SUMMARY ANALYSIS OF AMENDED BILL

Franchise Tax Board

Author: Florez | Analyst: Jeani Brent | Bill Number: AB 1192

Related Bills: See Prior Analysis | Telephone: 845-3410 | Amended Date: 6/14/99

Attorney: Patrick Kusiak | Sponsor:

SUBJECT: Targeted Tax Area/3 New Designations

_____ DEPARTMENT AMENDMENTS ACCEPTED. Amendments reflect suggestions of previous analysis of bill as introduced/amended _________.

_____ AMENDMENTS IMPACT REVENUE. A new revenue estimate is provided.

_____ AMENDMENTS DID NOT RESOLVE THE DEPARTMENT'S CONCERNS stated in the previous analysis of bill as introduced/amended _________.

_____ FURTHER AMENDMENTS NECESSARY.

_____ DEPARTMENT POSITION CHANGED TO ________________________.

X REMAINDER OF PREVIOUS ANALYSIS OF BILL AS INTRODUCED February 26, 1999, AND AS AMENDED April 21, 1999, STILL APPLY.

X OTHER - See comments below.

SUMMARY OF BILL

Under the Government Code, this bill would require the Trade and Commerce Agency (TCA) to designate three additional targeted tax areas (TTA). This bill would specify that TCA could designate only communities that meet certain additional criteria. The bill would require TCA to periodically audit the TTA program and to revoke designations if governing bodies do not correct deficiencies within six months of notification.

SUMMARY OF AMENDMENT

The June 14, 1999, amendments changed the criteria for designation. As amended, the bill would require applicant communities to meet the following:

1. County population of less than 1 million or city population of less than 25,000;
2. Average unemployment rate in excess of 7.5% in 1997 and 1998.
3. Median family income of $32,700, or less.
4. Income level of 17.5% of the population is below the poverty level.

The June 14, 1999, amendments would allow TCA to waive one of the above requirements if the community can document that it has a unique distress factor, such as resource depletion, plant closure, industry recession, natural disaster, or military base closure.

Except for the items discussed in this analysis, including a newly identified implementation consideration, the department's analyses of the bill as introduced February 26, 1999, and as amended April 21, 1999, still apply.

Board Position:			Department/Legislative Director	Date
_____ S	_____ NA	_____ NP		
_____ SA	_____ O	_____ NAR		
_____ N	_____ OUA	X PENDING	**Johnnie Lou Rosas**	**7/14/1999**

POLICY CONSIDERATION

The fourth criteria noted above would exclude not only those communities in which less than 17.5% of the population has an income level below the poverty level, but also would exclude those communities with a greater percentage below the poverty level. For instance, a community with 35% of its population earning less than the poverty level would not meet the exact percentage of 17.5.

IMPLEMENTATION CONSIDERATIONS

Implementing this bill generally would occur during the department’s normal annual system update. However, the bill leaves unclear whether taxpayers engaged in business operations in an area for which the designation has been revoked under the bill, and thus no longer a targeted tax area, could continue to earn new tax incentives. This issue is raised because the Revenue and Taxation Code provisions specifically provide that, to be eligible for the incentives, the taxpayer must be operating in an area designated as a targeted tax area.

BOARD POSITION

Pending.