

SUMMARY ANALYSIS OF AMENDED BILL

Author: Gaines Analyst: Funmi Obatolu Bill Number: SB 874
 See Prior
 Related Bills Analysis Telephone: 845-5845 Amended Date May 4, 2016
 Attorney: Bruce Langston Sponsor: _____

SUBJECT: Personal Exemption Credit /Increase to \$371 for Each Dependent

SUMMARY

Under the Personal Income Tax Law, this bill would increase the amount of the dependent exemption credit.

RECOMMENDATION

No position.

SUMMARY OF AMENDMENTS

The May 4, 2016, amendments revised the amount of the exemption credit and resolved all the department's technical considerations discussed in the department's analysis of the bill as amended March 15, 2016. Except for the "This Bill" and "Economic Impact" sections, the remainder of that analysis still applies. The "Fiscal Impact" section has been restated for convenience.

THIS BILL

For taxable years beginning on or after January 1, 2016, this bill would increase the amount of the dependent exemption credit to \$371 per dependent.

For taxable years beginning on or after January 1, 2017, the increased dependent exemption amount would be indexed for inflation.

FISCAL IMPACT

The department's costs to implement this bill have yet to be determined. As the bill moves through the legislative process, costs will be identified and an appropriation will be requested, if necessary.

ECONOMIC IMPACT

This bill would result in the following revenue loss:

Estimated Revenue Impact of SB 874 As Amended May 4, 2016 Assumed Enactment After June 30, 2016 (\$ in Millions)		
2016-17	2017-18	2018-19
- \$140	- \$150	- \$150

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

Revenue Discussion

The estimated revenue impact of increasing the dependent exemption credit was computed using a two-step analysis. First, the dependent exemption credit from taxable year 2015 of \$337, was grown using the California Consumer Price Index for 2016, resulting in an estimated dependent exemption credit of \$343. This amount and the indexed amounts for each year thereafter were run through the California Franchise Tax Board's Personal Income Tax (PIT) simulation model to calculate the tax impact of the credit under current law. Next, the proposed \$371 credit amount and the indexed amounts for the credit were also run through the PIT simulation model to calculate that tax impact of the proposed credit. The current law amounts were subtracted from the proposed law amounts resulting in the taxable year 2016 estimated tax impact of \$142 million.

The tax year estimates are converted to fiscal years, rounded, and reflected in the above table.

SUPPORT/OPPOSITION

Support: None provided.

Opposition: None provided.

LEGISLATIVE STAFF CONTACT

Funmi Obatolu
Legislative Analyst, FTB
(916) 845-5845
funmi.obatolu@ftb.ca.gov

Jame Eiserman
Revenue Manager, FTB
(916) 845-7484
jame.eiserman@ftb.ca.gov

Gail Hall
Legislative Director, FTB
(916) 845-6333
gail.hall@ftb.ca.gov