

SUMMARY ANALYSIS OF AMENDED BILL

Author: Strickland Analyst: Deborah Barrett Bill Number: AB 2698
 Related Bills: See Prior Analysis Telephone: 845-4301 Amended Date: May 11, 2006
 Attorney: Patrick Kusiak Sponsor: _____

SUBJECT: Hearing Aids Credit

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 DEPARTMENTS 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 24, 2006, STILL APPLIES.

OTHER – See comments below.

SUMMARY

This bill would provide an income tax credit for individual taxpayers for the purchase of a hearing aid.

SUMMARY OF AMENDMENTS

The May 11, 2006, amendments revised the credit provided in this bill to not exceed \$500.00 during the taxable year. This amendment changes the Revenue Estimate previously provided in the department's analysis of the bill as amended May 2, 2006, and raises a new Implementation Concern, that is discussed below. The Fiscal Impact of this bill is restated for convenience. The remainder of the department's analysis of this bill as introduced on February 24, 2006, still applies.

POSITION

Pending.

Board Position:	Legislative Director	Date
<input type="checkbox"/> S	Brian Putler	5/30/06
<input type="checkbox"/> NA		
<input type="checkbox"/> SA		
<input type="checkbox"/> N		
<input type="checkbox"/> NP		
<input type="checkbox"/> O		
<input type="checkbox"/> NAR		
<input checked="" type="checkbox"/> PENDING		
<input type="checkbox"/> OUA		

IMPLEMENTATION CONCERN

It is unclear whether the author intends the \$500 limit to apply to the cost of each hearing aid purchased in a taxable year or whether the limit would be an annual limit, regardless of the number of hearing aids purchased in a taxable year. It is recommended that additional clarification be provided to ensure consistent application of these provisions.

FISCAL IMPACT

This bill would require a calculation for the credit that would require a new worksheet to be developed. As a result, this bill would impact the department's printing, processing, and storage costs for tax returns. The additional costs will be identified and, if needed, an appropriation requested as the bill moves through the legislative process.

ECONOMIC IMPACT

Tax Revenue Estimate:

Based on data and assumptions discussed below, the PIT and Corporation Tax revenue loss from this bill would be as follows:

Estimated Revenue Impact of AB 2698 Effective On Or After January 1, 2006 Enactment Assumed After June 30, 2006 (\$ in Millions)			
	2006-07	2007-08	2008-09
Hearing Aid Credit	-\$60	-\$70	-\$75

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

Revenue Discussion:

The previous estimate of \$120 million for the proposal for fiscal year 2006-07, as amended May 2, 2006, was based on a \$500 credit per hearing aid, or \$1,000 total per taxable year. Assuming this amendment limits the credit to \$500 total for the taxable year, the estimate is reduced by half from the previous estimate of the bill as amended May 2, 2006.

LEGISLATIVE STAFF CONTACT

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