



Except for the new Technical Consideration and Revenue Estimate, the department's prior analysis of the bill as amended April 22, 1998, still applies. The department's unresolved implementation concern is reiterated for convenience.

#### Implementation Considerations

The author's intent is to allow a \$50,000 Employer Child Care Program or Facility Credit for each taxpayer (e.g., individual or corporation) who is a member of a partnership, limited liability company, or any other pass-through entity for each taxable or income year, up to five years. As drafted, the general PITL and B&CTL credit limitation provisions still apply and limit credit amounts at the entity level. The department will work with the author's office to provide that the credit limitations would apply at the member, instead of the entity, level.

Once the implementation concern is resolved, this credit could be implemented during the department's annual updates.

#### Technical Consideration

This bill's operation is contingent upon the chaptering of AB 484, but does not discuss any chaptering order. This bill's language is not identical to AB 484, as this bill removes the \$50,000 limitation on the Employer Child Care Program or Facility Credit. If AB 484 were to be chaptered after this bill, then this bill's provisions would be eliminated.

### FISCAL IMPACT

#### Tax Revenue Estimate

This bill would be effective with income/taxable years beginning on or after January 1, 1998, and before January 1, 1999, with enactment assumed after June 30, 1998.

Revenue losses for this bill are estimated as follows (in millions):

| <b>SB 1523, Amended May 13, 1998<br/>Contingent on Enactment of AB 484<br/>Prior to Enactment of This Bill</b> | 1998-9 | 1999-0  |
|--|--------|---------|
| Maximum Credit (Per Taxpayer Basis)  | (\$1)  | Minor   |
| Additional Credit Carryovers   | Minor  | (\$0.5) |
| Totals   | (\$1)  | (\$0.5) |

This analysis does not consider the possible changes in employment, personal income, or gross state product that could result from this measure.

#### Tax Revenue Discussion

Revenue losses under the PITL and the B&CTL would depend on employers who incur qualifying child care expenses and the ability to apply credits against available tax liabilities.

Actual tax data for 1995 taxable/income year indicate that there were \$7 million in applied credits on approximately 4,500 returns.

From the data, it does not appear that many employers are limited by the \$50,000 maximum credit under current law. If, however, by 1998, the equivalent of 2% of current claimants ( $.02 \times 4,500 = 90$ ) could claim an additional \$10,000 credit due to the multiple taxpayer issue (e.g., each partner eligible for the maximum credit on a facility), the impact would be approximately \$1 million. Additional annual losses of approximately \$500,000 would occur in future years due to additional credit carryovers (i.e., allowing carryovers for computed credits that exceed the \$50,000 maximum).