

ANALYSIS OF AMENDED BILL

Franchise Tax Board

Author: Dickinson Analyst: Narinder Dosanjh Bill Number: AB 2326
Related Bills: See Legislative History Telephone: 845-5275 Amended Date: May 6, 2014
Attorney: Bruce Langston Sponsor: _____

SUBJECT: Pet Adoption Costs Deduction

SUMMARY

This bill would, under the Personal Income Tax Law (PITL), allow a miscellaneous itemized deduction for the costs paid or incurred for the adoption of a pet from a qualified animal rescue organization.

RECOMMENDATION

No position.

Summary of Amendments

The May 6, 2014, amendments removed provisions of the bill that would have created a voluntary contribution designation on the tax return. This analysis replaces the original analysis dated February 21, 2014.

REASON FOR THE BILL

The reason for this bill is to provide tax incentives to encourage adoption of shelter or rescue animals to reduce animal overpopulation.

EFFECTIVE/OPERATIVE DATE

As a tax levy, this bill would be effective immediately upon enactment and specifically operative for taxable years beginning on or after January 1, 2015, and before January 1, 2020.

ANALYSIS

FEDERAL/STATE LAW

Existing federal and state laws allow individuals to deduct certain expenses, such as medical expenses, charitable contributions, interest, and taxes, as itemized deductions. Certain other expenses for the production of income and certain employee business expenses are considered miscellaneous itemized deductions and the portion that exceeds 2 percent of adjusted gross income may be deducted. Also, itemized deductions may be further limited for high-income taxpayers.

Board Position:

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Executive Officer

Date

Selvi Stanislaus

5/27/14

Neither federal or state law allow a deduction similar to the one that would be provided by this bill.

THIS BILL

This bill would allow a taxpayer to deduct the qualified costs paid or incurred during the taxable year to adopt a pet from a qualified animal rescue organization. The deduction would be claimed as a miscellaneous itemized deduction and would be limited to \$100 per taxable year.

This bill would define the following terms and phrases:

- “Pet” means an animal adopted from a qualified animal rescue organization that is not used by the taxpayer in a trade or business or for the production of income.
- “Qualified animal rescue organization” means a public animal control agency or shelter, a humane society shelter, or rescue group.
- “Qualified costs” means amounts paid or incurred to a qualified animal rescue organization to adopt a pet, not to exceed one hundred dollars (\$100).
- “Rescue group” means an organization exempt from federal income taxation under Internal Revenue Code (IRC) section 501(c)(3) whose primary purpose is to place dogs, cats, or other animals removed from a public animal control agency or shelter, society for the prevention of cruelty to animals shelter, or humane society, or that have been surrendered or relinquished to the rescue group by the previous owner.

This bill would be repealed by its own terms as of December 1, 2020.

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 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 and would have established the Pet Adoption Cost Deduction Fund. AB 233 failed passage from the Assembly Appropriations Committee.

OTHER STATES’ INFORMATION

Review of *Florida, Illinois, Massachusetts, Michigan, Minnesota, and New York* laws found no comparable deduction for pet adoption. These states were selected due to their similarities to California's economy, business entity types, and tax laws.

FISCAL IMPACT

This bill would not impact the department's costs.

ECONOMIC IMPACT

Revenue Estimate

Estimated Revenue Impact of AB 2326 As Amended May 6, 2014 Assumed Enactment After June 30, 2014		
2014-15	2015-16	2016-17
- \$450,000	- \$450,000	- \$500,000

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

SUPPORT/OPPOSITION¹

Support: American Society for the Prevention of Cruelty of Animals (Sponsor), Humane Society of the United States, Sacramento Society for the Prevention of Cruelty of Animals, San Diego Humane Society and SPCA.

Opposition: None on file.

ARGUMENTS

Proponents: Some may say that this bill could encourage individuals and families to adopt pets from local shelters, thereby helping to relieve the pressure on these facilities.

Opponents: Some may argue that taxpayers who are inclined to adopt pets would do so absent a tax incentive.

POLICY CONCERNS

This bill would establish a deduction for which federal law has no counterpart, thus increasing nonconformity.

LEGISLATIVE STAFF CONTACT

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¹ As provided in the Assembly Revenue and Taxation Committee analysis dated April 18, 2014.