

# SUMMARY ANALYSIS OF AMENDED BILL

## Franchise Tax Board

Author: Correa Analyst: Kristina North Bill Number: AB 408

Related Bills: See prior analysis Telephone: 845-6978 Amended Date: May 11, 1999

Attorney: Patrick Kusiak Sponsor:

**SUBJECT:** Senior Care Credit/FTB Report To Legislature On Total Number And Value Of Credits Claimed Annually

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.

BOARD POSITION CHANGED TO NEUTRAL.

REMAINDER OF PREVIOUS ANALYSIS OF BILL AS INTRODUCED FEBRUARY 12, 1999, STILL APPLIES.

OTHER - See comments below.

### SUMMARY OF BILL

Under the Personal Income Tax Law, this bill would allow a \$500 credit to a taxpayer who maintains as his or her home a household that includes a qualifying individual who is 65 or older.

### SUMMARY OF AMENDMENT

The May 11, 1999, amendment increased the annual credit amount to \$500.

The May 6, 1999, amendment:

- ◆ defined "qualifying individual" as a 65 years or older child, parent, stepparent, grandparent, aunt, uncle or sibling of the qualified taxpayer;
- ◆ defined "qualified taxpayer" as an individual who maintains as his or her home a household which for more than one-half of the taxable year is the principal place of abode of a qualifying individual and who furnishes over one-half of the costs of maintaining the household during the taxable year for which he or she does not receive monetary compensation;
- ◆ limited the annual credit to \$250;
- ◆ provided a five-year limit on the carryover of the credit;
- ◆ limited the credit to one credit per taxpayer per year;

Board Position:

\_\_\_\_ S  
\_\_\_\_ SA  
 N

\_\_\_\_ NA  
\_\_\_\_ O  
\_\_\_\_ OUA

\_\_\_\_ NP  
\_\_\_\_ NAR  
\_\_\_\_ PENDING

Department/Legislative Director Date

**Johnnie Lou Rosas**

**6/4/1999**

- ◆ specified that the credit would be in lieu of any other credit to which the taxpayer may be entitled for the qualifying individual, rather than any deduction;
- ◆ restricted the credit to single or married filing separate taxpayers whose adjusted gross income does not exceed \$50,000 or married taxpayers whose adjusted gross income does not exceed \$100,000;
- ◆ provided a five-year sunset date; and
- ◆ required the Franchise Tax Board (FTB) to report to the Legislature on or before November 30, 2005, the total number and value of credits annually claimed pursuant to this bill.

Except for these changes, which resolved two policy considerations and the implementation considerations, a new revenue estimate and an updated Board position, the remainder of the department's analysis of this bill as introduced February 12, 1999, still applies.

#### **Tax Revenue Estimate**

Revenue losses under the PITL are estimated as follows:

| Effective After January 1, 1999<br>Assumed Enactment After June 30, 1999<br>(in millions) |           |           |
|---|-----------|-----------|
| 1999/2000   | 2000/2001 | 2001/2002 |
| -\$69   | -\$66     | -\$67     |

The estimate for the first fiscal year above includes all of the 1999 tax year impact plus 10% of the 2000 tax year impact.

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

#### **Tax Revenue Discussion**

Revised revenue losses above reflect a decrease of \$72 million for fiscal year 1999/2000, \$72 million for 2000/2001, and \$79 million for 2001/2002 from the estimate of the bill as introduced February 12, 1999. This reduction in losses is attributable to the adjusted gross income limitations in the May 6 and May 11, 1999, versions of this bill.

The previous analysis and assumptions discussed in the department's analysis of the bill as introduced February 12, 1999, still apply.

#### **LEGISLATIVELY MANDATED REPORT**

This bill would require the FTB to report to the Legislature on or before November 30, 2005, the total number and total value of credits annually claimed pursuant to this bill.

**BOARD POSITION**

Neutral.

At its March 23, 1999, meeting, the Franchise Tax Board voted 2-0 to take a neutral position on this bill as introduced February 12, 1999.