Franchise Tax Board

SUMMARY ANALYSIS OF AMENDED BILL

Author: Strickland | Analyst: Kristina E. North | Bill Number: AB 513

Related Bills: See Prior Analysis | Telephone: 845-6978 | Amended Date: May 8, 2001

Attorney: Patrick Kusiak | Sponsor: _____

SUBJECT: Prescription Drug Credit/FTB Report to Legislature Regarding Utilization

X	DEPARTMENT AMENDMENTS ACCEPTED. Amendments reflect suggestions of previous analysis of bill as amended April 25, 2001.
X	AMENDMENTS IMPACT REVENUE. A new revenue estimate is provided.
X	AMENDMENTS DID NOT RESOLVE THE DEPARTMENT'S CONCERNS stated in the previous analysis of bill as amended April 25, 2001.
X	FURTHER AMENDMENTS NECESSARY.
____	DEPARTMENT POSITION CHANGED TO _____.
X	REMAINDER OF PREVIOUS ANALYSIS OF BILL AS AMENDED April 25, 2001, STILL APPLIES.
X	OTHER - See comments below.

SUMMARY

This bill would create a 100% credit for persons age 65 years or older for the costs of prescription drugs.

SUMMARY OF AMENDMENTS

The May 8, 2001, amendments would:

- Limit the availability of the credit to five years and specify a repeal date;
- Specify that a senior must reach the age of 65 by December 31st of the taxable year;
- Limit the carryover period to eight years;
- Limit the credit to seniors whose adjusted gross income is $75,000 or less;
- Allow a credit for each eligible taxpayer using the filing status of married filing joint;
- Require the Franchise Tax Board to annually report to the Legislature regarding the utilization of this credit; and
- Make other technical changes.

Board Position:			Legislative Director	Date
____ S	____ NA	____ NP		
____ SA	____ O	____ NAR	Brian Putler	05/31/01
____ N	____ OUA	X PENDING		

The May 8, 2001, amendments partially resolved the technical considerations and the policy concern regarding a repeal date and unlimited carryover period as discussed in the department's analysis of the bill as amended April 25, 2001. The remaining implementation concerns are restated below. Except for the changes discussed above and a new revenue estimate, the remainder of the department's analysis of the bill as amended April 25, 2001, still applies.

POSITION

Pending.

Summary of Suggested Amendments

Department staff is available to assist the author's staff in resolving the concerns discussed in this analysis.

IMPLEMENTATION CONCERNS

- A definition is necessary for the phrase "not reimbursable or payable." It would be difficult for the department to determine whether a particular drug expense is "reimbursable" or "payable."

- This bill would allow a taxpayer to claim this credit for prescription drugs even if the drugs are purchased for a member of the taxpayer's family or for transfer or resale to another person. If the author intends that this credit should be claimed only on drugs purchased for the use of the individual who is at least 65, the author may wish to consider amending the bill accordingly.

TECHNICAL CONCERN

The May 8, 2001, amendment did not completely eliminate the erroneous reference to the law as reflected in the commercial publication. Section 17053.96(b)(2)(L) still refers to 25 U.S.C.A., sec. 1601, et seq.

ECONOMIC IMPACT

Revenue Estimate

This bill would result in the following revenue losses:

Estimated Revenue Impact of AB 513 As Amended May 8, 2001 [$ In Millions]		
2001/2002	2002/2003	2003/2004
-$310	-$300	-$340

This analysis assumes the qualifying taxpayer must be the user of the prescribed drugs, that is, the drugs are not acquired for transfer or resale to someone else.

Revenue Discussion

The May 8, 2001, adjusted gross income limitation of $75,000 reduced estimated revenue losses by $230 million, $240 million, and $290 million in the initial three years of the credit. The revenue discussion in the department's analysis of the bill as introduced February 21, 2001, still applies. Decreased revenue losses are primarily attributable to qualified taxpayers whose incomes are below the AGI income limitation having limited tax liabilities with which to apply generated credits.

LEGISLATIVE STAFF CONTACT

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