STATE OF CALIFORNIA
Franchise Tax Board

Analysis of Original Bill

Author: Rivas, et al.	Sponsor:	Bill Number: AB 71
	Related Bills: See Legislative History	Amended: January 12, 2021

SUBJECT

Bring California Home Act: Global Intangible Low-Taxed Income (GILTI); Corporate Tax Rate Increase; and Repatriated Income and Business Credit Limitation

SUMMARY

This bill would do the following:

Provision No. 1 ~ PITL Conformity to GILTI:

This provision, under the Personal Income Tax Law (PITL), would generally conform to federal law, subject to modifications, and require certain taxpayers that are a United States (US) shareholder of a controlled foreign corporation (CFC) to include GILTI in their gross income, as provided.

Provision No. 2 ~ Corporate Tax Rate Increase:

This provision, under the Corporation Tax Law (CTL), would increase the tax rate for corporations, banks, financial corporations, and other business entities taxed under the CTL, if their taxable income exceeds five million dollars ($5,000,000), from 8.84 percent to 9.6 percent, for corporations, and from 10.84 percent to 11.6 percent, for banks and financial corporations.

Provision No. 3 ~ CTL Conformity to GILTI, Repatriation Income Provisions, and Limited Use of Business Credits:

This provision, under the CTL, would require a water's-edge taxpayer to take into account 50 percent of GILTI, as provided, 40 percent of repatriation income of its affiliated corporations, as provided, and would limit the total use of certain business credits, as defined, from reducing the additional tax liability added by the provisions of this bill by not more than five million dollars ($5,000,000), as provided.

Provision No. 4 ~ FTB Reporting Requirements:

This provision, under the Welfare and Institutions Code (WIC), would require the Franchise Tax Board (FTB), in consultation with the Department of Finance (DOF), to provide revenue information related to the provisions of this bill to the Controller, as provided.

RECOMMENDATION

No position

SUMMARY OF AMENDMENTS

The January 12, 2021, amendments removed provisions of the bill related to the Legislature's intent to enact legislation to create a comprehensive, statewide homelessness solutions program, and replaced them with the provisions discussed in this analysis.

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 the bill is to provide a reliable source of revenue for the Bring California Home Act (BCHA), for local governments to implement response plans and programs to combat homelessness.

ANALYSIS

Analysis Provision 1:

PITL Conformity to GILTI

Provision 1 of this bill, under the PITL, for taxable years beginning on or after January 1, 2022, would generally conform to Internal Revenue Code (IRC) section 951A, relating to GILTI, as enacted by the federal Tax Cuts and Jobs Act of 2017 (TCJA) (Public Law 115–97), with modifications. Generally, the federal GILTI rules require a 10 percent US shareholder of a CFC to include in its current income the shareholder's pro rata share of the CFC's GILTI. GILTI is the excess (if any) of a US shareholder's net CFC tested income for the taxable year, over the US shareholder's net deemed tangible income return for the taxable year.

For purposes of this provision, IRC section 951A would be modified for state purposes as follows:

1) If the taxpayer is not a C corporation and formally derives GILTI income from a combined reporting group, then the taxpayer includes 50 percent of any GILTI as apportioned to California by that combined reporting group.

2) GILTI would not be included in a taxpayer's income if either:
   A) The taxpayer is not a C corporation and the GILTI income is formally derived from a corporation that is included in a combined reporting group that is doing business, as defined in Sections 23101(a) and (b), in California that does not make a water's-edge election.
   B) The taxpayer is not a C corporation and the GILTI income is formally derived from a corporation that is not as part of a combined reporting group doing business in this state, as defined in Sections 23101(a) and (b).

Revenue and Taxation Code (RTC) section 25137 provides for an alternative apportionment formula if the taxpayer or the FTB believe the standard apportionment formula does not fairly represent the extent of the taxpayer's business activity in California. If a taxpayer has GILTI income included in its gross income pursuant to this provision of the bill, then the taxpayer may submit a petition to the FTB for alternative apportionment.

Any standard, criterion, procedure, determination, rule, notice, or guideline established or issued by the FTB to implement this provision is hereby exempted from the rulemaking provisions of the Administrative Procedure Act (APA) (Chapter 3.5 (commencing with Section 11340) of Part 1 of Division 3 of Title 2 of the Government Code (GC)).

The rules within this provision of this would be severable. If any portion of the provision or its application would be held invalid, that invalidity would not affect the other portions.

The Legislature's intent is the additional revenue resulting from this provision of the bill would be used for purposes of the BCHA.

Effective/Operative Date

This provision would become effective January 1, 2022, and would be operative for taxable years beginning on or after January 1, 2022.

Federal/State Law

Federal Law

GILTI is defined by IRC section 951A and was enacted by the federal TCJA, effective for taxable years of foreign corporations beginning after December 31, 2017, and for taxable years of US shareholders in which such taxable years of the foreign corporations end. Under existing federal law, any US shareholder that owns at least 10 percent of the value or voting rights in a CFC must include in gross income for the taxable year its GILTI in a manner generally similar to the inclusion of Subpart F income, regardless of whether any amount is distributed to the shareholder. In general, Subpart F income includes insurance income; foreign base company income; and international boycott factor income, illegal bribes, and income derived from a foreign country listed in IRC section 901(j), which are countries that sponsor terrorism or are otherwise not recognized by the US, such as Iran, Iraq, Libya, and North Korea.

GILTI with respect to any US shareholder for the shareholder's taxable year, is equal to the excess (if any) of the shareholder's net CFC tested income over the shareholder's net deemed tangible income return. The shareholder's net deemed tangible income return equals the excess (if any) of 10 percent of the aggregate of its pro rata share of the qualified business asset investment (QBAI) of each CFC with respect to which it is a US shareholder over certain interest expense. (Refer to The Joint Committee on Taxation report, JCS-1-18 (December 20, 2018), page 368.)

State Law

No provision comparable to state law.

Implementation Considerations

Department staff has identified the following implementation considerations for purposes of a high-level discussion; additional considerations may be identified as the bill moves through the legislative process. Department staff is available to work with the author's office to resolve these and other concerns that may be identified.

This provision uses the undefined phrase "formally derived." The absence of a definition to clarify this phrase could lead to disputes. The author may want to amend the bill to define the term.

This provision would provide that if GILTI is included in gross income, then the taxpayer may submit an RTC section 25137 petition for alternative apportionment. Generally, a taxpayer must first demonstrate that income apportionment is distortive in order to be granted an alternative apportionment method. This provision could be interpreted to imply that any GILTI inclusion would be distortive. The author may wish to provide clarity that taxpayers should follow FTB standard procedure to petition for alternative apportionment.

This provision of the bill provides that the FTB may issue any standard, criterion, procedure, determination, rule, notice or guideline as needed to implement this provision, and that these would be exempt from the rulemaking provisions of the APA. The author may wish to amend the bill to also include that the FTB regulatory authority would also be exempt from the APA rulemaking provisions.

Technical Considerations

None noted.

Policy Considerations

None noted.

LEGISLATIVE HISTORY

No legislation similar to this provision of the bill has been identified.

PROGRAM BACKGROUND

None noted.

LEGAL IMPACT

None noted.

Analysis Provision 2:

Corporate Tax Rate Increase

Provision 2 of this bill, under the CTL, for taxable years beginning on or after January 1, 2022, would impose a tax according to or measured by net income, to be computed at the following rate, as applicable, upon the basis of the net income for the taxable year, or if greater, the minimum tax of $800:

a) If the taxpayer has taxable income greater than five million dollars ($5,000,000) for the taxable year, then the tax rate would be 9.6 percent.
b) If the taxpayer has taxable income less than or equal to five million dollars ($5,000,000) for the taxable year, then the tax rate would be 8.84 percent.

The applicable tax rate for banks and financial corporations is the corporate tax rate, plus 2 percent. Thus, for banks and financial corporations, the follow rate would apply:

a) If taxable income is greater than five million dollars ($5,000,000) for the taxable year, then the tax rate would be 11.6 percent.
b) If taxable income is less than or equal to five million dollars ($5,000,000) for the taxable year, then the tax rate would be 10.84 percent.

The Legislature's intent is the additional revenue resulting from this provision of the bill would be used for purposes of the BCHA.

Effective/Operative Date

This provision would become effective January 1, 2022, and would be operative for taxable years beginning on or after January 1, 2022.

Federal/State Law

Federal Law

Under federal law, a corporation is required to file an annual income tax return whether or not it has taxable income. The applicable federal tax rate varies depending on the type of corporation.

State Law

Corporation Franchise Tax: In general, every corporation that is either qualified to do business in this state or is doing business in this state (whether organized in-state or out-of-state) is subject to the corporation franchise tax determined under RTC section 23151. The franchise tax is not a tax on income. Rather, it is a tax, measured by net income, for the privilege of doing business within the state. The corporation franchise tax rate is currently 8.84 percent. The measured tax is determined by multiplying the applicable tax rate by the corporation's net income for tax purposes. Under existing law, a corporation is subject to a minimum franchise tax of $800 when it is more than its measured tax.

Corporation Income Tax: In general, a corporation that is not organized in or qualified to do business in California, and is not "doing business" in California, but is deriving income from California sources, is subject to the corporation income tax. This tax rate is also currently set at 8.84 percent by reference to the corporation franchise tax rate. The corporation income tax also applies to certain non-corporate business entities.

A bank or financial institution's rate of tax is determined under RTC section 23186, and provides percent that the tax rate for these taxpayers is the corporate tax rate, plus 2 percent, or 10.84 percent.

Implementation Considerations

Implementing this provision would require some changes to existing information and processing systems, tax forms, form instructions, and taxpayer outreach, which could be accomplished during the normal annual update.

Technical Considerations

On page 9 of the bill, lines 32 and 33, it is recommended that "(f)(1) For the taxable year beginning on or after January 1, 2000, the tax imposed under…" be replaced with "(f)(1) For the taxable year beginning on or after January 1, 2000, *and before January 1, 2022,* the tax imposed under…" to be consistent with the amendment made to Section (f)(2) on page 10.

Policy Considerations

This provision of the bill would require that if a corporation, bank or financial corporation's taxable income is greater than five million dollars ($5,000,000), then the higher tax rate would apply to all of the taxable income, rather than the portion that exceeds the threshold. Additionally, taxpayers filing in a combined reporting group compute their tax on a separate basis. For taxpayers in a combined reporting group, unless the threshold applies to the entire group's combined taxable income, then the increased tax rate may not be triggered. If the intention is to apply the higher tax rate only to the portion of taxable income that exceeds the threshold, or that the higher tax rate would apply to large filing groups, the author may wish to amend the bill.

Additionally, the five million dollar ($5,000,000) threshold is based on taxable income as opposed to "net income," which is the basis for the measurement of tax. If this is not the author's intention, the language should be amended to refer to net income.

LEGISLATIVE HISTORY

SB 37 (Skinner, et al., 2019/2020), would have increased the corporation and bank and financial institution tax rates, under the CTL, for corporations and banks and financial institutions with net income of ten million dollars ($10,000,000) or more, to rates, as described. In addition, that new tax rate would have been increased by a multiple of 1.5 times that rate, dependent on comparisons of US full-time employees versus contracted employees or US employees versus foreign full-time employees, as described. SB 37 did not pass out of the Senate by the constitutional deadline.

SB 1398 (Skinner, 2017/2018), similar to SB 37 (Skinner, et al., 2019/2020), this bill, for publicly-held corporations, would have modified the flat franchise tax rate with a tax rate table specifying the applicable tax rate based on a "compensation ratio" for the taxable year, and would have created a new tax credit for publicly-held corporations that met certain criteria. SB 1398 did not pass out of the Senate by the constitutional deadline.

SB 684 (Hancock/Leno, 2015/2016), similar to SB 37 (Skinner, et al., 2019/2020), would have modified the corporation tax rate for publicly-held corporations to a rate determined by a reference table tied to a "compensation ratio." SB 684 did not pass out of the Senate by the constitutional deadline.

PROGRAM BACKGROUND

None noted.

LEGAL IMPACT

None noted.

Analysis Provision 3:

CTL Conformity to GILTI, Repatriation Income Provisions, and Limited Use of Business Credits

Provision 3 of this bill, under the CTL, for taxable years beginning on or after January 1, 2022, would require a water's-edge taxpayer to include 50 percent of any GILTI, as defined by IRC section 951A, of its affiliated corporations, and 40 percent of any repatriation income, generally past profits generated by the foreign subsidiaries of US corporations, defined by IRC section 965(a), except as otherwise provided.

With respect to the GILTI, any dividend elimination (100 percent elimination under RTC 25106 or the 75 percent dividend received deduction under RTC section 24411) would be allowed using the same rules that apply to dividends received from a CFC under RTC section 25110(a)(2)(A)(ii).

With respect to the included repatriation income, the taxpayer would choose to apportion 14 percent of that income to California or use the apportionment factor otherwise calculated for the combined group for that taxable year.

In addition, the taxpayer would be entitled to a credit for any taxes already paid on the repatriated income by reason of RTC section 24411 or any other law. The credit allowed would be calculated by multiplying the final tax liability of the taxpayer for the taxable year in which tax was paid on repatriation income by a fraction not to exceed one, the numerator of which is the repatriation income of that corporation for that taxable year and the denominator of which is the total taxable income of that corporation for that taxable year.

Any water's-edge taxpayer would be permitted to revoke the water's-edge election for the 2022 calendar year.

Total business credits, including the carryover of unused credits, otherwise allowable pursuant to Part 10, excluding the repatriation tax credit provided by this bill, for the taxable year cannot reduce the additional tax liability added by RTC section 25110.1 subdivisions (a), (b), or (c) by more than five million dollars ($5,000,000).

For purposes of this provision, all of the following apply.

1) "Affiliated corporation" means a corporation that is a member of a commonly controlled group, as defined in section 25105.
2) "Business credit" means a credit allowable under any provision of Chapter 2 (commencing with Section 17041) of Part 10, other than the following credits:
    A. The credit allowed by section 17052, relating to credit for earned income.
    B. The credit allowed by section 17052.1, relating to credit for a young child.

C. The credit allowed by section 17052.6, relating to credit for household and dependent care.
D. The credit allowed by section 17052.25, relating to credit for adoption costs.
E. The credit allowed by section 17053.5, relating to renter's tax credit.
F. The credit allowed by section 17054, relating to credit for personal exemption.
G. The credit allowed by section 17054.5, relating to credit for qualified joint custody head of household and a qualified taxpayer with a dependent parent.
H. The credit allowed by section 17054.7, relating to credit for qualified senior head of household.
I. The credit allowed by section 17058, relating to credit for low-income housing.
J. The credit allowed by section 17061, relating to refunds pursuant to the Unemployment Insurance Code.

3) "Global intangible low-taxed income" has the same meaning as defined by IRC Section 951A, as enacted by the TCJA, relating to GILTI, but not taking into account any subtractions made pursuant to Treasury Regulations section 1.951A-2(c)(7), allowing an election to exclude of certain income subject to high foreign taxes.
4) "Repatriation income" means income that was deemed repatriated under IRC Section 965(a), as amended by the TCJA, relating to treatment of deferred foreign income as subpart F income, as included in a taxpayer's federal return by operation of the payment schedule of IRC section 965(h), as amended by the TCJA, relating to election to pay liability in installments.

Any standard, criterion, procedure, determination, rule, notice, or guideline established or issued by the FTB to implement this section is hereby exempted from the rulemaking provisions of the APA (Chapter 3.5 (commencing with Section 11340) of Part 1 of Division 3 of Title 2 of the GC.

The rules within this provision of this would be severable. If any portion of the provision or its application would be held invalid, that invalidity would not affect the other portions.

The Legislature's intent is the additional revenue resulting from this provision of the bill would be used for purposes of the BCHA.

Effective/Operative Date

This provision would become effective January 1, 2022, and operative for taxable years beginning on or after January 1, 2022.

Federal/State Law

Federal Law

IRC section 965 imposes a one-time tax on untaxed foreign earnings and profits (E&P) of foreign corporations owned by US shareholders, by deeming those earnings to be repatriated as a Subpart F income. The tax on this repatriated income is 15.5 percent on liquid assets, such as cash and cash equivalents, and 8 percent on the remaining assets, payable upon election in installments over 8 years, regardless of whether companies actually repatriated the foreign earnings from prior years. The repatriation tax is mandatory, and the tax is imposed with respect to deferred foreign E&P without regard to actual distributions.

Federal law allows taxpayers to elect to pay their repatriation tax in annual installments over 8 years without the assessment of interest. The election was required with the 2017 tax return. Specifically, the installment due is as follows: 8 percent per year for the first five years, 15 percent in year six, 20 percent in year seven, and 25 percent in year eight, starting in 2018. The final installment is due in 2025.

Refer to the above sections for the discussion of the federal GILTI rules.

With respect to the business credits, current federal law does not specify a dollar limit on the total amount of credits that can reduce the tax otherwise due similar to the limit this provision would impose.

State Law

Under state law, corporations deriving income from sources both within and outside California are required to measure their tax liability by reference to their income derived from or attributable to sources within California. To determine the portion of total income that is attributable to California, the apportionment and allocation method is used.

Additionally, all affiliated US and foreign entities comprising a single trade or business are viewed for certain purposes as a whole called a "unitary group." The business income of all the affiliates that comprise a unitary group is apportioned and reported to California on a single report known as the "combined report." This "combined report" also includes any nonbusiness income from the unitary group members that is allocated to California.

The apportionment method uses a formula to calculate the amount of a unitary group's total income that was generated from the unitary group's activities in California. This formula is now comprised of a single sales factor that measures the activity of a unitary group in the state. There is an exception for qualified business activities in agriculture, extraction, savings and loans, and banking. The apportionment formula for these businesses is comprised of four components that measure the activity of the unitary group in the state: property, payroll, and double-weighted sales. The unitary group's California business income is then apportioned among the members that are taxable in California. Allocation rules source nonbusiness income to a state, depending on the type of income. Any nonbusiness income that is allocated to California is then added to that entity's taxable income. Each member retains a separate tax identity and liability.

California law allows a unitary group to elect the option of calculating its California income and activities on a water's-edge basis in lieu of combining on a worldwide basis. A water's-edge election requires that the taxpayers file on a water's-edge basis for at least 84 months. Water's-edge electors generally can exclude foreign-organized affiliated entities that are otherwise part of a unitary group from the combined report. However, the water's-edge rules require that the income and apportionment factors of certain foreign-organized affiliated entities be included, fully or partially, in the apportionable income and apportionment factors of the water's-edge group. Lastly, any foreign income that is effectively connected to a US trade or business must also be included in the water's-edge combined report.

California law provides the water's-edge group a deduction of 75 percent of qualifying dividends received from its foreign affiliates. This deduction is known as the "foreign dividend deduction." A 100 percent deduction is provided for dividends from certain foreign construction projects.

In addition, pursuant to RTC section 23036.3, state law provides that the amount of allowable business credits for a corporation is limited to five million dollars ($5,000,000) for taxable years beginning on or after January 1, 2020, and before January 1, 2023. For taxpayers included in a combined report, this determination is made at the group level. In addition, the carry-forward period for tax credits subject to the limitation are increased by the number of taxable years that the credit was not allowed by operation of this limitation.

The Low Income Housing Credit is excluded from the credit limitation. The amounts included in an election under RTC section 6902.5 that apply to film credits against qualified sales and use tax are also excluded from the credit limitation.

Implementation Considerations

Department staff has identified the following implementation considerations for purposes of a high-level discussion; additional considerations may be identified as the bill moves through the legislative process. Department staff is available to work with the author's office to resolve these and other concerns that may be identified.

This provision does not have a specific operative date. The author may wish to amend the bill to include an operative date for clarity.

This provision allows a taxpayer to choose to apportion 14 percent of repatriated income to California or apply the apportionment factor of the combined group, but does not specify whether this would be done through an election – either annual or a one-time election, and whether it would be irrevocable. It is recommended that this provision be amended to allow an election in the form and manner prescribed by the FTB.

The bill provides that the taxpayer would be entitled to a credit for any taxes already paid on the repatriated income by reason of RTC section 24411 or any other law. The term "any taxes already paid" is very broad. It may be helpful to amend the bill to clarify what the term includes, e.g., foreign, federal, or other state taxes; taxes paid to California.

Also, when tax credits are suspended or limited, the carryover period of the unused credits would generally be extended by the suspension or limited time period. The author may wish to amend this provision to provide coordination rules for the limitation and extend the carryover period.

The bill also provides that all water's-edge taxpayers may revoke the election for the 2022 calendar year, regardless of whether the taxpayer has GILTI income. If this is contrary to the author's intent, the bill should be amended.

Technical Considerations

Subdivision (f) refers to water's-edge contract rules under RTC section 25111. The contract rules under this section are applicable to taxable years beginning before January 1, 2003. For taxable years beginning on or after January 1, 2003, the water's-edge election rules are under RTC section 25113. Additionally, contracts under section 25111 have transitioned to section 25113. The subdivision (f) rule should be amended to refer to RTC section 25113.

Subdivision (f) of this provision also allows any water's-edge taxpayer permission to revoke their election in the 2022 "calendar year." On page 11 of the bill, line 15, "calendar year" should be replaced with "taxable year" for consistency of terminology.

Page 11 of the bill, lines 16-40, provides for a five million dollars ($5,000,000) business credit limitation that refers to business credits under Part 10, PITL. Additionally, there is no reference to the RTC section 23036.5 limitation. If it is the author's intent to consider business credits under Part 11, CTL, and to provide a rule for the interaction of this provision and RTC section 23036.5, the author may wish to amend the bill.

Policy Considerations

Note that unless repealed, GILTI is an on-going US tax on foreign affiliates. However, the repatriation tax was a one-time mandatory tax where the taxpayer could elect to pay the tax over annual installments. Thus, after 2025, these payments will no longer occur. The author may wish to amend the bill to provide a sunset date.

Any water's-edge taxpayer would be permitted to revoke the water's-edge election for the 2022 taxable year regardless of whether they have GILTI to include. If this is not the author's intent, the bill should be amended.

LEGISLATIVE HISTORY

AB 85 (Committee on Budget, Chapter 8, Statutes of 2020) amongst other things, for taxable years 2020, 2021 and 2022, under the CTL, requires that tax credits reduce tax liability by no more than five million dollars ($5,000,000). This provision also extended the credit carryover period for credits disallowed under this provision.

PROGRAM BACKGROUND

None noted.

LEGAL IMPACT

None noted.

Analysis Provision 4:

FTB Reporting Requirements

This provision, under the WIC, would require the FTB, in consultation with the DOF, to provide revenue information related to the provisions of this bill to the Controller.

No later than June 1, 2022, FTB shall estimate the amount of revenue that would have resulted if the provisions of this bill had applied to taxable years beginning on or after January 1, 2021, and before January 1, 2022, and notify the Controller of that amount.

No later than June 1, 2023, and annually thereafter, the FTB, in consultation with the DOF, shall estimate the amount of additional revenue resulting from the application of the provisions of this bill for the taxable years beginning on or after January 1 of the calendar year immediately preceding the year in which the estimate is made, and before January 1 of the year in which the estimate is made, and notify the Controller of that amount.

When implementing the BCHA, the Homeless Coordinating and Financing Council (Council) shall establish a division to implement the auditing, monitoring, technical assistance, administration, and training activities described in this chapter that is separate from the coordinating activities of the Council, as described in WIC section 8257.

Effective/Operative Date

This provision would be effective immediately upon enactment.

Federal/State Law

Existing California state laws require the FTB to report certain information to the California Legislature or other state agencies, as directed. Additionally, for both federal and state purposes, the disclosure of any confidential taxpayer information is prohibited, except as specifically authorized by statute.

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.

The Council would be required to establish a division to implement the auditing, monitoring, technical assistance, administration, and training activities, as described. It is unclear if these activities would encompass the FTB financial reporting requirements that would be conducted in consultation with the DOF. The author may wish to amend the bill to clarify.

This provision may require the FTB to provide confidential taxpayer information to the DOF and the Controller for purposes of the revenue estimates and reporting required by this provision. However, the bill does not provide an exception for the disclosure of such information. The author may wish to amend the bill to provide an exception from the general disclosure provisions to specifically allow the FTB to comply with the reporting requirement of the bill.

Technical Considerations

None noted.

Policy Considerations

None noted.

LEGISLATIVE HISTORY

No legislation similar to this provision of the bill has been identified.

PROGRAM BACKGROUND

None noted.

LEGAL IMPACT

None noted.

FISCAL IMPACT (All Provisions)

The provisions of this bill would significantly impact the department's systems, which could require additional resources, such as staffing and costs related to programming; systems and processing revisions; new forms, forms and form instruction revisions; FTB reporting requirements; and needed taxpayer outreach. As the bill continues to move through the legislative process, costs will be identified, and a budget change proposal will be requested, if necessary.

ECONOMIC IMPACT (All Provisions)

Revenue Estimate

This bill would result in the following revenue gain.

Estimated Revenue Impact of AB 71, as Amended, January 12, 2021
Assumed Enactment after June 30, 2021

Summary Revenue Table ($ in Millions)

Fiscal Year	Revenue
2021-2022	$700
2022-2023	$2,100
2023-2024	$2,100
2024-2025	$1,600

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.

This bill increases the tax rate under the CTL for taxpayers with taxable income over five million dollars ($5,000,000), requires water's-edge filers to take into account 50 percent of the GILTI and 40 percent of repatriation income, and under the PITL requires GILTI to be included in gross income.

The analysis identified corporate taxpayers that in 2018 had California taxable corporate income over five million dollars ($5,000,000) or that reported either GILTI or repatriation income on their federal tax returns. Their tax for 2018 was recalculated using proposed law. This process was repeated to account for differences in tax law across years such as the suspension of net operating losses in 2022, the increase in repatriation installment payments in 2022, 2023, and 2024, and the end of those installment payments in 2025. For each tax year, the 2018 results estimated with that year's law was adjusted to reflect the estimated size of the economy in the applicable year and those results were fiscalized.

APPOINTMENTS (All Provisions)

None provided.

SUPPORT/OPPOSITION (All Provisions)

Support for the Bill

As per the AB 71 (L. Rivas) Fact Sheet, dated January 4, 2021, the Bring California Home Coalition (Sponsors) support this bill. This includes: Corporation for Supportive Housing; Housing California; City of Los Angeles, Mayor Eric Garcetti; City of San Francisco, Mayor London Breed; City of Oakland, Mayor Libby Schaaf; All Home; Brilliant Corners; Episcopal Community Services-San Francisco; HOPICS; John Burton Advocates for Youth; National Alliance to End Homelessness; Non-Profit Housing Assn. of Northern California (NPH); Steinberg Institute; and United Way of Greater Los Angeles.

Opposition for the Bill

To be determined.

ARGUMENTS (All Provisions)

To be determined.

LEGISLATIVE CONTACT

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