

SUMMARY ANALYSIS OF AMENDED BILL

Author: Atkins Analyst: Davi Milam Bill Number: AB 2728
Related Bills: See Prior Telephone: 845-2551 Amended Date: April 25, 2016
Analysis Attorney: Bruce Langston Sponsor: _____

SUBJECT: Community Development Financial Institution Deposits Credit/Extend Sunset and Repeal Dates

SUMMARY

This bill would, under the Insurance and Revenue and Taxation Codes, modify provisions of the Community Development Financial Institution Deposits Credit.

This analysis only addresses the provisions of the bill that would impact the department's programs and operations.

RECOMMENDATION

No position.

SUMMARY OF AMENDMENTS

The April 25, 2016, amendments modified the operative and repeal dates and modified the recapture provision. Except for the "Effective/Operative Date," "This Bill," "Fiscal Impact," and "Support/Opposition" sections, the remainder of the department's analysis of the bill as introduced February 19, 2016, still applies.

The "Economic Impact" section has been restated for convenience.

EFFECTIVE/OPERATIVE DATE

This bill would be effective and operative January 1, 2017, for credits allowed for taxable years beginning on or after January 1, 2017, and before January 1, 2022.

THIS BILL

This bill would, under the Personal Income Tax Law and the Corporation Tax Law, extend the operative period of the Community Development Financial Institution Deposits Credit from taxable years beginning on or before January 1, 2017, to taxable years beginning on or before January 1, 2022. In addition, the repeal date would be changed from December 1, 2017, to December 1, 2022.

This bill also would eliminate the 20 percent recapture for the partial reduction of qualified investments, and would add a recapture trigger in the case of a reduction of a qualified investment to the existing provision that requires recapture of the entire amount of any credit previously allowed when a qualified investment is withdrawn in its entirety and not reinvested as specified.

IMPLEMENTATION CONSIDERATIONS

Implementing this bill would require some changes to existing tax forms and instructions and information systems.

FISCAL IMPACT

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

ECONOMIC IMPACT

Revenue Estimate

This bill would result in the following revenue loss:

Estimated Revenue Impact of AB 2728 As Amended April 25, 2016 Assumed Enactment After June 30, 2016 (\$ in Millions)		
2016-17	2017-18	2018-19
- \$0.6	- \$1.9	- \$3.2

This estimate does not include the revenue impact of the tax credits allowed against insurance tax. This analysis does not account for changes in employment, personal income, or gross state product that could result from this bill.

Revenue Discussion

Based on investment data reported by the Investment Network, the average annual certified community development investment eligible for the Community Development Financial Institution Deposits Credit is estimated to be \$50 million per year beginning in tax year 2017, resulting in a credit generated of \$10 million per year. Based on the same investment data, it is estimated that 47 percent, or \$4.7 million, of the credit generated would be used to offset income tax and the remaining credit would be used by insurance taxpayers (not included in this estimate). Based on Franchise Tax Board credit usage data, it is estimated that 25 percent, or \$1.2 million, of the credit would be used in the year generated and the remaining 75 percent would be used in the subsequent four years. In addition, the split between corporate taxpayers and personal income taxpayers used is 90 percent and 10 percent, respectively.

The tax year estimates are converted to the fiscal year estimates, and then rounded to arrive at the estimates shown in the above table.

SUPPORT/OPPOSITION¹

Support: California Department of Insurance, Burbank Housing Development Corporation,
Redwood Valley Little River Bank of Pomo Indians

Opposition: None noted.

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¹ As noted in the Assembly Insurance Committee analysis dated April 18, 2016.