ANALYSIS OF AMENDED BILL

Author:	Beall	Analyst:	Jane Raboy	Bill Number:	SB 355
Related Bills:	See Legislative History	Telephone:	845-5718	Amended Date:	July 2, 2014 and August 4, 2014
		Attorney:	Bruce Langston	Sponsor	

SUBJECT:	Natural Heritage Preservation Tax Credit/Extend Carryover/Extend Sunset Date

SUMMARY

This bill would modify the Natural Heritage Preservation Tax Credit (Conservation Tax Credit) under the Personal Income Tax Law and Corporation Tax Law.

RECOMMENDATION

No position.

Summary of Amendments

The July 2, 2014, amendments, among other things, removed a provision that would have allowed the transfer of the tax credit to an unrelated party and would have allowed a grant in-lieu of the tax credit.

The August 4, 2014, amendments removed the provision that would have allowed a grant in-lieu of the tax credit and modified the carryover provision.

This analysis replaces the department's analysis of the bill as amended May 27, 2014.

REASON FOR THE BILL

The reason for this bill is to encourage donations of qualified land by extending the tax credit expiration date and carryover provisions to ensure full utilization of the Conservation Tax Credit.

EFFECTIVE/OPERATIVE DATE

As a tax levy, this bill would be effective immediately upon enactment and would apply to qualified contributions made on or after January 1, 2015, and before July 1, 2020.

FEDERAL/STATE LAW

Existing state and federal laws provide various tax credits designed to provide tax relief for taxpayers who incur certain expenses (e.g., child adoption) or to influence behavior, including business practices and decisions (e.g., research credits or economic development area hiring credits). These credits generally are designed to provide incentives for taxpayers to perform various actions or activities that they may not otherwise undertake.

Board Position:						Executive Officer	Date
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Federal law does not provide a credit comparable to the Conservation Tax Credit.

For state purposes, the Conservation Tax Credit is a nonrefundable credit that is allowed for certain approved contributions of real property. This credit can be used by taxpayers against the net tax in an amount equal to 55 percent of the fair market value of a qualified contribution that has been approved for acceptance by the Wildlife Conservation Board.

The funding for the Conservation Tax Credit is available beginning January 1, 2010, and is scheduled to sunset on June 30, 2015.

Any unused credit may be carried over to reduce the tax for up to eight years, if necessary, until the credit is exhausted.

THIS BILL

This bill would extend the sunset date of the Conservation Credit for five years, to June 30, 2020, for qualified contributions to the state, any local government, or any designated nonprofit organization.

Additionally, this bill would allow a taxpayer to carryover the excess credit for qualified contributions made on or after January 1, 2015, up to fifteen years if necessary, until the credit is exhausted. Any unused credits remaining before January 1, 2015, would remain subject to an eight-year carryover provision.

IMPLEMENTATION CONSIDERATIONS

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

TECHNICAL CONSIDERATIONS

On page 13, lines 38 to 39, the phrase "or a grant under Section 37006 of the Public Resources Code" should be deleted.

LEGISLATIVE HISTORY

AB 94 (Evans/Monning, Chapter 220, Statutes of 2009) extended the period in which the Conservation Tax Credit may be awarded and claimed from fiscal year 2004-05 to 2007-08.

AB 2930 (Laird, 2007/2008) would have, among other things, eliminate the sunset date of the Conservation Tax Credit. AB 2930 failed to pass out of the Senate Appropriations Committee.

SB 1100 (Senate Budget Committee, Chapter 226, Statutes of 2004) extended the period in which the Conservation Tax Credit may be awarded and claimed from fiscal year 2004-05 to 2007-08.

OTHER STATES' INFORMATION

The states surveyed include *Florida, Illinois, Massachusetts, Michigan, Minnesota, and New York.* These states were selected due to their similarities to California's economy, business entity types, and tax laws.

Massachusetts law allows a tax credit of 50 percent of the fair market value of a donated property interest up to a maximum of $50,000. These credits are refundable but not transferable, and any remaining value may be carried forward for up to 10 years. The tax credits cannot exceed $2 million per year. A taxpayer claiming a land or easement tax credit may not claim any other credit or deduction otherwise allowable under state law.

New York's credit for conservation easement donations is limited to 25 percent of the property taxes associated with the land. The credit for any year may not exceed $5,000 and may not reduce the fixed dollar minimum tax or the tax on the minimum taxable income base. Any unused credit may be refunded or applied as a payment against the following year's tax due. The conservation easement must be filed with the New York State Department of Environmental Conservation to claim the credit.

Review of *Florida*, *Illinois*, *Michigan, and Minnesota* laws found no comparable tax credits.

FISCAL IMPACT

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

ECONOMIC IMPACT

Estimated Revenue Impact of SB 355* As Amended on August 4, 2014 Assumed Enactment After June 30, 2014 ($ in Millions)		
2014-15	2015-16	2016-17
- $.45	- $1.3	- $2.8

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

*This bill requires the transfer of eligible bond funds to the General Fund so that the net impact on the General Fund is zero.

SUPPORT/OPPOSITION[1]

Support: California Council of Land Trusts, California Rangeland Trust, Land Trust of Santa Cruz County, Marin Agricultural Land Trust, Peninsula Open Space Trust, Sequoia Riverlands Trust, Trust for Public Land, and Wildlife Heritage Foundation.

Opposition: None provided.

ARGUMENTS

Proponents: Supporters may argue that extending the carryover and sunset provisions would allow a taxpayer to fully utilize the benefit of the tax credit that otherwise remains unused or lost.

Opponents: Some may argue that extending the carryover and sunset provisions for a tax credit would obscure the true budgetary cost of legislation.

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[1] As noted in the Assembly Revenue and Taxation Committee analysis dated June 25, 2014.