

ANALYSIS OF AMENDED BILL

Franchise Tax Board

Author: Gorell Analyst: Narinder Dosanjh Bill Number: AB 2323

Related Bills: See Legislative History Telephone: 845-5275 Amended Dates: March 20 & 27, 2014

Attorney: Bruce Langston Sponsor:

SUBJECT: Olympic or Paralympic Prizes and Awards Exemption

SUMMARY

This bill would provide an exclusion from gross income under Personal Income Tax Law.

RECOMMENDATION

No position.

Summary of Amendments

The March 20, 2014, amendments removed language relating to imprisonment and added language to exclude Olympic awards and prize money from being gross income. The March 27, 2014, amendments expanded the income exclusion to include Paralympic Games prize money and awards.

This is the department's first analysis of the bill.

REASON FOR THE BILL

The reason for this bill is to provide modest tax relief for successful athletes, many of whom have made enormous sacrifices in pursuit of Olympic and Paralympic success.

EFFECTIVE/OPERATIVE DATE

As a tax levy, this bill would be effective immediately upon enactment and would be specifically operative for awards and prize money received on or after January 1, 2014.

ANALYSIS

FEDERAL/STATE LAW

Under federal and state law, gross income generally includes income from all sources, including amounts received as awards and prizes, unless a specific exemption is provided to exclude such amounts from gross income. There is no specific gross income exclusion for Olympic or Paralympic awards and prizes under current federal or state law.

Board Position:

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Executive Officer

Date

Selvi Stanislaus

5/7/14

THIS BILL

This bill would exclude from gross income the value of any award given by or any prize money received from the U.S. Olympic Committee on account of the Olympic or Paralympic Games.

IMPLEMENTATION CONSIDERATIONS

Implementing this bill would require some changes to existing tax forms, instructions, and information systems, which could be accomplished during the normal annual update.

LEGISLATIVE HISTORY

AB 1786 (Mansoor, Norby, et al., 2011/2012), similar to this bill, would have excluded from gross income any prize or award won by an individual in athletic competition at the Olympic Games. AB 1786 was held in the Assembly Revenue and Taxation Committee.

OTHER STATES' INFORMATION

The states surveyed include *Florida, Illinois, Massachusetts, Michigan, Minnesota, and New York*. These states were selected due to their similarities to California's economy, business entity types, and tax laws.

Florida does not impose personal income tax, so a comparison to *Florida* is not relevant. A review of the laws of the remaining states found that none currently exempt Olympic or Paralympic prize money or awards from gross income.

FISCAL IMPACT

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

ECONOMIC IMPACT

Revenue Estimate

| Estimated Revenue Impact of AB 2323 As Amended March 27, 2014 Assumed Enactment After June 30, 2014 | | |
|---|------------|------------|
| 2014-15 | 2015-16 | 2016-17 |
| - \$8,000 | - \$50,000 | - \$30,000 |

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

SUPPORT/OPPOSITION

Support: None on file.

Opposition: None on file.

ARGUMENTS

Proponents: Some would argue that U.S. Olympic and Paralympic medal winners who dedicate their lives to athletic excellence should not be subject to income tax on their hard-earned winnings.

Opponents: Some would argue that excluding prize money or awards received by Olympic and Paralympic athletes is not inconsistent with the spirit of amateur excellence that is at the heart of the games.

LEGISLATIVE STAFF CONTACT

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