

# SUMMARY ANALYSIS OF AMENDED BILL

Franchise Tax Board

Author: Diaz Analyst: Darrine Distefano Bill Number: AB 866

Related Bills: See Prior Analysis Telephone: 845-6458 Amended Date: 04-04-2001

Attorney: Patrick Kusiak Sponsor: \_\_\_\_\_

**SUBJECT:** Child Care Program Credit/Child Care Contribution Credit/Extend Repeal Date to December 1, 2007

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 INTRODUCED February 22, 2001 STILL APPLIES.

OTHER – See comments below.

## SUMMARY

This bill would:

- Extend the availability of the Employer Child Care Program Credit and the Employer Child Care Contribution Credit to taxable years beginning before January 1, 2007.
- Expand the definition of "contributions" under the Employer Child Care Contribution Credit to include employer reimbursements of qualified care expenses incurred by employees.

## SUMMARY OF AMENDMENT

The April 4, 2001, amendment added the Employer Child Care Contribution Credit provision to the bill.

Except for the discussion in this analysis, the department's analysis of the bill as introduced February 22, 2001, still applies.

## POSITION

Pending.

Board Position:

S       NA       NP  
 SA       O       NAR  
 N       OUA       PENDING

Legislative Director

Date

**J. Brian Putler**

**04/19/01**

## ANALYSIS

### THIS BILL

Under the Personal Income Tax Law (PITL) and the Bank and Corporation Tax Law (B&CTL), this bill would extend the Employer Child Care Program Credit and the Employer Child Care Contribution Credit to taxable years beginning before January 1, 2007.

This bill also would expand the definition of "contributions," under the Employer Child Care Contribution Care Credit, to include reimbursements made by the employer to their employees who paid for qualified care expenses for their dependent(s).

### LEGISLATIVE HISTORY

AB 3144 (Stats. 1994, Ch. 748) reduced the Employer Child Care Contribution Care Credit from 50% to 30% and reduced the amount allowed for each dependent from \$600 to \$360. It redefined "contributions" to exclude employer reimbursements to employees for the employee's expenses and employee contributions through salary reduction arrangements. It also lowered the age of the qualifying dependent from 15 to 12 years.

AB 2798 (Stats. 1998, Ch. 323) extended the Employer Child Care Contribution Credit to taxable years beginning before January 1, 2003.

### ECONOMIC IMPACT

#### Tax Revenue Estimate

This bill would result in revenue losses as shown in the following table:

Fiscal Year Cash Flow Taxable Years Beginning After December 31, 2002 Enactment Assumed After June 30, 2001 \$ Millions			
2002-3	2003-04	2004-05	2005-06
Minor Loss*	-\$20	-\$21	-\$22

\* Loss less than 500,000

Note: This bill, as amended, would expand the definition of contributions to include reimbursements made by employers to their employees for the employee's qualified care expenses.

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

#### Revenue Estimate Discussion

The revenue impact for this bill will be determined by the amount of qualified expenditures and contributions made during any given taxable year and the tax liabilities of claimants.

Estimates are based on available prior year data for the various tax credit items. This analysis includes expanding the definition of contributions and allowing employers to directly reimburse their employees for the employee's qualified care expenses. The above revenue estimate reflects the original revenue estimate for the February 22, 2001, version of the bill plus the impact for the proposed amendment (\$10 million annually), generating a total revenue loss of \$20 million for the first full fiscal year (2003-04).

**LEGISLATIVE STAFF CONTACT**

Darrine Distefano  
Franchise Tax Board  
845-6458

Brian Putler  
Franchise Tax Board  
845-6333