

DEPARTMENT OF FINANCE BILL ANALYSIS

AMENDMENT DATE: April 22, 2008
POSITION: Neutral
SPONSOR: State Treasurer's Office

BILL NUMBER: SB 1247
AUTHOR: A. Lowenthal
RELATED BILLS: SB 713, SB 585,
AB 339 (2004), AB
1811 (2000), AB
1903 (2000)

BILL SUMMARY

This bill would consolidate the farmworker housing tax credit program into the state low-income housing tax credit.

FISCAL SUMMARY

The Franchise Tax Board (FTB) estimates no revenue impact in 2008-09 or 2009-10. In 2010-11, the FTB estimates ongoing revenue losses of less than \$150,000.

This bill would not significantly impact the FTB costs and the State Treasurer's Office has indicated that there will be no costs related to the implementation of this bill.

COMMENTS

The Department of Finance is neutral on this bill.

This bill would help to streamline and enhance the effectiveness of the credit programs.

Analyst/Principal (0723) C. Angaretis	Date	Program Budget Manager Mark Hill	Date
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Department Deputy Director	Date
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Governor's Office:	By:	Date:	Position Approved _____ Position Disapproved _____
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BILL ANALYSIS Form DF-43 (Rev 03/95 Buff)

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ANALYSIS

A. Programmatic Analysis

LOW INCOME HOUSING CREDIT:

Current federal law allows a tax credit for the costs of constructing, rehabilitating, or acquiring low-income housing. The credit amount varies depending on several factors, including when the housing was placed in service and whether it was federally subsidized. The credit is claimed over ten years. The California Tax Credit Allocation Committee (TCAC) has the authority to oversee the process and allocate the federal credit.

Current state law generally conforms to federal law with respect to the low-income housing credit, except that the state low-income housing tax credit is claimed over four taxable years, is limited to projects located in California, and is allocated in amounts equal to the sum of all the following:

- For taxable years ending 2002 and thereafter, \$70 million increased by the percentage of the Consumer Price Index, for the preceding calendar year,
- The unused housing credit ceiling, if any, for the preceding calendar years, and
- The amount of housing credit ceiling returned in the calendar year.

FARMWORKER HOUSING CREDIT:

Current state law allows a farmworker housing credit. The credit amount may be up to 50 percent of the qualified amount of costs paid or incurred for construction or rehabilitation of qualified farmworker housing in California. The housing must satisfy the requirements of the Farmworker Housing Assistance Program for the costs to be eligible for the credit.

Current state law allows a separate credit to commercial lenders equal to 50 percent of the foregone interest income on loans used to finance eligible expenditures for rehabilitating or constructing qualified farmworker housing. A taxpayer claiming the farmworker housing credit or the credit for foregone interest is required to do the following: (1) obtain certification of the credit allocated from the TCAC, (2) retain a copy of the certification, and (3) provide the certification to the Franchise Tax Board upon request.

Under current state law, the aggregate amount of credits granted for both personal income and corporate taxpayers for building or rehabilitating farmworker housing and for banks and financial corporations for foregone interest on farmworker housing loans may not exceed \$500,000 for any calendar year. This \$500,000 limitation may be increased by an amount equal to any unallocated credits from preceding calendar years.

This bill would:

- Repeal the farmworker housing assistance program from the Health and Safety Code.
- Add new language to the Health and Safety Code requiring the farmworker housing credit to be allocated in the same manner as the state low-income housing tax credit.
- Specify \$500,000 annual cap plus any unallocated credit under prior law is for farmworker housing exclusively; if a disaster occurs, then nonfarmworker households can temporarily occupy vacant units.
- Specify farmworker housing credits that are unallocated or returned could be added to the annual credit allocation cap until exhausted.
- Add a provision that would allow farmworker housing credits to be awarded independently of federal low-income housing credits.

This bill would be effective January 1, 2009, and be operative for taxable years beginning on or after January 1, 2009.

Discussion:

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According to the FTB, Florida, Illinois, Massachusetts, Michigan, Minnesota, and New York laws do not provide a credit comparable to the credit allowed by this bill. The laws of these states were reviewed by the FTB because their tax laws are similar to California's income tax laws.

Current Related Bill:

SB 585, as amended May 27, 2008, would change how low-income housing credit is allocated to partners by allowing the allocation to be based on a partnership agreement rather than the economic interests in the profit and losses of the project. This bill, which is also sponsored by the State Treasurer's Office, is set to be heard in Assembly Appropriations on July 16, 2008.

B. Fiscal Analysis

The Franchise Tax Board (FTB) estimates no revenue impact in 2008-09 or 2009-10. In 2010-11, assuming that credits awarded triple due to provisions in this bill, the FTB estimates ongoing revenue losses of less than \$150,000. According to the FTB, historical demand for farmworker tax credit has been low with less than ten taxpayers claiming an aggregate of under \$10,000 in credits for any given year. Therefore, even if credits awarded annually triple in amount, the revenue impact of this bill would be less than \$150,000 starting in 2010-11. This estimate assumes there would be a two-year delay from credit application to final award and use of the credit.

This bill would not significantly impact the FTB costs and the State Treasurer's Office has indicated that there will be no costs related to the implementation of this bill.

Code/Department Agency or Revenue Type	(Fiscal Impact by Fiscal Year)									Fund Code
	SO	PROP			2008-2009		2009-2010		2010-2011	
	LA	98	FC	FC	FC	FC				
1147/Pers Inc Tax	RV	Yes	U	\$0	U	\$0	U	-\$150	0001	
0950/St Treasurer	SO	No		----- No/Minor Fiscal Impact -----					0001	
1730/FTB	SO	No		----- No/Minor Fiscal Impact -----					0001	