Bill Analysis

Author: Boerner Horvath
Sponsor: 
Related Bills: See Legislative History
Bill Number: AB 113
Amended: March 25, 2021, and April 7, 2021

SUBJECT
Electric Vehicle Charging Credit

SUMMARY
The bill provides under the Personal Income Tax Law (PITL) and Corporation Tax Law (CTL), a 40 percent credit for costs paid or incurred to the owners or developers of multifamily residential or nonresidential buildings for the installation of electric vehicle charging equipment in new construction, additions, and alterations to existing buildings.

RECOMMENDATION
No position.

SUMMARY OF AMENDMENTS
The March 25, 2021, amendments repealed the original language and added the provisions for the electric vehicle charging credit.

The April 7, 2021, amendments removed provisions of the bill related to building code standards for charging stations under the Health and Safety Code and made other minor nonsubstantive changes.

This is the department’s first analysis of the bill and only addresses the provisions that impact the department.

REASON FOR THE BILL
The reason for this bill is to provide a tax credit to owners and developers of certain properties to offset the costs of installing electric vehicle chargers.
ANALYSIS

This bill, under PiTL and CTL, creates a credit equal to 40 percent of the amount paid or incurred in qualified costs by a qualified taxpayer during the taxable year for the installation of specified electric vehicle supply equipment or direct current fast chargers, or both, in a covered multifamily dwelling or covered nonresidential building.

A qualified taxpayer would be allowed a credit of:

- $500 per Level 2 or higher electric vehicle supply equipment installed during the taxable year, and
- $2,500 per direct current fast chargers installed during the taxable year.

This bill provides the following definitions:

- “Covered multifamily dwelling” and “Covered nonresidential building” are defined by reference to the Government Code and the California Building Standards Code.
- “Covered multifamily dwellings” means both of the following:
  1) Buildings that consist of at least four condominium dwelling units or at least three rental apartment dwelling units if the buildings have at least one elevator. For purposes of this definition, dwelling units within a single structure separated by firewalls do not constitute separate buildings.
  2) The ground floor dwelling units in buildings that consist of at least four condominium dwelling units or at least three rental apartment dwelling units if the buildings do not have an elevator. For purposes of this definition, dwelling units within a single structure separated by firewalls do not constitute separate buildings.
- “Covered nonresidential building” means any building that is within Occupancy Groups for Assembly, Business, Educational, Factory & industrial, High Hazard, Mercantile, Storage, and Miscellaneous as described in Chapter 3 of Part 2 of the California Building Standards Code.
- “Electric vehicle supply equipment” means the conductors, including the underground, grounded, and equipment grounding conductors, and the electric vehicle connectors, attachment plugs, and other fittings, devices, power outlets, or apparatus installed specifically for the purpose of transferring energy between the premises wiring and the electric vehicle.
- “Qualified costs” means the amounts paid or incurred for the acquisition of electric vehicle supply equipment, the installation of an outlet or wiring to the panel, panel upgrades, and labor.
- “Qualified taxpayer” means a taxpayer that is the owner or developer of a covered multifamily dwelling or a covered nonresidential building in this state.
This bill would allow a taxpayer that owns a proportional share of a covered multifamily dwelling or a covered nonresidential building in this state to claim the credit in an amount that is proportionate to that taxpayer’s share of the qualified costs.

This bill would allow this credit to be carried forward for seven years, until the credit is exhausted.

This bill would provide that a deduction would not be allowed under this part for amounts taken into account in the calculation of the credit.

This credit would be repealed on December 1, 2026, but any unused credit would continue to be carried forward until exhausted or the carryover period has expired.

This bill, for purposes of complying with Section 41 of the Revenue and Taxation Code (RTC), states the following specific goals, purposes, and objectives:

- It is the intent of the Legislature in providing these tax credits to support transportation electrification by offsetting a part of the installation cost.
- The tax credits for installation of Level 2 or higher electric vehicle supply equipment in a multifamily dwelling or nonresidential building, as allowed by this act, will contribute to an increase in installation of charging infrastructure.

Detailed performance indicators for the Legislature to use in determining whether the tax credits allowed by this act meet the goals, purposes, and objectives of these credits are as follows:

- The number of taxpayers claiming the tax credits.
- The ZIP codes in which electric vehicle supply equipment is installed.
- The amount of electric vehicle supply equipment that is installed.

This bill would provide the data collection requirements for the specific goals, purposes, and objectives as:

- The Legislative Analyst’s Office (LAO) would be required to review the effectiveness of the tax credits and may request information from the Franchise Tax Board (FTB) and any state governmental entity with authority relating to electric vehicle supply equipment.
- The FTB would be required to provide any data requested by the LAO pursuant to this subdivision. The disclosure provisions of this paragraph would be treated as an exception to Section 19542 of the RTC.
Effective/Operative Date

As a tax levy, this bill would become effective immediately upon enactment and would be specifically operative for taxable years beginning on or after January 1, 2021, and before January 1, 2026.

Federal/State Law

Existing state and federal laws provide various tax credits designed to provide tax relief for taxpayers who incur certain expenses (e.g., child adoption) or to influence behavior, including business practices and decisions (e.g., research credits or hiring credits). These credits generally are designed to provide incentives for taxpayers to perform various actions or activities that they may not otherwise undertake.

The federal government allows a credit for qualified alternative fuel vehicle refueling property placed in service during the tax year. The federal credit is broader than the electric vehicle credit proposed by this bill.

Implementation Considerations

The department has identified the following implementation considerations, and is available to work with the author’s office to resolve these and other considerations that may be identified.

This bill uses terms that are undefined, e.g., “Level 2”, “fast chargers”, and “acquisition of”. The absence of definitions to clarify these terms could lead to disputes with taxpayers and would complicate the administration of this bill. The author may want to amend the bill to define the terms.

Typically, credits involving areas for which the department does not have the expertise are certified by another agency or agencies that possess the relevant expertise. The certification language would specify the responsibilities of both the certifying agency and the taxpayer. It is recommended that this bill be amended to include a certifying agency.

This bill does not restrict the credit to installations on property within California.

To avoid disputes between taxpayers and the department, and to ensure consistency with the author’s intent, this bill should be amended.

Technical Considerations

In Section 17053.90 (a) (5) (c), strike out “net tax”, and insert “tax”
Policy Considerations

This bill does not limit the amount of the credit that may be taken by each taxpayer. Credits that could potentially be quite costly are sometimes limited either on a per-project or per-taxpayer basis.

LEGISLATIVE HISTORY

None noted.

PROGRAM BACKGROUND

None noted.

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

This bill would result in the following revenue loss:

Estimated Revenue Impact of AB 113 as Amended on April 7, 2021
Assumed Enactment after June 30, 2021

($ in Millions)

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<th>Fiscal Year</th>
<th>Revenue</th>
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<tr>
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<td>-$11</td>
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<td>2023-2024</td>
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This analysis does not account for changes in employment, personal income, or gross state product that could result from this bill or for the net final payment method of accrual.

LEGAL IMPACT

None noted.
APPPOINTMENTS
None noted.

SUPPORT/OPPOSITION
To be determined.

ARGUMENTS
To be determined.

LEGISLATIVE CONTACT
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