

REVISED ANALYSIS

Author: Chiu Analyst: Jessica Deitchman Bill Number: AB 2817
 Related Bills See Legislative History Telephone: 845-6310 Introduced and Amended Date February 19,2016 and March 17, 2016
 Attorney: Bruce Langston Sponsor: _____

SUBJECT: Low Income Housing Credit

SUMMARY

This bill would modify the existing Low-Income Housing Credit (LIHC).

SUMMARY OF REVISION

The “Economic Impact” section in the department’s analysis of the bill as introduced and amended February 19, 2016 and March 17, 2016, is being revised to correct an error.

The LIHC is allocated when a project is started, but isn’t allowed to be claimed until the building is “put in service.” This results in a lag from when the project is allocated a credit and when the credit is claimed on the return. Inadvertently, the prior revenue estimate excluded this lag from the first revenue table as provided in the department’s analysis of the bill as introduced and amended February 19, 2016, and March 17, 2016. Except for this change, the remainder of that analysis, still applies.

RECOMMENDATION

No position.

ECONOMIC IMPACT

Revised Estimate:

This bill will result in the following revenue loss:

Revised Estimated Revenue Impact of AB 2817 As Amended March 17, 2016 Assumed Enactment After June 30, 2016 (\$ in Millions)				
2016-17	2017-18	2018-19	2019-20	2020-21
\$0	\$0	- \$17	- \$50	- \$90

This analysis does not account for changes in employment, personal income, or gross state product that could result from this bill. In addition, this estimate only reflects the revenue impact to income and franchise taxes.

Revenue Discussion:

Using LIHC allocation data from the Allocation Committee, it is assumed that the maximum credit allocation threshold would be reached each year. This bill authorizes an additional \$300 million in LIHC allocations. It is assumed that five percent, or \$15 million, of the allocation would ultimately be returned to Allocation Committee due to unforeseen project issues. According to information provided by the Allocation Committee, the Farmworkers housing credit is largely under allocated and there is over \$5 million awaiting allocation. Due to the infrequent allocation of the Farmworkers housing credit the \$25 million credit allocations was modeled as a one year allocation lag, this lag is applied to each year. For example, the \$25 million would be set aside in tax year 2017, and then added back in tax year 2018. Based on current credit awards and usage, it is estimated that 70 percent of the remaining annual credits would be used to offset income and franchise taxes and the remainder would be used against insurance taxes, which is not included in the table above. Based on current LIHC usage, it is assumed that 75 percent of the credit would be used over the four year credit period and the remaining 25 percent would be carried forward to future years. Allocated credits cannot be used until after the building has been put into service. As a result, credit usage does not begin until 2019. Current usage indicates that 98 percent would be claimed by corporations and the remaining 2 percent would be claimed by personal income taxpayers.

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

Original Estimate:

This bill will result in the following revenue loss:

Estimated Revenue Impact of AB 2817 As Amended March 17, 2016 Assumed Enactment After June 30, 2016 (\$ in Millions)		
2016-17	2017-18	2018-19
- \$40	- \$150	- \$180

This analysis does not account for changes in employment, personal income, or gross state product that could result from this bill. In addition, this estimate only reflects the revenue impact to income and franchise taxes.

LEGISLATIVE STAFF CONTACT

Jessica Deitchman
Legislative Analyst, FTB
(916) 845-6310
jessica.deitchman@ftb.ca.gov

Jame Eiserman
Revenue Manager, FTB
(916) 845-7484
jame.eiserman@ftb.ca.gov

Gail Hall
Legislative Director, FTB
(916) 845-6333
gail.hall@ftb.ca.gov