

ANALYSIS OF AMENDED BILL

Author: Nation Analyst: Nicole Kwon Bill Number: AB 2325
 Related Bills: See Legislative History Telephone: 845-7800 Amended Date: April 6, 2006
 Attorney: Patrick Kusiak Sponsor: _____

SUBJECT: Fuel Tax/Exempt Taxpayers With Gross Income Less Than Specified Amount

SUMMARY

This bill would exempt taxpayers with gross income less than an unspecified amount from the personal income tax law (PITL).

This bill also would make changes to the Motor Vehicle Fuel License Tax Law. These changes do not affect the department and are not discussed in this analysis.

SUMMARY OF AMENDMENTS

The April 6, 2006, amendments struck the previous provisions relating to prohibiting willful interference with the driver of a vehicle and replaced them with the provisions relating to the Motor Vehicle Fuel License Tax and exempting specified taxpayers from the PITL.

This is the department's first analysis of the bill.

PURPOSE OF THE BILL

According to the author's office, the purpose of the bill is to increase the Motor Vehicle Fuel License Tax to provide funding for the specified programs and to exempt certain taxpayers from the increase in taxes under the Motor Vehicle Fuel License Tax Law.

EFFECTIVE/OPERATIVE DATE

As a tax levy, this bill would become effective immediately upon enactment and, by the specific terms of the bill, operative for taxable years beginning on or after January 1, 2007.

POSITION

Pending.

Board Position:

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Department Director

S. Stanislaus

Date

5/1/06

ANALYSIS

FEDERAL/STATE LAW

Federal law imposes five different income tax rates on individuals ranging from 10% to 39.6%. Existing state law imposes six different personal income tax rates ranging from 1% to 9.3%. Each tax rate applies to a different level of income and is also known as a "tax bracket."

Residents of California are taxed on their entire taxable income, regardless of source, while nonresidents are taxed only on taxable income from California sources. A part-year California resident's taxable income for the year they change residency is the sum of the entire taxable income during the portion of the year they were a resident and the taxable income from California sources during the portion of the year the taxpayer was a nonresident.

In addition, under the PITL, estates and trusts are subject to tax on their taxable income. Limited partnerships are subject to an annual tax. And, limited liability companies not classified as a corporation for tax purposes are subject to an annual tax and a fee based on total income, as defined.

THIS BILL

This bill would exempt all taxpayers with gross income less than an unspecified amount from the PITL for taxable years beginning on or after January 1, 2007.

IMPLEMENTATION CONSIDERATIONS

According to the author's staff, the intention of this bill is to provide an exemption to individuals with certain gross income from paying the increased fuel license tax, not provide a broader blanket exemption for certain taxpayers with gross income less than an unspecified amount from the PITL. The author's staff has indicated that clarification consistent with the intent will be made when the bill is subsequently amended.

LEGISLATIVE HISTORY

SB 26 (Hollingsworth, 2005/2006) would have effectively eliminated the PITL. SB 26 failed to pass out of the house of origin.

FISCAL IMPACT

This bill would not significantly impact the department's costs.

ECONOMIC IMPACT

The impact on tax revenue is unknown at this time because this bill does not specify the amount of gross income under which taxpayers would be exempted from PITL.

LEGISLATIVE STAFF CONTACT

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