

BILL ANALYSIS

Department, Board, Or Commission Franchise Tax Board	Author Beall	Bill Number SB 355
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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.

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.

Federal law does not provide a credit comparable to the Conservation Tax Credit.

For state purposes, the Conservation Tax Credit 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 (Wildlife 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.

The credit is in lieu of any other credit or deduction the taxpayer may claim with respect to the property that is contributed.

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THIS BILL

This bill would extend the sunset date of the Conservation Tax 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.

LEGISLATIVE HISTORY

AB 94 (Evans/Monning, Chapter 220, Statutes of 2009) extended the sunset date in which the Conservation Tax Credit may be awarded from June 30, 2008, to June 30, 2015.

AB 2930 (Laird, 2007/2008) would have, among other things, eliminated 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 sunset date in which the Conservation Tax Credit may be awarded from June 30, 2005, to June 30, 2008.

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* 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.

Revenue Discussion

This estimate is based on credit award data from the Wildlife Board that shows, as of June 2014, \$48 million of credits have been awarded.

Using the award history, it is estimated the Wildlife Board would award \$3 million to \$10 million in credits each year between 2015 and 2021, and the credits would be claimed over the next 12 years. The results are fiscalized and rounded.

APPOINTMENTS

None.

SUPPORT/OPPOSITION¹

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.

¹ As noted in the Senate Floor Analyses [sic] dated August 26, 2014.

VOTES

	Date	Yes	No
Concurrence	08/26/14	36	0
Assembly Floor	08/25/14	77	0
Senate Floor	01/28/14	32	0

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