



## **Summary Analysis of Amended Bill**

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Sponsor:

Bill Number: SB 252

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Amended: May 7, 2019

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Related Bills: See Prior Analysis

**Subject:** Exclusion/Mobilehome Park Sales

### **Summary**

This bill, under the Personal Income Tax Law (PITL) and the Corporation Tax Law (CTL), would provide a gross income exclusion for the gain on the sale of a qualified mobilehome park, as certified by the Department of Housing and Community Development (DHCD).

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 May 7, 2019, amendments limited the exclusion to sales of qualified mobilehome parks to qualified purchasers as certified by the DHCD, and made other clarifying and technical changes.

As a result of the amendments, several of the implementation considerations identified in the department's analysis of the bill as amended March 25, 2019, and April 22, 2019, were resolved. Except for the "This Bill," "Implementation Considerations," and "Economic Impact" sections, the remainder of the department's analysis of the bill as amended March 25, 2019, and April 22, 2019, still applies. The "Effective/Operative Date," "Fiscal Impact," and "Policy Concerns" sections have been restated below for convenience.

### **Effective/Operative Date**

As a tax levy, this bill would be effective immediately, and specifically operative for taxable years beginning on or after January 1, 2020, and before January 1, 2025.

## **This Bill**

For taxable years beginning on or after January 1, 2020, and before January 1, 2025, this bill, under the PITL and the CTL, would provide that gain from the sale of a qualified mobilehome park to a qualified purchaser would not be recognized.

The exclusion would apply only to a sale of a qualified mobilehome park that occurs during the taxable year for which the taxpayer seeks the exclusion and such sale is certified by the DHCD.

A qualified purchaser would be required to comply with both of the following requirements:

- Agree to own and operate a qualified mobilehome park and record a deed restriction to maintain affordable rents for at least 30 years.
- Apply to and become approved by the DHCD as a qualified purchaser.

This bill would define the following terms and phrases:

- “Qualified mobilehome park” means a mobilehome park, as that term is defined in Health and Safety Code (HSC) section 18214 that is in existence as of January 1, 2020.
- “Qualified purchaser” means any of the following:
  - A local public entity, as defined in HSC section 50079, including a tribally designated housing entity.
  - A qualified nonprofit housing sponsor, as defined in HSC section 50781 (k).
  - A resident organization, as defined in HSC section 50781 (l).
  - A tribally designated housing entity, as defined in HSC section 50104.6.5.

The DHCD would be required to do all of the following:

- Develop and administer an application process pursuant to which an organization seeking to become a qualified purchaser may submit an application to the DHCD for approval.
- Certify the sale of a qualified mobilehome park by a taxpayer to a qualified purchaser.
- Certify the qualified purchaser has recorded a deed restriction of 30 years, as required.<sup>1</sup>

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<sup>1</sup> Pursuant to subparagraph (A) of paragraph (3) of subdivision (a).

- Provide the taxpayer with a copy of the above certifications.
- Provide the Franchise Tax Board (FTB), upon request of the FTB, with a copy of the above certifications, and all of the following information:
  - The taxpayer's name and Social Security Number (SSN) or taxpayer identification number (TIN).
  - The address of the qualified mobilehome park.
  - The qualified purchaser's name and SSN or TIN.

The taxpayer, upon the request of the FTB, would be required to provide the above certifications provided by DHCD.

The DHCD may adopt any regulations necessary or appropriate to implement this section. Regulations adopted pursuant to this section shall not be subject to Chapter 3.5 (commencing with Section 11340) of Part 1 of Division 3 of Title 2 of the Government Code.

The Legislative Analyst, no later than January 1, 2025, would be required to submit a report to the Legislature on the effects of the exclusion on the sales of qualified mobilehome parks in this state. The report would be required to be submitted in compliance with Government Code section 9795.

This bill would be repealed by its own terms December 1, 2025.

### **Implementation Considerations**

The department has identified the following implementation concern. Department staff is available to work with the author's office to resolve these and other concerns that may be identified.

For consistency with terminology in the Revenue and Taxation Code, it is recommended that in paragraph (1) of subdivision (a) the phrase "gain from the sale of a qualified mobilehome park to a qualified purchaser shall not be recognized." be replaced by the phrase "gross income shall not include any gain from the sale of a qualified mobilehome park to a qualified purchaser."

### **Fiscal Impact**

The department's costs to implement this bill have yet to be determined. As the bill moves through the legislative process, costs will be identified.

## **Economic Impact**

### Revenue Estimate

There would be a revenue loss but the amount is unknown.

Sales of mobilehomes parks sold to entities willing to hold the park for 30 years cannot be predicted. To determine the magnitude of the potential impact to the General Fund, both the frequency of sales and the capital gains associated with those sales must be known. Since it is difficult to predict the frequency and the value of future mobilehome parks sales, the revenue loss to the General Fund is unknown. However, it is estimated that for every \$1 million in gain excluded the revenue loss would be \$80,000.

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

## **Policy Concerns**

This bill would create differences between federal and California tax law, thereby increasing the complexity of California tax return preparation.

## **Legislative Staff Contact**

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