

ANALYSIS OF AMENDED BILL

Author: on Budget Analyst: Scott McFarlane Bill Number: AB 1612
Related Bills: None Telephone: 845-6075 Amended Date: October 6, 2010
Attorney: Patrick Kusiak Sponsor: _____

SUBJECT: Exclusion / In-Home Supportive Services (IHSS) Supplementary Payments

SUMMARY

Under the Personal Income Tax Law, this bill would exclude from gross income any In-Home Supportive Services (IHSS) supplementary payment.

SUMMARY OF AMENDMENTS

The bill as introduced on January 11, 2010, and as amended on April 19, 2010, was a spot bill for changes relating to the Budget Act of 2010.

The October 6, 2010, amendments would make numerous changes to laws that are not administered by the Franchise Tax Board (FTB), including changes to the Civil Code, the Family Code, the Health and Safety Code, non-income tax parts of the Revenue and Taxation Code, and the Welfare Code. This bill would make one change to the Revenue and Taxation Code that would affect the Personal Income Tax Law administered by the FTB—the gross-income exclusion of IHSS supplementary payments. Thus, this analysis is limited to income-tax effects of the provisions relating to the gross-income exclusion of IHSS supplementary payments.

PURPOSE OF THE BILL

The purpose of the bill is to make changes necessary for the implementation of the Budget Act of 2010.

EFFECTIVE/OPERATIVE DATE

As an urgency measure, this bill would be effective immediately. The provision that would exclude IHSS supplemental payments from gross income would be operative for taxable years beginning on or after January 1, 2010.

POSITION

Pending.

Board Position:

_____ S _____ NA _____ NP
_____ SA _____ O _____ NAR
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Department Director

Date

Selvi Stanislaus

10/13/10

ANALYSIS

FEDERAL/STATE LAW

Gross income means all income from whatever source derived, unless specifically excluded by law.¹

THIS BILL

Sales Tax on IHSS Providers

This bill would impose sales tax on the gross receipts of the sales of IHSS sold at retail in this state.

IHSS Supplementary Payment

This bill would require that IHSS providers be paid a supplementary payment. The supplementary payment would be equal to the IHSS sales tax, plus any Social Security and Medicare payroll withholdings that are increased due to the supplementary payment.

Gross-Income Exclusion

This bill would exclude from gross income for California income tax purposes IHSS supplementary payments.

LEGISLATIVE HISTORY

None.

FISCAL IMPACT

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

¹ R&TC section 17071.

ECONOMIC IMPACT

Revenue Estimate

Estimated Revenue Impact AB 1612, as Amended October 6, 2010 For Taxable Years Beginning On or After January 1, 2010		
2010-11	2011-12	2012-13
\$0	\$0	\$0

Revenue Discussion

The supplemental payment and the income exclusion are designed to hold IHSS providers financially harmless for the new sales tax this bill would impose on IHSS providers. The supplemental payment would restore an IHSS provider's wages, and the income exclusion would prevent an IHSS provider from being taxed twice on the same income. As a result, the gross-income exclusion for IHSS provider supplemental payments would have no revenue impact.

LEGISLATIVE STAFF CONTACT

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