

# SUMMARY ANALYSIS OF AMENDED BILL

## Franchise Tax Board

Author: Strickland Analyst: Marion Mann DeJong Bill Number: AB 156

Related Bills: See Legislative History Telephone: 845-6979 Amended Date: 04/26/1999

Attorney: Patrick Kusiak Sponsor:

**SUBJECT:** Firearm Locking Device Credit

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 DEPARTMENT'S 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 January 15, 1999, STILL APPLIES.

OTHER - See comments below.

### SUMMARY OF BILL

This bill would create a personal income tax (PIT) credit equal to the amount paid or incurred by an individual, not to exceed \$75, during the taxable year for the purchase of a qualified locking device for a firearm.

### SUMMARY OF AMENDMENT

The April 26, 1999, amendments limited the credit to one locking device and added an adjusted gross income (AGI) limitation.

The Effective Date, Legislative History and current law discussion of Specific Findings in the department's analysis of the bill as introduced January 15, 1999, still apply. The remainder of the analysis of the bill as introduced is replaced with the following.

### SPECIFIC FINDINGS

**This bill** would create a PIT credit equal to the amount paid or incurred by an individual during the taxable year for the purchase of a qualified locking device for a firearm. The maximum amount of credit would be \$75 for one device purchased by the individual during the taxable year.

"Qualified locking device" would mean a locking device that is all of the following:

- A locking device designed to prevent the firearm from functioning, which, when applied to the firearm, renders the firearm inoperable (Section 12035(a)(1) of the Penal Code).
- Used in this state exclusively for personal, noncommercial purposes. The

### Board Position:

|                             |                                       |                                  |
|-----------------------------|---------------------------------------|----------------------------------|
| <input type="checkbox"/> S  | <input type="checkbox"/> NA           | <input type="checkbox"/> NP      |
| <input type="checkbox"/> SA | <input checked="" type="checkbox"/> O | <input type="checkbox"/> NAR     |
| <input type="checkbox"/> N  | <input type="checkbox"/> OUA          | <input type="checkbox"/> PENDING |

Department/Legislative Director Date

**Johnnie Lou Rosas** **5/17/1999**

temporary use of the qualified locking device outside of this state for purposes such as hunting would not disqualify a locking device.

- Not purchased pursuant to a state or local ordinance requiring the purchase of a locking device.

"Firearm" would mean any device designed to be used as a weapon, from which a projectile is expelled through a barrel by the force of any explosion or other form of combustion (Section 12001(b) of the Penal Code).

The credit would not be available if AGI exceeded:

- \$50,000 for married couples filing a joint return or head of household, or
- \$25,000 for individuals.

Any credit in excess of "net tax" could be carried forward for up to eight years. Since this bill does not specify otherwise, this credit would not reduce regular tax below tentative minimum tax.

#### Implementation Considerations

Implementation of this bill would occur during the department's annual system update.

#### LEGISLATIVELY MANDATED REPORTS

This bill would require FTB to report to the Legislature annually on taxpayer utilization of the credit.

#### FISCAL IMPACT

##### Departmental Costs

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

##### Tax Revenue Estimate

Based on data and assumptions discussed below, this bill would result in the following losses.

| Estimated Revenue Impact of AB 156<br>As Amended 4/26/99<br>[\$ In <b>Millions</b> ] |         |         |
|--------------------------------------------------------------------------------------|---------|---------|
| 1999-00                                                                              | 2000-01 | 2001-02 |
| -\$3                                                                                 | -\$3    | -\$3    |

The bill would be effective with income years beginning on or after January 1, 1999. Estimates assume all credits generated in a given year would be applied to reduce tax liabilities. Losses would be under the PITL.

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

The April 26, 1999, amendments reduced estimated revenue losses from \$8 million annually (as estimated for the March 22, 1999, amendments) to \$3 million annually. The changes that impact the revenue estimate are (1) limiting the credit to the purchase of one locking device per individual during each taxable year, and (2) limiting credit availability to taxpayers whose adjusted gross income is equal to or less than a specified threshold.

The number, type, and quality of locking devices (as defined and limited by the bill) that are purchased by specified taxpayers, the cost of such devices, and the amount of credits that are applied to reduce tax liabilities would determine the revenue impact of this bill.

AGI distribution data from tax returns were used as a proxy for determining the proportion of total purchases of locking devices that would be eligible for the credit under this amendment. Firearm sales data obtained from DOJ were used as a basis for assuming to what extent previous estimated losses for the bill would decrease by limiting the credit to the purchase of one device per taxable year.

If a state law, such as the one proposed by SB 130 (1999), requiring a locking device with firearms purchased or transferred in this state were enacted, estimated revenue losses for this bill as amended April 26, 1999, would be further reduced from \$3 million to \$2 million annually.

BOARD POSITION

Oppose.

At its March 23, 1999, meeting, the Franchise Tax Board voted 2-0 to take an "oppose" position on this bill as introduced January 15, 1999.