



Bill Analysis

Author: Berman

Sponsor:

Bill Number: AB 1219

Related Bills: See Legislative
History

Introduced: February 19, 2021

SUBJECT

Natural Heritage Preservation Tax Credit Act of 2000

SUMMARY

This bill would, under the Personal Income Tax Law (PITL) and the Corporation Tax Law (CTL), renew this tax credit for qualified contributions made on or after January 1, 2021, and no later than June 30, 2026.

RECOMMENDATION

No position.

SUMMARY OF AMENDMENTS

Not applicable.

REASON FOR THE BILL

The reason for the bill is to provide funds for the protection of wildlife habitat, open space, and agricultural lands.

ANALYSIS

This bill would renew, under PITL and CTL, the Natural Heritage Preservation Tax Credit for qualified contributions made on or after January 1, 2021, and not later than June 30, 2026, to the state, local governments, or designated nonprofit organizations. The amount of the credit would be 55 percent of the fair market value of the qualified contribution.

Effective/Operative Date

As a tax levy, this bill would be effective immediately upon enactment and specifically operative for qualified contributions made on or after January 1, 2021, and not later than June 30, 2026.

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Federal/State Law

Federal Law

No provision comparable in federal law.

State Law

PITL and CTL allow a nonrefundable Natural Heritage Preservation Tax Credit in the amount of 55 percent of the fair market value of qualified contributions that have been certified by the Wildlife Conservation Board. "Qualified contributions" means a contribution of property that has been approved for acceptance by the Wildlife Conservation Board. Any unused Natural Heritage Preservation Tax Credit may be carried over for eight years for qualified contributions made on or after January 1, 2000, and before January 1, 2015, or 15 years for qualified contributions made on or after January 1, 2015. The credit is in lieu of any other credit or deduction that may be claimed for the property or any interest contributed.

Under Revenue and Taxation Code (RTC) section 41, legislation that would create a new tax expenditure, which includes a credit, deduction, exclusion, exemption, or any other tax benefit as provided for by the state, is required to include specific goals, purposes, objectives, and performance measures to allow the Legislature to evaluate the effectiveness of the tax benefit.

Implementation Considerations

None noted.

Technical Considerations

None noted.

Policy Considerations

Under RTC section 41, legislation that would create a tax credit is required to include specific goals, purposes, objectives, and performance measures to allow the Legislature to evaluate the credit's effectiveness.

This bill should be amended to satisfy the RTC section 41 requirements.

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LEGISLATIVE HISTORY

SB 355 (Beall, Chapter 620, Statutes of 2014) extended the Natural Heritage Preservation Tax Credit through June 30, 2020.

AB 94 (Evans/Monning, Chapter 220, Statutes of 2009) reactivated and extended the sunset date in which the Natural Heritage Preservation Tax Credit Act could be awarded from June 30, 2008, to June 30, 2015.

PROGRAM BACKGROUND

Under the Public Resources Code, the Natural Heritage Preservation Tax Credit Act of 2000 was enacted to encourage donations of land to the state, local governments, and designated nonprofit organizations. The donated property must be approved for acceptance by the Wildlife Conservation Board, which notifies the Franchise Tax Board (FTB) of the amount of tax credit awarded for each donation.

Responding to increased fiscal demands and pressure upon the General Fund, the Legislature suspended the Natural Heritage Preservation Tax Credit Program in 2002. However, in recognition of the effectiveness of the program as a tool to leverage limited fiscal resources and protect critical land and water resources, the Conservation Tax Credit Program was reinstated effective January 1, 2005, and allows Natural Heritage Preservation Tax Credits to be awarded until June 30, 2008, provided there is no net loss of revenue to the General Fund for tax credits awarded between July 1, 2002, and June 30, 2008. Reimbursement to the General Fund for approved tax credits is made using eligible bond funds. Effective January 1, 2010, the program was once again authorized to approve donations and eligible tax credits until June 30, 2020.

The FTB is required to report the amount of Natural Heritage Preservation Tax Credit claimed by tax year to the Wildlife Conservation Board. Within 60 days of notification from the FTB, the Wildlife Conservation Board is required to reimburse the Natural Heritage Preservation Tax Credit Reimbursement Account within the state's General Fund for the amount of the land for the Natural Heritage Preservation Tax Credits claimed on income tax returns. The Wildlife Conservation Board is authorized to use bond funds to reimburse the General Fund.

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.

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ECONOMIC IMPACT

Revenue Discussion

Because it is difficult to predict how many qualified donations and the amount of these donations each year, the revenue impact is unknown. It is estimated, however, that for every \$1 million generated, approximately \$70,000 would be claimed in each year the credit is generated. The remaining credits would be used in the following 15 years.

Eligible bond funds will be used to reimburse the General Fund so that the net impact on the General Fund is zero.

LEGAL IMPACT

None noted.

APPOINTMENTS

None noted.

SUPPORT/OPPOSITION

To be determined.

ARGUMENTS

To be determined.

LEGISLATIVE CONTACT

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