

SUMMARY ANALYSIS OF AMENDED BILL

Franchise Tax Board

Author: Bogh Analyst: Jane Tolman Bill Number: AB 2168

Related Bills: See Prior Analysis Telephone: 845-6111 Amended Date: 04-22-2002

Attorney: Patrick Kusiak Sponsor: _____

SUBJECT: Exclusion/\$10,000 Of Retirement Income & Benefits

- DEPARTMENT AMENDMENTS ACCEPTED. Amendments reflect suggestions of previous analysis of bill as introduced February 20, 2002.
- AMENDMENTS IMPACT REVENUE. A new revenue estimate is provided.
- _____ AMENDMENTS DID NOT RESOLVE THE DEPARTMENT'S CONCERNS stated in the previous analysis of bill as introduced/amended _____.
- _____ FURTHER AMENDMENTS NECESSARY.
- _____ DEPARTMENT POSITION CHANGED TO _____.
- REMAINDER OF PREVIOUS ANALYSIS OF BILL AS INTRODUCED February 20, 2002 STILL APPLIES.
- _____ OTHER - See comments below.

SUMMARY

This bill would exclude up to \$10,000 of retirement income from taxation.

SUMMARY OF AMENDMENT

The April 22, 2002, amendments defined "qualified individual," added a reference to define "qualified retirement income," and replaced the term "total income" with "adjusted gross income." These amendments resolved the implementation considerations and the first policy concern listed in the department's prior analysis of the bill. A new revenue estimate has been included below.

The remainder of the department's analysis of the bill as introduced on February 20, 2001, still applies.

POSITION

Pending.

Board Position:

_____ S _____ NA _____ NP
_____ SA _____ O _____ NAR
_____ N _____ OUA PENDING

Legislative Director

Date

Brian Putler

04/29/02

ECONOMIC IMPACT

Revenue Estimate

This bill is estimated to impact revenue as shown in the following table.

Revenue Impact Tax Years Beginning After December 31, 2001 Enactment Assumed After June 30, 2002 (\$ Millions)			
Fiscal Year	2002-03	2003-04	2004-05
	-345	-250	-245

This analysis does not consider the possible changes in employment, personal income, or gross state product that could result from this measure.

It is estimated that over 500,000 filers would benefit from this proposal for tax year 2002.

Revenue Discussion

Revenue losses were estimated by the use of the Department's personal income tax model to simulate the exclusion of pension income. Data for the tax model were based on the federal individual tax return, line 16a, Total Pensions and Annuities for California filers that also claimed the Senior Exemption Credit. The Senior Exemption Credit identified the returns of person's aged 62 and above. The revenue estimate was then adjusted upward by 10% to include person's aged 60 and over.

Fiscal year 2002-03 reflects the total impact of all of calendar year 2002 plus 40% of calendar year 2003, the latter due to reductions in estimated tax payments.

For this analysis, the retirement income exclusion was limited to \$10,000 for Single, and Married Filing Separate and \$20,000 for Married Filing Joint, Head of Household and Surviving Spouse. Income limits are not indexed. Regarding the total income test of \$50,000 and \$100,000, the measurement used was adjusted gross income as reported on the state tax returns.

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