

# SUMMARY ANALYSIS OF AMENDED BILL

Franchise Tax Board

Author: Scott Analyst: Roger Lackey Bill Number: AB 1756

Related Bills: See Prior Analysis Telephone: 845-3627 Amended Date: 05-16-2000

Attorney: Patrick Kusiak Sponsor:

**SUBJECT:** Seismic Retrofit Construction On Residential Dwellings Credit/FTB Report To Legislature On Effectiveness Of Credit

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 \_\_\_\_\_.

REMAINDER OF PREVIOUS ANALYSIS OF BILL AS AMENDED March 2, 2000, STILL APPLIES.

OTHER - See comments below.

SUMMARY OF BILL

Under the Personal Income Tax Law (PITL) and the Bank and Corporation Tax Law (B&CTL), this bill would provide a credit equal to 55% of the amount paid or incurred for seismic retrofit construction on single-family or multiple-family residential structures constructed before 1979.

SUMMARY OF AMENDMENT

The May 16, 2000, amendments added language providing for the following:

- Certification and verification of the construction;
- Denying the credit to those taxpayers that do not receive certification;
- Limiting the credit to individual taxpayers with adjusted gross income of \$50,000 or less (\$100,000 or less for married filing jointly and head of household) and to B&CTL taxpayers with gross receipts, less returns and allowances, of \$1 million or less; and
- Shortening the operative period of the credit by one year.

The amendment also made minor technical changes and added a reporting requirement for the Franchise Tax Board and Seismic Safety Commission.

As a result of the May 16, 2000, amendments, the implementation and technical considerations discussed in the department's analysis of the bill as amended March 2, 2000, have been resolved. However, the amendments raise an additional implementation consideration, which is included below.

Except for the discussion of matters addressed in this analysis, the department's analysis of AB 1756, as amended March 2, 2000, still applies.

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Implementation Considerations

This bill would require the department to provide a report on the "effectiveness" of the tax credit program. Although the department does accumulate and gather statistics related to income tax, it does not have expertise in seismic retrofitting and disaster preparedness. It would be more appropriate for the report to require the Seismic Safety Commission or the Legislative Analyst's Office to determine the "effectiveness" of the program, with statistical input from the department.

Tax Revenue Estimate

Based on the data and assumptions below, revenue losses are estimated as follows:

Estimated Revenue Impact AB 1756 Taxable or Income Years Beginning After 12/31/2000 Assumed Enactment After 6/30/2000 (In Millions)			
2000-1	2001-2	2002-3	2003-4
Minor Loss	-\$8	-\$11	-\$21

\* Minor Loss = Less than \$500,000

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

Revenue Discussion

Revised revenue losses above reflect a reduction of \$2 million for fiscal year 2001-2, \$3 million for 2002-3, and \$7 million for 2003-4 from the previous version of this bill as amended March 2, 2000. The revised revenue losses are primarily attributable to placing income limitations on the credit (\$50,000 for single filers, \$100,000 for married filing joint and head of household filers, and corporations with less than \$1 million in gross receipts).

The revenue analysis and assumptions in the department's prior analysis still apply.

BOARD POSITION

Pending.