

REVISED ANALYSIS

Author: Chan & Vargas Analyst: Rachel Coco Bill Number: AB 6
 Related Bills: See Legislative History Telephone: 845-4328 Original Analysis Date: December 6, 2004
 Attorney: Patrick Kusiak Sponsor: _____

SUBJECT: PIT Rates/Increase Maximum Rates To 10% & 11%/AMT Rate To 8.5%

- REVENUE ESTIMATE CHANGED.
 FURTHER CONCERNS IDENTIFIED.
 REMAINDER OF PREVIOUS ANALYSIS OF BILL AS INTRODUCED
December 6, 2004, STILL APPLIES.
 OTHER – See comments below.

SUMMARY OF BILL

This bill would increase the top personal income tax (PIT) rates to 10% and 11% and would increase the alternative minimum tax (AMT) rate to 8.5%. This bill also would reduce the amount of tax paid under the tax rates this bill would increase by the amount of tax imposed under Proposition 63.

SUMMARY OF REVISION

The revenue estimate contained in the department's analysis of the bill as introduced December 6, 2004, has been revised. The revised estimate has been reduced to reflect how this bill would interact with Proposition 63.

The remainder of the department's analysis of the bill as introduced December 6, 2004, still applies.

POSITION

Pending.

Board Position:

_____ S _____ NA _____ NP
 _____ SA _____ O _____ NAR
 _____ N _____ OUA X PENDING

Legislative Director

Date

Brian Putler

1/28/04

ECONOMIC IMPACT

Revenue Estimate

Estimate originally contained in AB 6:

Estimated Revenue Impact of AB 6 Taxable Years Beginning On Or After January 1, 2005 Assumed Enactment After June 30, 2005 (\$ Billions)		
2005-06	2006-07	2007-08
+\$3.4	+\$2.7	+\$2.8

Revised Estimate

This bill would result in the following revenue gains:

<u>REVISED</u> Estimated Revenue Impact of AB 6 Taxable Years Beginning On Or After January 1, 2005 Assumed Enactment After June 30, 2005 Fiscal Years (\$ Billions)		
2005-06	2006-07	2007-08
+\$2.2	+\$1.7	+\$1.8

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

Revenue Discussion

Proposition 63 imposes an additional 1% tax on the portion of taxable incomes exceeding \$1 million and requires that revenue to be deposited into a fund for mental health services instead of the General Fund. As a result, the above estimate is based on the figures generated using the department's personal income tax model reduced by the amount of tax to be imposed under Proposition 63. The estimate should be considered preliminary because an updated personal income tax model will not be available until February. This bill is estimated to impact approximately 360,000 taxpayers.

LEGISLATIVE STAFF CONTACT

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