

SUMMARY ANALYSIS OF AMENDED BILL

Author: Jones Analyst: Nicole Kwon Bill Number: AB 21
Related Bills: See Prior Analysis Telephone: 845-7800 Amended Date: January 7, 2008
Attorney: Patrick Kusiak Sponsor: _____

SUBJECT: Earned Income Non-Refundable 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 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/AMENDED _____ STILL APPLIES.

OTHER – See comments below.

SUMMARY

This bill would allow a non-refundable Earned Income Credit (EIC) in modified conformity to the federal EIC.

This bill would also amend some sales and use tax law provisions of the Revenue and Taxation Code; however, those provisions do not apply to the Franchise Tax Board (FTB), and this analysis addresses only those provisions of the bill affecting FTB.

SUMMARY OF AMENDMENTS

The January 7, 2008, amendments would delete provisions related to a refundable EIC equal to 15% of the federal EIC and replace it with provisions to provide a non-refundable EIC to a qualified taxpayer in modified conformity to the federal EIC.

As a result of the amendments, the "This Bill", "Fiscal Impact", and "Economic Impact" discussions have been revised and are provided below.

Board Position:	Legislative Director	Date
<input type="checkbox"/> S		
<input type="checkbox"/> SA	Brian Putler	1/11/08
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POSITION

Pending.

ANALYSIS

THIS BILL

This bill would provide a non-refundable state EIC to a qualified taxpayer for taxable years beginning on or after January 1, 2008. Specifically, this bill would do the following:

- Provide a credit against personal income tax (PIT) for earned income above the taxability threshold. The threshold amount would be between \$5,000 and \$9,900.
- The taxability threshold is determined by filing status and number of children, up to a maximum of two.
- For the 2008 taxable year only, the credit claimed on the tax return would be determined as the calculated credit multiplied by 90% (0.9).

This bill would specify that only one EIC would be allowed for two eligible individuals filing a joint return.

This bill would define the term “eligible individual” to mean any individual who has at least one qualifying child and properly files either a joint return or as a head of household.

This bill would specify that “earned income” is limited to the amount of earned income attributable to employment or self-employment in this state that is in excess of the threshold amount.

This bill would require the Franchise Tax Board to provide the tables that would prescribe the amount of the credit allowed under the state EIC.

Note: The January 7, 2008, amendments inadvertently left out a provision relating to credit percentage and phase-out percentage. The author’s office has indicated that these provisions will be amended into this bill.

FISCAL IMPACT

The department anticipates one-time costs of approximately \$416,000 beginning with the 2008/2009 fiscal year, with annual on going costs of \$91,000 for which the department would need an appropriation. The costs to implement the provisions of this bill include processing returns, making changes to tax forms and instructions, programming changes to computer systems, handling increased taxpayer phone calls and correspondence, and providing annual EIC tables.

ECONOMIC IMPACT

The revenue estimate will not be provided at this time because the author's office has indicated that this bill contains a drafting error. A revenue estimate will be provided once the bill is amended.

LEGISLATIVE STAFF CONTACT

Analysis prepared by
Nicole Kwon
(916) 845-7800
haeyoung.kwon@ftb.ca.gov

Revenue estimated by
Jay Chamberlain
(916) 845-4950
jay.chamberlain@ftb.ca.gov

Brian Putler
Franchise Tax Board
(916) 845-6333
brian.putler@ftb.ca.gov