

State of California

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Legislative Change No.

00-10

Bill Number: AB 480

Author: Ducheny

Chapter Number: 00-114

Laws Affecting Franchise Tax Board:

Revenue and Taxation Code Section 17052.6

Date Filed with the Secretary of the State: July 10, 2000

SUBJECT: Household and Dependent Care Services Necessary for Gainful Employment
Refundable Credit

Assembly Bill 480 (Ducheny), as enacted on July 10, 2000, made the following changes to California law:

Section 17052.6 is added to the Revenue and Taxation Code to read:

Under the Personal Income Tax Law (PITL), this act allows a refundable credit based on the taxpayer's allowable federal household and dependent care credit for the employment-related costs of care for a qualifying individual. This act allows the credit regardless of whether the taxpayer has a federal tax liability.

As defined by the federal law (Internal Revenue Code Section 21), a qualifying individual is a dependent of the taxpayer who is under the age of 13 or a dependent or spouse who is physically or mentally unable to care for him- or herself. Employment-related expenses are defined, generally, as those expenses incurred to enable gainful employment.

Federal law limits the amount of employment-related expenses incurred during a taxable year to \$2,400, if there is one qualifying individual, or \$4,800, if there are two or more qualifying individuals with respect to the taxpayer for that taxable year.

The state credit amount allowed by this act is a percentage of the federal credit, specifically:

<u>If California adjusted gross income is:</u>	<u>Credit percentage is:</u>
\$40,000 or less	63%
Over \$40,000 but not over \$70,000	53%
Over \$70,000 but not over \$100,000	42%
Over \$100,000	0%

This act specifies that if the credit exceeds the taxpayer's tax liability, the excess shall be credited against other amounts due, if any, and the balance, if any, shall be paid from the Tax Relief and Refund Account and refunded to the taxpayer.

This act defines California adjusted gross income by reference to PITL Section 17041.

Bureau Director

Johnnie Lou Rosas

Date

July 28, 2000

Subject
August 9, 2000
Page 2

This act limits the credit to those taxpayers who maintain a household within the state.

This act was effective immediately upon signature and is operative for taxable years beginning on or after January 1, 2000.

This act will not require any reports by the department to the Legislature.