

SUMMARY ANALYSIS OF AMENDED BILL

Franchise Tax Board

Author: Leach Analyst: Darrine Distefano Bill Number: AB 373

Related Bills: See Prior Analysis Telephone: 845-6458 Amended Date: 07-17-2001

Attorney: Patrick Kusiak Sponsor: _____

SUBJECT: Veterinary Expenses for Adopted Animal Deduction

- DEPARTMENT AMENDMENTS ACCEPTED. Amendments reflect suggestions of previous analysis of bill as introduced/amended _____.
- 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 AMENDED May 31, 2001 STILL APPLIES.
- OTHER - See comments below.

SUMMARY

This bill would allow a resident taxpayer to deduct the costs of veterinary services paid or incurred for an adopted animal.

SUMMARY OF AMENDMENTS

The July 17, 2001, amendments added the following:

- Require an animal welfare organization to apply for and be granted status as a tax-exempt organization under the state tax law.
- Allow the deduction to residents of California only.

The July 17 amendments resolve the technical consideration identified in the department's analysis of the bill as amended May 31, 2001. Although the amendment limiting the deduction to California residents attempts to address the department's policy concern identified in the analysis of the bill as amended May 31, 2001, it raises a constitutional concern as addressed under *Policy Concerns* below. The remainder of the department's analysis of the bill as amended May 31, 2001, still applies.

Board Position:

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Legislative Director

Date

Brian Putler

07/31/01

POSITION

Neutral.

At its May 2, 2001, meeting, the Franchise Tax Board voted 2-0 to take a neutral position on this bill, with Annette Porini, on behalf of Member B. Timothy Gage, abstaining.

SUMMARY OF SUGGESTED AMENDMENTS

Amendment 1 would resolve the department's policy concern.

POLICY CONCERNS

Limiting the deduction to California residents may raise constitutional issues. While certain geographic-related limitations are allowed without raising constitutional concerns, this bill may unconstitutionally discriminate against nonresidents with California source income and filing requirements. The suggested amendment would resolve this concern by limiting the deduction to an animal adopted from a California animal shelter or nonprofit animal welfare organization.

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FRANCHISE TAX BOARD'S
PROPOSED AMENDMENTS TO AB 373
As Amended July 17, 2001

AMENDMENT 1

On page 2, line 16, strikeout "applies to residents of California only" and insert:

is limited to amounts paid or incurred for an animal adopted from an animal shelter or a nonprofit animal welfare organization located in California.