesignate".

AMENDMENT 6

On page 18, line 36, replace "enterprise zone" with "G-TEDA".

AMENDMENT 7

Page 19, lines 11 through 19, should be revised as follows:

(f) The total cost of qualified property placed in~~put into~~ service within enterprise during the previous five taxable years.
In determining these amounts, qualified property placed in~~put into~~ service within enterprise zones shall have the same meaning as “qualified property” as defined in paragraph (2) of subdivision (b) of Sections 17053.70 and 23612.2 of the Revenue and Taxation Code to the extent that the qualified property of a taxpayer does not exceed a value of one million dollars ($1,000,000) or twenty million dollars ($20,000,000), as appropriate, in a single taxable year.