

SUMMARY ANALYSIS OF AMENDED BILL

Author: Wyland Analyst: Matthew Cooling Bill Number: SB 952
 Related Bills: See Prior Analysis Telephone: 845-5983 Amended Date: April 5, 2010
 Attorney: Patrick Kusiak Sponsor: _____

SUBJECT: Repeal PIT Temporary Rate Increases/Repeal Decreased Personal Exemption Credit for Dependents

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 DEPARTMENTS 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

FEBRUARY 4, 2010, STILL APPLIES.

OTHER – See comments below.

SUMMARY

This bill would do the following:

- Repeal the increases to Sales and Use Tax Rates
- Repeal the Increase in Personal Income Tax (PIT) and Alternative Minimum Tax (AMT) Rates, and
- Repeal the Reduction of the Dependent Exemption Credit.

SUMMARY OF AMENDMENTS

The April 5, 2010, amendments removed provisions that would have made changes related to the Vehicle License Fee rates and the tax withholding increases that were enacted in 2009. As a result of the amendments, the “Repeal the Sales and Use Tax Rate Increases” and “Economic Impact” discussions have been revised. The “Repeal of the 10 Percent Increase in Withholding” discussion has been removed, as it no longer applies.

Board Position:	Asst. Legislative Director	Date
_____ S		
_____ SA		
_____ N		
_____ NA		
_____ O		
_____ OUA		
_____ NP		
_____ NAR		
<input checked="" type="checkbox"/> PENDING	Patrice Gau-Johnson	04/26/10

In addition, the amendments resolved five of the department's technical considerations. The remaining concern has been provided below for convenience.

Except for the revisions listed above, the department's analysis of the bill as introduced February 4, 2010, still applies.

POSITION

Pending.

Repeal the Sales and Use Tax Rate Increases

ANALYSIS

STATE LAW

Legislation enacted in 2009, ABX3 3 (Evans, Stats. 2009, 3rd Ex. Sess. 2009/2010, Ch. 18), among other things, increased the sales and use tax rates from 7.25 percent to 8.25 percent. Of the 8.25 percent base rate, 7.25 percent is the state portion and is allocated as follows:

- 6 percent is deposited in the General Fund,
- 0.25 percent is deposited in the Fiscal Recovery Fund,
- 0.50 percent is deposited in the Local Public Safety Fund (0.50 percent), and
- 0.50 percent is deposited in the Local Revenue Fund.

The remaining 1 percent is the local portion and is allocated as follows:

- 0.25 percent is allocated to fund county transportation, and
- 0.25 percent is allocated to fund various other city and county operations.

In addition, current law allows taxpayers to deduct the amounts of sales and use tax paid on the personal income tax returns.

THESE PROVISIONS

These provisions would repeal the sales and use tax rate increases enacted in 2009 and restore the statewide rate to 7.25 percent. As such, these provisions would reduce the amount of sales and use tax deductible on the state income tax return.

TECHNICAL CONSIDERATION

Amendment 1 provides a technical amendment that clarifies the language of the bill regarding the operative period of the dependent exemption credit reduction.

ECONOMIC IMPACT

Revenue Impact

This bill would result in the following revenue losses:

Estimated Revenue Impact of SB 952 For Taxable Years Beginning On or After January 1, 2010 Enactment Assumed September 30, 2010 (\$ in Millions)			
	2010-11	2011-12	2012-13
Repeal of 1% Increase in Sales and Use Tax	+\$20	+\$2.6	+\$2.6
Repeal of the Increase in the PIT and AMT Rates	-\$1,900		
Repeal of the Reduction of the Dependent Exemption Credit	-\$1,200		
Interaction between the PIT/AMT Rates and the Dependent Exemption Credit	+\$200		
Total Estimated Net Revenue Impact	-\$2,880	+\$2.6	+\$2.6

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

LEGISLATIVE STAFF CONTACT

Legislative Analyst
 Matthew Cooling
 (916) 845-5983
matthew.cooling@ftb.ca.gov

Revenue Manager
 Monica Trefz
 (916) 845-4002
monica.trefz@ftb.ca.gov

Asst. Legislative Director
 Patrice Gau-Johnson
 (916) 845-5521
patrice.gau-johnson@ftb.ca.gov

Analyst	Matthew Cooling
Telephone #	(916) 845-5983
Attorney	Pat Kusiak

FRANCHISE TAX BOARD'S
PROPOSED AMENDMENTS TO SB 952
As AMENDED APRIL 5, 2010

AMENDMENT 1

On page 12, strikeout lines 35 to 38, inclusive, and insert:

(B) For taxable years beginning on or after January 1, 2010, the credit allowed under paragraph (1) for each dependent shall be equal to the amount that would be allowed if subparagraph (A) had never been operative.