

BILL ANALYSIS

Department, Board, Or Commission	Author	Bill Number
Franchise Tax Board	Committee on Budget	SB 102

SUBJECT

Exclusion/Loan Forgiveness, Grant, Credit, Rebate, Voucher or Incentive for Seismic Improvement

SUMMARY

Among other things, this bill would make technical amendments to the provisions of current law that allow an exclusion from gross income for certain items related to earthquake mitigation loss.

This analysis only addresses the amendments to the Revenue and Taxation Code.

REASON FOR THE BILL

The reason for the bill is to make technical amendments to the budget bill.

EFFECTIVE/OPERATIVE DATE

As an act relating to the budget, this bill would be effective and operative immediately upon enactment.

FEDERAL/STATE LAW

Current state law allows for each taxable year beginning on or after July 1, 2015, under the Personal Income Tax Law and the Corporation Tax Law, an exclusion from gross income in an amount received as any of the following:

- Loan
- Loan forgiveness
- Grant
- Credit
- Rebate
- Voucher
- Or other financial incentive.

The exclusion applies as long as the amount is issued by the California Residential Mitigation Program or the California Earthquake Authority to assist a residential property owner or occupant with expenses paid or obligations incurred for earthquake loss mitigation.

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Date
09/15/15

“Earthquake loss mitigation”¹ means an activity that reduces seismic risks to a residential structure, its contents, or both.

A residential structure means a structure as described in subdivision (a) of Section 10087 of the Insurance Code.

THIS BILL

This bill would, among other things, make the following technical amendments:

- Eliminate a loan as an item eligible for the income exclusion, and
- Modify the definition of “residential building” to mean either of the following:
 - A structure described in subdivision (a) of Section 10087 of the Insurance Code, or
 - A residential building of not fewer than 2, but not more than 10 dwelling units.

LEGISLATIVE HISTORY

SB 84 (Committee on the Budget, Chapter 25, Statutes of 2015) added language excluding from gross income amounts received as a loan, loan forgiveness, grant, credit, rebate, voucher, or other financial incentive. The exclusion applies to amounts issued by the California Residential Mitigation Program or the California Earthquake Authority to assist a residential property owner or occupant with expenses paid or obligations incurred for earthquake loss mitigation.

AB 428 (Nazarian, 2015/2016) would allow a credit equal to 30 percent of the qualified taxpayer’s qualified costs for retrofitting at-risk property. AB 428 was enrolled on September 11, 2015.

AB 1510 (Nazarian, 2013/2014) would have allowed a credit equal to 30 percent of the qualified taxpayer’s qualified costs for retrofitting at-risk property. AB 1510 failed to pass out of the Assembly Revenue and Taxation Committee by the constitutional deadline.

SB 677 (McPherson, 2001/2002) would have allowed a credit equal to an unspecified percentage of the final cost of seismic retrofitting to comply with the seismic retrofit building standards for hospitals. SB 677 failed to pass out of the Senate Revenue and Taxation Committee by the constitutional deadline.

OTHER STATES’ INFORMATION

Florida, Illinois, Massachusetts, Michigan, Minnesota, and New York laws lack a provision allowing grants for seismic retrofit and exclude them from gross income, as would be allowed by this provision. The laws of these states were selected due to their similarities to California’s economy, business entity types, and tax laws.

FISCAL IMPACT

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

¹ As defined in subdivision (a) of Section 10087 of the Insurance Code.

ECONOMIC IMPACT

Revenue Estimate

This bill, would not impact state income or franchise tax revenue because the amendments are nonsubstantive technical changes.

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

APPOINTMENTS

None.

SUPPORT/OPPOSITION²

Support: None on file.

Opposition: None on file.

VOTES

	Date	Yes	No
Assembly Floor	09/11/15	50	29
Senate Floor	09/11/15	26	14

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² As reported in the Assembly Budget Committee Analysis dated September 10, 2015.