



## THIS BILL

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

- 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 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.

## TECHNICAL CONSIDERATIONS

The term "enterprise zone" that appears on page 17, line 34, should be replaced with the term "G-TEDA" for consistency of use. Amendment 5 would make this change.

It is recommended that subdivision (f) of Government Code Section 7085.5 be amended for clarity and consistency. Amendment 6 is provided to make these changes.

## FISCAL IMPACT

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

## **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.

## **LEGISLATIVE STAFF CONTACT**

Brian Werking

Legislative Analyst, FTB

(916) 845-5103

[brian.werking@ftb.ca.gov](mailto:brian.werking@ftb.ca.gov)

Revenue Manager

Mandy Hayes

(916) 845-5125

[mandy.hayes@ftb.ca.gov](mailto:mandy.hayes@ftb.ca.gov)

Jahna Carlson

Acting Asst. Legislative Director, FTB

(916) 845-5683

[jahna.carlson@ftb.ca.gov](mailto:jahna.carlson@ftb.ca.gov)

Analyst	Brian Werking
Telephone #	(916) 845-5103
Attorney	Pat Kusiak

FRANCHISE TAX BOARD'S  
PROPOSED AMENDMENTS TO AB 28  
AS AMENDED APRIL 29, 2013

AMENDMENT 1

On page 18, line 38, replace "enterprise zone" with "G-TEDA".

AMENDMENT 2

Page 19, lines 13 through 17, should be revised as follows:

(f) The total cost of qualified property ~~placed input into~~ service within enterprise zones during the previous five taxable years. In determining these amounts, qualified property ~~placed input 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.