INDEXING - TAX YEAR 2008 PERSONAL INCOME TAX LAW

The inflation rate, as measured by the California Consumer Price Index (CCPI) for all urban consumers from June of 2007 to June of 2008, was 5.0 percent. The tax threshold has risen to an adjusted gross income of $12,226 for single or separate taxpayers, and to $24,452 for joint, surviving spouse and unmarried head of household taxpayers

The "indexed" values for the 2008 taxable year are as follows:

STANDARD DEDUCTIONS (R&TC Section 17073.5)

The standard deduction amount for single or married /Registered Domestic Partners filing separately will increase from $3,516 to $3,692 for tax year 2008. For those who file married/RDP filing jointly, surviving spouse, or head of household taxpayers, the standard deduction increases from $7,032 to $7,384 for tax year 2008.

PERSONAL EXEMPTIONS (R&TC Section 17054 (a)(b)(c))

The personal exemption amount for single, married/RDP filing separately, and head of household taxpayers will increase from $94 to $99 for the 2008 tax year. For married/RDP filing jointly or surviving spouse, the personal exemption credit will increase from $188 to $198.

DEPENDENT EXEMPTIONS (R&TC Section 17054 (d)(1))

The dependent exemption credit will increase from $294 per dependent claimed in 2007 to $309 each for the 2008 tax year.

JOINT CUSTODY HEAD OF HOUSEHOLD/DEPENDENT PARENT CREDIT (R&TC Section 17054.5)

Joint custody head of household was a filing status for pre-1987 tax years. It has been replaced as a tax credit for post-1986 tax years. This provision was further amended to add the dependent parent credit for tax years beginning on or after January 1, 1988. The original 1987 taxable year credit was $200 or less, computed by multiplying the net tax by 30%. Indexing last year's credit of $374 yields a 2008 credit of the lesser of $393 or 30% of net tax.

QUALIFIED SENIOR HEAD OF HOUSEHOLD CREDIT (R&TC Section 17054.7)

Senate Bill 389 (Chap. 90-1154) created a tax credit, beginning with the 1990 taxable year, equal to an amount of 2% of taxable income, not to exceed $750. Due to legislation SB 673 (Chap. 93- 877) the stated dollar amount and the related indexing provision were eliminated. Indexing was restarted for the 1993 taxable year. For the 2008 taxable year the new maximum credit will be $1,203. The new 2008 maximum AGI (adjusted gross income) ceiling amount allowed for this credit is $63,831.

QUALIFIED PARENT CREDIT/YOUNG INFANT CREDIT (R&TC Section 17052.20)

This tax credit was in effect for tax years 1991-1993. The credit has sunset and will not appear in the 2008 Personal Income Tax booklets. However the credit still has carryover provisions. It is included on the 2008 form FTB 3540, Credit Carryover Summary.

RENTER'S TAX CREDIT (R&TC Section 17053.5)

Senate Bill 169 (Chap. 91-117) reduced the tax credit for renters. The credits were phased out based on a sliding AGI (Adjusted Gross Income) scale for tax year 1991. In 1992 these AGI amounts were subject to indexing. For tax years 1993 and 1994 the credit was suspended due to passage of AB 760 (Chap. 93-62). The credit was suspended for tax year 1995 due to AB 2389 (Chap. 94-144), for tax year 1996 due to SB 1794 (Chap. 96-192) and for tax year 1997 due to AB 1592 (Chap. 97-292). The credit was reinstated for tax year 1998 by SB 94 (Chap.98-931) as a nonrefundable $60 credit for single filers with an AGI $25,000 or less and a $120 credit for joint filers with an AGI $50,000 or less. Indexing was restarted for taxable year 1999. The new 2008 indexed year AGI amounts are $34,936 or less for single filers and $69,872 or less for joint filers.

REDUCTION OF EXEMPTION CREDITS (R&TC Section 17054.1)

Senate Bill 169 (Chap. 91-117) activated the reduction of California personal exemption credits in conjunction to federal adjusted gross income levels. For each $2500 ($1250 if married filing separate) of AGI or fraction thereof, which exceeds the threshold value, a reduction of $6 ($12 joint) will apply. The indexed threshold values for the 2008 tax year are as follows:

Single, married/RDP filing separate	-- $163,187
Head of household	-- $244,785
Married/RDP filing jointly, surviving spouse	-- $326,379

REDUCTION OF ITEMIZED DEDUCTIONS (R&TC Section 17077)

Senate Bill 169 (Chap. 91-117) also activated the reduction of California itemized deductions based on AGI similar to the federal reduction. The amount of the itemized deductions otherwise allowable shall be reduced by the lesser of (1) 6% of excess of AGI over the threshold amount or (2) 80% of itemized deductions otherwise allowed for the tax year. The indexed threshold amounts for the 2008 tax year are as follows:

Single, married/RDP filing separately	-- $163,187
Head of household	-- $244,785
Married/RDP filing jointly, surviving spouse	-- $326,379

RETURN FILING REQUIREMENTS (R&TC Section 18501)

Senate Bill 721 (Chap. 95-65) authorized the increase in the filing requirement thresholds and the indexing of these thresholds for subsequent years. Starting with tax year 1995, the filing requirement thresholds for AGI amounts from all sources were: $8,000 for an individual and $16,000 for married filers. The threshold amounts for gross incomes from all sources were: $10,000 for an individual and $20,000 for married filers. The indexed amounts for taxable year 2008 are:

Single, or unmarried, adjusted gross income	-- $11,876
Married/RDP, adjusted gross income	-- $23,752
Single, or unmarried, gross income	-- $14,845
Married/RDP, gross income	-- $29,690

Assembly Bill 1140 (Chap. 99-196) also changes certain minimum filing threshold amounts. They will be adjusted to account for the inclusion of the additional senior exemption credit(s) and the dependent exemption credit(s) allowed under previously referenced legislation. The table reflecting these changes has been developed in conjunction with Tax Forms Development Section. The filing requirements chart is listed below.

Gross income more than:

Filing Status on 12/31/08	Age On 12/31/08	No dependents	1 dependent	2 or more dependents
Single or Head of household	Under 65	14,845	25,145	32,870
	65 or older	19,795	27,520	33,700
Married/RDP filing jointly or Married filing separately	Under 65 (both spouses)	29,690	39,990	47,715
	65 or older (one spouse)	34,640	42,365	48,545
	65 or older (both spouses)	39,590	47,315	53,495
Qualifying widow(er)	Under 65		25,145	32,870
	65 or older		27,520	33,700
Dependent of another person Any filing status	Any age	More than your standard deduction (Use the California Standard Deduction Worksheet for Dependents on page 11 or page 12 to figure your deduction.)		

Adjusted gross income more than:

Filing Status On 12/31/08	Age on 12/31/08	No dependents	1 dependent	2 or more dependents
Single or Head of Household	Under 65	11,876	22,176	29,901
	65 or older	16,826	24,551	30,731
Married /RDP filing jointly or Married /RDP filing separately	Under 65 (both spouses/RDPs)	23,752	34,052	41,777
	65 or older (one spouse/RDP)	28,702	36,427	42,607
	65 or older (both spouses/RDPs)	33,652	41,377	47,557
Qualifying Widow(er)	Under 65		22,176	29,901
	65 or older		24,551	30,731
Dependent of another person Any filing status	Any age	More than your standard deduction (Use the California Standard Deduction Worksheet for Dependents on page 11 or page 12 to figure your deduction.)		

ALTERNATIVE MINIMUM TAX (AMT) EXEMPTION
(R&TC Section 17062(5)(A-C) and (6)(A-C)

Senate Bill 519 (Chap. 98-7) authorizes the start of new base exemption amounts for the AMT, and their exemption phase outs. It also provides for the indexing of these amounts for subsequent years, commencing with tax year 1998. The exemption amounts for taxable year 2008 are:

Married/RDP filing jointly, or surviving spouse	-- $80,017
Single, or unmarried	-- $60,014
Married/RDP filing separately, or an estate or trust	-- $40,007

Starting initial amounts for AMT exemption phase-out are:

Married/RDP filing jointly, or surviving spouse	-- $300,065
Single, or unmarried	-- $225,050
Married/RDP filing separately, or an estate or trust	-- $150,031

TAXPAYERS' BILL OF RIGHTS -- EXEMPTION FROM LEVY (R&TC Section 21017)

Assembly Bill 2788 (Chap. 88-1573) authorizes indexing of property values exempt from levy. Since the inflation total adjustment factor has exceeded the stipulated 5% threshold (last indexed 2006), these exemptions are scheduled to be indexed.

TAX RATE SCHEDULES (R&TC Section 17041)

The 2008 Tax Rate Schedules are shown on the following page.

2008 CALIFORNIA TAX RATE SCHEDULES

SCHEDULE X

SINGLE, MARRIED/RDP FILING SEPARATELY, AND FIDUCIARY TAXPAYERS

IF THE TAXABLE INCOME IS		COMPUTED TAX IS			
OVER	BUT NOT OVER				OF THE AMOUNT OVER
$0	$7,168	$0.00	PLUS	1.0%	$0
$7,168	$16,994	$71.68	PLUS	2.0%	$7,168
$16,994	$26,821	$268.20	PLUS	4.0%	$16,994
$26,821	$37,233	$661.28	PLUS	6.0%	$26,821
$37,233	$47,055	$1,286.00	PLUS	8.0%	$37,233
$47,055	AND OVER	$2,071.76	PLUS	9.3%	$47,055

SCHEDULE Y

MARRIED/RDP FILING JOINTLY / QUALIFYING WIDOW(ER) WITH DEPENDENT CHILD

IF THE TAXABLE INCOME IS		COMPUTED TAX IS			
OVER	BUT NOT OVER				OF THE AMOUNT OVER
$0	$14,336	$0.00	PLUS	1.0%	$0
$14,336	$33,988	$143.36	PLUS	2.0%	$14,336
$33,988	$53,642	$536.40	PLUS	4.0%	$33,988
$53,642	$74,466	$1,322.56	PLUS	6.0%	$53,642
$74,466	$94,110	$2,572.00	PLUS	8.0%	$74,466
$94,110	AND OVER	$4,143.52	PLUS	9.3%	$94,110

SCHEDULE Z

HEAD OF HOUSEHOLD TAXPAYERS

IF THE TAXABLE INCOME IS		COMPUTED TAX IS			
OVER	BUT NOT OVER				OF THE AMOUNT OVER
$0	$14,345	$0.00	PLUS	1.0%	$0
$14,345	$33,989	$143.45	PLUS	2.0%	$14,345
$33,989	$43,814	$536.33	PLUS	4.0%	$33,989
$43,814	$54,225	$929.33	PLUS	6.0%	$43,814
$54,225	$64,050	$1,553.99	PLUS	8.0%	$54,225
$64,050	AND OVER	$2,339.99	PLUS	9.3%	$64,050

SUMMARY

Indexed amounts for tax year 2008 are as follows:

Personal Exemption Credit:

Single, Married/RDP filing separately, or Head of Household:	→	$99
Married/RDP filing jointly:	→	$198
Blind:	→	$99
Age 65 and over:	→	$99
Dependent Exemption Credit:	→	$309

Standard Deductions:

Single, Married/RDP filing separately:	→	$3,692
Married/RDP filing jointly, Surviving Spouse or Head of Household:	→	$7,384

Credit for Qualified Senior Head of Household:

New maximum is:	→	$1,203 *
New AGI ceiling is:	→	$63,831
Credit for Joint Custody Head of Household:	→	Lesser of $393 or 30% of net tax *

Footnotes:

*Nonresident filers receive a prorated amount based on the percent of total AGI attributable to California sources.

R&TC Section 21017 requires exemptions from levy under Chapter 4 of Title 9 of the Code of Civil Procedures to be indexed to reflect changes in the CCPI (California Consumer Price Index) whenever the change is more than 5% higher from any previous adjustment. The previous adjustment was made in 2006. The CPI rate change for the 2007 year was 3.1% and the rate change for 2008 year was 5.0%. The overall change from 2006 exceeds 5%, triggering the adjustment at this time, effective July 1, 2008.

The following property exemption rates (effective 7/1/2008) have been indexed to reflect the current values:

TYPE	OLD EXEMPTION RATE 2006	NEW EXEMPTION RATE 2008
HOME:		
Building Materials	$2,693	$2,915
Homestead	$71,529 Not family Member	$77,439
	$107,295 Member of Family	$116,159
	$143,059 Age 65+ or Disabled	$154,878
Jewelry, Heirlooms, And Works of Art *	$6,736 Aggregate Equity	$7,293
Property Used in Business	$6,736 Plus	$7,293
	$6,736 To Qualified Spouse	$7,293
Motor Vehicles **	$2,559	$2,770
Deposit Accounts	$2,693 One Depositor	$2,915
	$4,042 Two or More	$4,376
Funds In Trust	$1,646	$1,782
Life Insurance Policy	$10,778 Plus	$11,668
	$10,778 To Qualified Spouse	$11,668

* Amount of exemption is the total that can be claimed regardless of number of items to be seized.
** If only one vehicle is involved, a claim does not need to be filed.