

**STATE OF CALIFORNIA
FINANCE LETTER - COVER SHEET
FOR FISCAL YEAR 2010/11
DF-46 (REV 04/08)**

Please report dollars in thousands.

**Department of Finance
915 L Street
Sacramento, CA 95814
IMS Mail Code: A-15**

FL # 1	PRIORITY NO	ORG CODE 1730	DEPARTMENT Franchise Tax Board
PROGRAM Tax Programs	ELEMENT All Tax Programs	COMPONENT	

TITLE OF PROPOSED CHANGE:

Homebuyer Tax Credit

SUMMARY OF PROPOSED CHANGE:

Franchise Tax Board is requesting \$822,000 and 9 positions (8.4 PYs) in fiscal year 2010/11 and \$25,000 in FY 2011/12 to implement and administer the homebuyer tax credit provisions outlined in Section 17059.1 of the Revenue and Taxation Code. A current year (CY 09/10) resource need of \$348,000 will be absorbed internally.

REQUIRES LEGISLATION <input checked="" type="checkbox"/> YES <input type="checkbox"/> NO	CODE SECTION(S) TO BE AMENDED/ADDED	BUDGET IMPACT-PROVIDE LIST AND MARK IF APPLICABLE <input checked="" type="checkbox"/> ONE-TIME COST <input checked="" type="checkbox"/> FULL-YEAR COSTS <input type="checkbox"/> FACILITIES/CAPITAL COSTS <input type="checkbox"/> FUTURE SAVINGS <input type="checkbox"/> REVENUE
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PREPARED BY:	DATE	REVIEWED BY:	DATE
Pending Board Approval			
FTB PROGRAM APPROVAL:			
DEPARTMENT APPROVAL:		AGENCY SIGNATURE:	DATE

DOES THIS BCP CONTAIN INFORMATION TECHNOLOGY (IT) COMPONENTS? YES OR NO
IF YES, DEPARTMENTAL CHIEF INFORMATION SIGNATURE _____ DATE _____

FOR IT REQUESTS, SPECIFY THE DATE A SPECIAL PROJECT REPORT (SPR) OR FEASIBILITY STUDY REPORT (FSR) WAS APPROVED BY THE OFFICE OF THE CHIEF INFORMATION OFFICER (OCIO), OR PREVIOUSLY BY THE DEPARTMENT OF FINANCE.

DATE _____ PROJECT # _____ FSR OR _____ SPR

IF PROPOSAL AFFECTS ANOTHER DEPARTMENT, DOES OTHER DEPARTMENT CONCUR WITH PROPOSAL? _____ N/A

YES NO

ATTACH COMMENTS OF AFFECTED DEPARTMENT SIGNED AND DATED BY THE DEPARTMENT DIRECTOR OR DESIGNEE.

DEPARTMENT OF FINANCE ANALYST USE (ADDITIONAL REVIEW)

CAPITAL OUTLAY ITCU FSCU OSAE CALSTARS OCIO

DATE SUBMITTED TO THE LEGISLATURE:

PPBA:

FL #1	DATE	Title of Proposed Change:					
	April 2, 2010	Homebuyer Tax Credit					
PROGRAM	ELEMENT	COMPONENT					
Tax Programs	All Tax Programs						
		Personnel Years			CY	BY	BY + 1
		CY	BY	BY + 1	CY	BY	BY + 1
Total Salaries & Wages <u>a/</u>		5.0	9.0	.0	\$ 239,000	\$ 645,000	\$ 0
Salary Savings at 6.77%		<u>-3</u>	<u>-6</u>	.0	<u>-\$ 13,000</u>	<u>-\$ 24,000</u>	<u>\$ 0</u>
Net Total Salaries and Wages		<u>4.7</u>	<u>8.4</u>	<u>.0</u>	<u>\$ 226,000</u>	<u>\$ 621,000</u>	<u>\$ 0</u>
Staff Benefits <u>b/</u>					<u>\$ 91,000</u>	<u>\$ 189,000</u>	<u>\$ 0</u>
Total Personal Services					<u>\$ 317,000</u>	<u>\$ 810,000</u>	<u>\$ 0</u>
Operating Expenses and Equipment							
General Expenses /1					5,000	\$ 0	\$ 0
Printing /2					1,000	0	0
Communications 3/					5,000	0	0
Postage /4					0	12,000	25,000
Travel-In-State					0	0	0
Travel Out-of-State					0	0	0
Training					0	0	0
Facilities Operations					0	0	0
Utilities					0	0	0
Cons & Prof Svs - Interdept'l					0	0	0
Cons & Prof Svs - External					0	0	0
Consolidated Data Center					0	0	0
California Health and Human Services Agency Data Center					()	()	()
Stephen P. Teale Data Center					()	()	()
Data Processing /5					20,000	0	0
Equipment					0	0	0
Other Items of Exp (Specify Below)					0	0	0
Total Operating Expense & Equipment					<u>\$ 31,000</u>	<u>\$ 12,000</u>	<u>\$ 25,000</u>

a/ Itemized detail on Page II-3 by classification as in Salaries and Wages Supplement.

b/ Detail provided on following pages.

/1 General Expense @ \$879 per position.

/2 Printing Costs @ \$106 per position.

/3 Communication costs @ \$962 per position.

/4 Postage Costs for additional mailings.

/5 Software and Hardware for PCs @ 1691 per PC, \$184 on-going cost for PCs and Faxination software .

				<u>CY</u>	<u>BY</u>	<u>BY + 1</u>
TOTAL OPERATING EXPENSES AND EQUIPMENT				\$ 31,000	\$ 12,000	\$ 25,000
SPECIAL ITEMS OF EXPENSE <u>d/</u>				\$ 0	\$ 0	\$ 0
<hr/>						
PROGRAM ADMINISTRATION				\$ 0	\$ 0	\$ 0
Distributed Admin				\$ 0	\$ 0	\$ 0
TOTAL STATE OPERATIONS EXPENDITURES				<u>\$ 348,000</u>	<u>\$ 822,000</u>	<u>\$ 25,000</u>
<u>Source of Funds</u>		<u>Appropriation No.</u>				
	Org	-	Ref	-	Fund	
General Fund	1730		001		0001	\$ 348,000
						\$ 0
						\$ 0
						\$ 0
						\$ 0
						\$ 0
						\$ 0
Reimbursements	1730		501		0995	\$ 0
Totals						<u>\$ 348,000</u>
						<u>\$ 822,000</u>
						<u>\$ 25,000</u>
LOCAL ASSISTANCE				\$(0)	\$(0)	\$(0)
<u>Source of Funds</u>		<u>Appropriation No.</u>				
	Org	-	Ref	-	Fund	
General Fund	1730		001		0001	\$ 0
						\$ 0
						\$ 0
						\$ 0
						\$ 0
Reimbursements						\$ 0
Totals						<u>\$ 0</u>
						<u>\$ 0</u>
						<u>\$ 0</u>

d/ Special Items of expense must be titled. Please refer to the Uniform Codes Manual for a list of the standardized Special Items of expense objects which may be used.

**DETAIL OF STAFF BENEFITS
AND PERSONAL SERVICES**

Positions	Positions			Salary Range	Amount				
	CY ¹ 2009/10	BY 2010/11	BY + 1 2011/12		CY	BY	BY + 1		
Administrative Services Division									
Personnel Specialist - Rg A TEMP	0.0	0.0	0.0	\$ 2,602	\$ 3,162	\$ 0	\$ 15,000	\$ 0	
Total Administrative Services Division	.0	.0	.0			\$ 0	\$ 15,000	\$ 0	
Adjust for Part Year Positions	.0	.0	.0						
Net Positions/ PYs before salary savings	.0	.0	.0						
Filing Division									
Tax Program Tech II,Ftb LT	0.0	6.0	0.0	\$ 2,951	\$ 3,588	\$ 0	\$ 235,000	\$ 0	
Customer Service Specialist - Rg A LT	0.0	1.0	0.0	\$ 2,817	\$ 3,426	\$ 0	\$ 37,000	\$ 0	
Tax Technician, Ftb LT	0.0	2.0	0.0	\$ 2,495	\$ 3,034	\$ 0	\$ 66,000	\$ 0	
Tax Program Tech II,Ftb LT	2.0	0.0	0.0	\$ 2,951	\$ 3,588	\$ 78,000	\$ 0	\$ 0	
Tax Technician, Ftb - Rg B LT	2.0	0.0	0.0	\$ 2,817	\$ 3,426	\$ 75,000	\$ 0	\$ 0	
Customer Service Specialist - Rg B LT	1.0	0.0	0.0	\$ 3,050	\$ 3,708	\$ 41,000	\$ 0	\$ 0	
Tax Program Tech I, Ftb PI	0.0	0.0	0.0	\$ 2,638	\$ 3,209	\$ 0	\$ 18,000	\$ 0	
Key Data Operator - Rg A PI	0.0	0.0	0.0	\$ 2,153	\$ 2,376	\$ 0	\$ 16,000	\$ 0	
Key Data Operator - Rg A TEMP	0.0	0.0	0.0	\$ 2,153	\$ 2,376	\$ 0	\$ 0	\$ 0	
Tax Program Tech I, Ftb TEMP	0.0	0.0	0.0	\$ 2,638	\$ 3,209	\$ 0	\$ 0	\$ 0	
Total Filing Division	5.0	9.0	.0			\$ 194,000	\$ 372,000	\$ 0	
Adjust for Part Year Positions	.0	.0	.0						
Net Positions/ PYs before salary savings	5.0	9.0	.0						
Technology Services Division									
Staff Info Sys Analyst Spec OT				\$ 5,065	\$ 6,466	\$ 0	\$ 258,000	\$ 0	
Staff Info Sys Analyst Spec OT				\$ 5,065	\$ 6,466	\$ 45,000	\$ 0	\$ 0	
Total Technology Services Division	.0	.0	.0			\$ 45,000	\$ 258,000	\$ 0	
Adjust for Part Year Positions	.0	.0	.0						
Net Positions/ PYs before salary savings	.0	.0	.0						
Total Salaries and Wages	Positions	5.0	9.0	.0			\$ 239,000	\$ 645,000	\$ 0
	Part Yr Adj	.0	.0	.0					
	P.Y.s	5.0	9.0	.0					

* All current year positions are administratively established for the current year only.

**Schedule of Staff Benefits Costs
FOR FISCAL YEAR 2010/11**

Staff Benefits	2009/10	2010/11	2011/12
OASDI /1	\$ 13,000	\$ 39,000	\$ 0
Dental /2	3,000	5,000	0
Health /3	39,000	70,000	0
Retirement /4	30,000	58,000	0
Vision /5	1,000	1,000	0
Medicare /6	4,000	9,000	0
Worker's Comp /7	1,000	3,000	0
Industrial Disability /8	0	0	0
Non Industrial Disability /9	0	0	0
Unemployment Insurance /10	0	4,000	0
Total Staff Benefits	\$ 91,000	\$ 189,000	\$ 0

- 1/ For permanent and overtime, 6.2% of net salary.
- 2/ For permanent, \$539 per net personnel year.
- 3/ For permanent, \$8,289 per net personnel year.
- 4/ For permanent, 16.574% of net salary.
- 5/ For permanent, \$110 per net personnel year.
- 6/ 1.45% of net salary for permanent.
- 7/ 0.7% of net salary for permanent.
- 8/ 0.03% of net salary for permanent.
- 9/ 0.05% of net salary for permanent.
- 10/ 8.94% of net salary for temporary help.

FRANCHISE TAX BOARD
Fiscal Year 2010/11

Finance Letter

No: 1

Homebuyer Tax Credit

Date: April 2, 2010

A. Nature of Request

This proposal requests \$822,000 and 9 positions (8.4 PYs) in fiscal year 2010/11 and \$25,000 in FY 2011/12 to implement and administer the homebuyer tax credit provisions outlined in Section 17059.1 of the Revenue and Taxation Code. A current year (CY 09/10) resource need of \$348,000 will be absorbed internally.

B. Background/History

On February 20, 2009, Governor Arnold Schwarzenegger signed legislation creating a new home purchase credit up to \$10,000 for individuals who purchase a new home beginning March 1, 2009. The total credit to be allocated was capped at \$100 million, and the FTB allocated this credit to taxpayers on a first-come, first-served basis. We publicly reported the total number and dollar amount of applications received on a weekly basis, beginning in March 2009. As of July 3, 2009, we stopped accepting applications since sufficient applications were received to allocate the full \$100 million of tax credits.

In 2010, Section 17059.1 of the Revenue and Taxation Code was added to provide a credit for the purchase of a qualified principal residence on and after May 1, 2010 and before August 1, 2011. A taxpayer is eligible to claim this credit if he or she is a first-time homebuyer or if the residence has never been occupied. The amount of the credit is equal to the lesser of 5 percent of the purchase price of the qualified principal residence or \$10,000. The credit shall be applied in equal amounts over the three successive taxable years beginning with the taxable year in which the purchase was made.

A taxpayer may, but is not required, to reserve a credit prior to the close of escrow of a qualified principal residence. To reserve the credit, the taxpayer and seller will jointly sign and submit to FTB a certification that they have entered into an enforceable contract on or after May 1, 2010. Upon receipt of the joint certification, FTB will notify the taxpayer that the credit has been reserved for the taxpayer, pending receipt, within two weeks after the close of escrow.

In order to claim the credit, the taxpayer must submit to FTB within two weeks from the date of purchase, a copy of the properly executed settlement statement and either a certification from the seller that the residence has never been previously occupied or a certification from the taxpayer that he or she is a first-time home buyer.

The total amount of credit that may be allocated is \$100 million for the purchase of residences that have never been occupied and \$100 million for the purchase of a qualified principal residence by first-time homebuyers. Once the credits have been

exceeded, FTB will establish a wait list for subsequently received certifications or reservations, with an order of priority based on the date certification or reservation was received.

Key costing issues in implementing this homebuyer's credit are:

1. The pool of applications will be approximately 36,600 taxpayers--an increase from 10,000 last year.
2. Additional support is required to develop, track, and report on the two separate credit amounts, reservations, and waiting list.
3. There will be an increase in processing costs for amended returns.
4. There will be an increase in customer service contacts for both telephone and written correspondence.
5. We will need to develop and revise tax forms and instructions.

C. State Level Considerations

There are no state level considerations.

D. Facility/Capital Outlay Considerations

There is no impact to facilities as a result of this proposal.

E. Justification

This tax credit is intended to address California's fiscal crisis as well as help improve the State's economy. FTB must implement this tax credit to be in compliance with Section 17059.1 of the Revenue and Taxation Code.

F. Analysis Of All Feasible Alternatives

Alternative #1: Approve funding for \$822,000 and 9 positions.

This option provides the resources necessary to add Section 17059.1 to the Revenue and Taxation Code.

Alternative #2: Provide no additional resources.

This approach fails to comply with Section 17059.1 of the Revenue and Taxation Code and FTB would be out of compliance with the mandate to administer this new tax credit.

G. Outcomes and Accountability

It is the responsibility of FTB to administer this new tax credit. The resulting changes to the tax forms are subject to the oversight of the Tax Forms Design Unit under the direction of the Filing Division Chief.

H. Timetable

Provide funding on July 1, 2010.

I. Recommendation

Alternative #1 is recommended.