

# BILL ANALYSIS

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Department, Board, Or Commission	Author	Bill Number
<b>Franchise Tax Board</b>	<b>Assembly Committee on Budget</b>	<b>AB 1612</b>

## SUBJECT

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

## SUMMARY

Under the Personal Income Tax Law, this bill excludes from gross income any supplementary payment received by an IHSS provider.

## PURPOSE OF 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 is effective immediately. The provision excluding IHSS supplemental payments is operative for taxable years beginning on or after January 1, 2010.

## ANALYSIS

This bill makes 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 makes one change to the Revenue and Taxation Code that affects 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.

## FEDERAL/STATE LAW

Gross income means all income from whatever source derived unless specifically excluded by law.<sup>1</sup>

## THIS BILL

Sales Tax on IHSS Providers

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

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<sup>1</sup> R&TC section 17071.

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**IHSS Supplementary Payment**

This bill requires that IHSS providers be paid a supplementary payment. The supplementary payment is 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 excludes from gross income for California income tax purposes IHSS supplementary payments.

**LEGISLATIVE HISTORY**

None.

**FISCAL IMPACT**

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

**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 imposed on IHSS providers. The supplemental payment restores an IHSS provider's wages, and the income exclusion prevents an IHSS provider from being taxed twice on the same income. As a result, the gross-income exclusion for IHSS provider supplemental payments has no revenue impact.

**Appointments**

None.

**VOTES**

Assembly Floor – Ayes: 54, Noes: 17  
Senate Floor – Ayes: 27, Noes: 8

**LEGISLATIVE STAFF CONTACT**

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