

Franchise Tax Board

ANALYSIS OF ORIGINAL BILL

Author: Maldonado Analyst: Matthew Cooling Bill Number: SB 1185
 Related Bills: See Legislative History Telephone: 845-5983 Introduced Date: February 18, 2010
 Attorney: Patrick Kusiak Sponsor: _____

SUBJECT: Adopted Animal Food And Supply Costs Deduction

SUMMARY

This bill would allow an income tax deduction for the costs paid or incurred to purchase food and supplies for an adopted animal, as specified.

PURPOSE OF THE BILL

According to the author’s office, the purpose of this bill is to encourage animal adoptions, thus relieving the overpopulation of animals in shelters.

EFFECTIVE/OPERATIVE DATE

As a tax levy, this bill would be effective immediately upon enactment and operative for taxable years beginning on or after January 1, 2010.

POSITION

Pending.

ANALYSIS

FEDERAL/STATE LAW

Existing federal and state laws allow for the deduction of certain expenses when calculating adjusted gross income (AGI)¹, such as moving expenses and interest on education loans, certain ordinary and necessary trade and business expenses, losses from the sale or exchange of certain property, contributions for pension, profit-sharing and annuity plans of self employed individuals, retirement savings, and alimony. Thus, all taxpayers with this type of expense receive the benefit of the deduction, regardless of whether the taxpayer itemized deductions or uses the standard deduction. These are known as “above-the-line” deductions.

¹For purposes of state income tax law, AGI is defined by cross-reference to the Internal Revenue Code (IRC) as gross income, which includes all income from whatever source derived, adjusted for certain allowable amounts, including IRA contributions, alimony paid, moving expenses, and Keogh account contributions.

Board Position:	Department Director	Date
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_____ N	_____ OUA	_____ X PENDING
	Selvi Stanislaus	04/29/10

Currently, there is no federal or state law that provides any type of tax benefit related to the support costs of an animal adopted from an animal shelter or nonprofit animal welfare organization.

THIS BILL

Under the Personal Income Tax Law, this bill would allow a taxpayer to deduct the costs paid or incurred during the taxable year for the purchase of food and supplies for an animal adopted from a qualified animal rescue organization. The taxpayer would be able to deduct up to \$250 per animal, per taxable year. The deduction would be included in the calculation of the AGI.

This bill would define an “animal” as any animal adopted from a qualified animal rescue organization that is not used for the production of income or in a taxpayer’s trade or business. This bill would define a “qualified animal rescue organization” as a public animal control agency or shelter, a humane society shelter, or rescue group.

This bill would also define a “rescue group” as an organization exempt from tax under Internal Revenue Code section 501(c)(3) whose primary purpose is to rescue and place dogs, cats, or other animals removed from a public animal control agency or shelter, or animals that have been surrendered or relinquished by a previous owner

IMPLEMENTATION CONSIDERATIONS

The department has identified the following implementation concerns. Department staff is available to work with the author’s office to resolve these and other concerns that may be identified.

This bill would allow a tax deduction, not to exceed \$250, for the costs paid or incurred to provide food and supplies to an adopted animal during the taxable year. As written, this bill would appear to provide a tax deduction of \$250 for each animal, in every taxable year. For example, if a taxpayer has three adopted animals, the taxpayer would be eligible for an annual tax deduction of up to \$750. If that is not the author’s intent, the author may wish to amend the bill to specify that the credit would be limited to \$250 during the taxable year in which the animal was adopted, regardless of how many animals were adopted.

LEGISLATIVE HISTORY

AB 233 (Smyth, 2009/2010) would have allowed taxpayers a miscellaneous itemized deduction, up to \$100 per taxable year, for the qualified costs paid or incurred for the adoption of pets from a qualified animal rescue organization. This bill failed to pass out of its house of origin before the Constitutional deadline.

AB 373 (Leach, 2001/2002) would have allowed a taxpayer to deduct expenses for veterinarian services for an animal adopted from an animal shelter or a nonprofit animal welfare organization. This bill failed passage from the Senate Revenue and Taxation Committee.

SB 430 (Vincent, 2001/2002) would have provided a credit for spaying or neutering a cat or dog purchased or adopted by the taxpayer. This bill failed passage after being returned to the Senate.

OTHER STATES' INFORMATION

Review of *Illinois, Massachusetts, Michigan, Minnesota, and New York* laws found no comparable tax deduction for costs paid or incurred for providing food and supplies to adopted animals. These states were selected due to their similarities to California's economy, business entity types, and tax laws.

FISCAL IMPACT

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

ECONOMIC IMPACT

Revenue Estimate

This bill would result in the following revenue losses:

Estimated Revenue Impact of SB 1185 Operative for Tax Years Beginning On or After January 1, 2010 Enactment Assumed After June 30, 2010 (\$ in Millions)		
2010-11	2011-12	2012-13
-\$4.3	-\$4.5	-\$5.0

This analysis does not account for changes in employment, personal income, or gross state product that could result from this bill.

For the purposes of the analysis, it was assumed that a taxpayer would be able to claim this deduction for every animal adopted during the taxable year. In addition, only dog and cat adoptions were considered because there is little reliable data on adoptions of other types of animals.

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