



Bill Analysis

Author: Gallagher, et al.

Sponsor:

Bill Number: AB 297

Related Bills: See Legislative
History

Introduced: January 25, 2021

SUBJECT

California Competes Tax Credit (CCTC) Forest Health Project Priority

SUMMARY

This bill under the Personal Income Tax Law (PTL), and the Corporation Tax Law (CTL), amends the CCTC to give priority to taxpayers whose project or business enhances forest health and resilience, as specified.

This analysis only addresses the provisions that would impact the department.

RECOMMENDATION

No position

SUMMARY OF AMENDMENTS

None applicable.

REASON FOR THE BILL

The reason for this bill is to provide incentives to industries that utilize timber products to enhance forest health and resiliency.

ANALYSIS

This bill would, under the PITL and CTL, amend the CCTC to give priority to taxpayers whose project or business enhances forest health and resiliency by utilizing timber harvested in California, including materials from forest health and fuel reduction projects.

This bill also makes several nonsubstantive changes to the CCTC.

Effective/Operative Date

This bill would become effective and operative January 1, 2022.

Federal/State Law

Federal Law

No provision comparable in federal law.

State Law

The CCTC is an income or franchise tax credit available to businesses that come to California or stay and grow in California. CCTC agreements are negotiated by the Governor's Office of Business and Economic Development (GO-Biz) and approved by the CCTC Committee (Committee), consisting of the State Treasurer, the Director of the Department of Finance, the Director of GO-Biz (Chair), and one appointee each by the Speaker of the Assembly and Senate Committee on Rules.

Upon approval of the tax credit agreement by the Committee, GO-Biz informs the Franchise Tax Board (FTB) of the terms and conditions of the written agreement. The FTB reviews the books and records of taxpayers allocated a CCTC to ensure that the taxpayer complied with the terms and conditions of the written agreement. In the case of a small business, the FTB reviews the books and records of the taxpayer if it deems the review appropriate or necessary in the best interest of the state. If the FTB determines that a possible breach of the agreement has occurred, GO-Biz is provided detailed information regarding the basis of the possible breach.

The credit is available for taxable years beginning on or after January 1, 2014, and before January 1, 2030, and will be repealed on December 1, 2030.

Implementation Considerations

Implementing this bill would occur during the department's normal annual update.

Technical Considerations

None noted.

Policy Considerations

None noted.

LEGISLATIVE HISTORY

AB 264 (Voepel, 2021/2022), would increase the total amount of CCTC that may be allocated and would require that those additional credit allocations be reserved for pharmaceutical companies. AB 264 has been referred to the Assembly Revenue and Taxation Committee.

SB 51 (Durazo, et al., 2019/2020), would have under the Revenue and Taxation Committee allowed qualified taxpayers to obtain a refund of their CCTC to be used to invest in specified property in the state. SB 51 did not pass out of the Assembly.

SB 855 (Committee on Budget and Fiscal Review, Chapter 52, Statutes of 2018), under the PITL and CTL, among other provisions, extended the CCTC to include taxable years before January 1, 2030.

AB 1716 (Committee of Jobs, Economic Development and Economy, 2017/2018) would have, under the PITL and CTL, extend the sunset date of the CCTC. AB 1716 did not pass out of the Assembly by the constitutional deadline.

AB 1560 (Quirk-Silva, et al., Chapter 378, Statutes of 2014), modified the funding for the CCTC.

AB 93 (Assembly Committee on Budget, Chapter 69, Statutes of 2013), repealed the geographically targeted economic development area tax incentives and the New Jobs Tax Credit under the PITL and CTL, created a New Hiring Tax Credit, established the California Competes Tax Credit Committee, and created the CCTC under the PITL and CTL.

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

In accordance with the bill provisions, staff defers to the Department of Finance to determine the revenue impact of this bill.

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.

Revenue Discussion

The amount and timing of the exchange is subject to the private equity share agreement between GO-Biz and the taxpayer. Staff defers to the Department of Finance for the estimated revenue loss for this credit.

LEGAL IMPACT

None noted.

APPOINTMENTS

None noted.

SUPPORT/OPPOSITION

To be determined.

ARGUMENTS

To be determined.

LEGISLATIVE CONTACT

FTBLegislativeServices@ftb.ca.gov