

# SUMMARY ANALYSIS OF AMENDED BILL

Author: Chávez Analyst: Jane Raboy Bill Number: AB 321  
 Related Bills: See Prior Analysis Telephone: 845-5718 Amended Date: May 11, 2015  
 Attorney: Bruce Langston Sponsor \_\_\_\_\_

<b>SUBJECT:</b>	Exclusion/Military Servicemember Income
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## SUMMARY

This bill would, under the Personal Income Tax Law, allow an exclusion from gross income for certain types of servicemember income.

## RECOMMENDATION

No position.

## SUMMARY OF AMENDMENTS

The May 11, 2015, amendments made a substantive change and resolved all of the department's implementation and technical considerations by accepting the amendments suggested in the department's analysis of the bill as amended March 12, 2015.

Except for the "This Bill," "Implementation Considerations," "Technical Considerations," and "Economic Impact " sections, the remainder of the department's analysis of the bill as amended March 12, 2015, still applies. The "Policy Concerns" section has been restated for convenience.

## THIS BILL

This bill would exclude basic pay received by a servicemember in the U.S. Armed Forces, in the reserve components of the U.S. Armed Forces, or in the National Guard, derived from his or her position as a servicemember, while serving his or her active duty in the state.

Additionally, this bill would exclude from gross income any income received by a servicemember:

- Separated from the U.S. Armed Forces, the reserve components of the U.S. Armed Forces, or the National Guard, for 12 calendar months from the date he or she is honorably discharged, derived from his or her position as a servicemember while located in the state.
- Hospitalized within the state for an injury received while on active duty in the U.S. Armed Forces, in the reserve components of the U. S. Armed Forces, or in the National Guard, derived from his or her position as a servicemember, during the period of hospitalization.

The exclusions allowed under this bill would be allowed cumulatively.

Board Position:	Legislative Director	Date
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## IMPLEMENTATION CONSIDERATIONS

Implementing this bill would require some changes to existing tax forms and instructions and information systems, which could be accomplished during the normal annual update.

## ECONOMIC IMPACT

### Revenue Estimate

This bill would result in the following revenue loss:

Estimated Revenue Impact of AB 321 As Amended May 11, 2015 Assumed Enactment After June 30, 2015 (\$ in Millions)		
2015-16	2016-17	2017-18
- \$150	- \$100	- \$100

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

### Revenue Discussion

Using data published by the U.S. Census Bureau and Military One Source, it is estimated that in 2015 there would be 160,000 active duty servicemembers, servicemembers separated for 12 calendar months from the date they were honorably discharged while located in California, and servicemembers hospitalized (within this state) for an injury received while on active duty, collectively referred to in this discussion as "servicemembers."

United States military pay charts were used to determine the average military pay of \$25,000 for all servicemembers. This payment data was adjusted to remove an average of \$6,500 in annual pay for an estimated 65,000 servicemembers who receive bonus and special pay. The estimated average California tax rate for the above servicemembers is 2.68 percent. Using this data, the estimated revenue loss from the gross basic pay exclusion is \$96 million, \$98 million, and \$101 million in years 2015 through 2017, respectively. The tax year estimates were converted to fiscal year estimates, and then rounded to arrive at the amounts shown in the above table.

## POLICY CONCERNS

This bill would establish an exclusion from gross income for which federal law has no counterpart, thus increasing nonconformity.

## LEGISLATIVE STAFF CONTACT

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