

# SUMMARY ANALYSIS OF AMENDED BILL

Author: Steinorth, et al. Analyst: Narinder Dosanjh Bill Number: AB 976  
 Related Bills: See Prior Analysis Telephone: 845-5275 Amended Date: May 7, 2015  
 Attorney: Bruce Langston Sponsor \_\_\_\_\_

<b>SUBJECT:</b>	Pet Adoption Costs Deduction
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**SUMMARY**

This bill would, under the Personal Income Tax Law, allow a tax deduction for the costs paid or incurred to adopt certain pets from an animal rescue organization.

**RECOMMENDATION**

No position.

**SUMMARY OF AMENDMENTS**

The May 7, 2015, amendments modified the definition of a “qualified pet.” As a result of the amendments, the “This Bill” and “Economic Impact” sections have been revised. The remainder of the department’s analysis of the bill as amended April 16, 2015, still applies. The “Fiscal Impact” section is restated for convenience.

**THIS BILL**

This bill would allow a deduction equal to the qualified costs paid or incurred during the taxable year by a taxpayer for the adoption of a qualified pet from a qualified animal rescue organization. The deduction would be claimed as a miscellaneous itemized deduction and would be limited to \$100 per taxable year.

This bill would define the following terms and phrases:

- “Qualified animal rescue organization” means a public animal control agency or shelter, a humane society shelter, or rescue group.
- “Qualified costs” means amounts paid or incurred to a qualified animal rescue organization to adopt a pet, not to exceed one hundred dollars (\$100).
- “Qualified pet” means either of the following animals adopted from a qualified animal rescue organization that is not used by the taxpayer in a trade or business or for the production of income:
  - A pet over four years of age, as determined by the qualified animal rescue organization.
  - A cat.
- “Rescue group” means an organization, exempt from federal income taxation under Internal Revenue Code (IRC) section 501(c)(3), whose primary purpose is to place dogs, cats, or other animals removed from a public animal control agency or shelter, society for the prevention of cruelty to animals shelter, or humane society, or that have been surrendered or relinquished to the rescue group by the previous owner.

Board Position:	Legislative Director	Date
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This bill would be repealed by its own terms as of December 1, 2021.

### **FISCAL IMPACT**

This bill would not impact the department's costs.

### **ECONOMIC IMPACT**

#### **Revenue Estimate**

This bill would result in the following revenue loss:

Estimated Revenue Impact of AB 976 As Amended May 7, 2015 Assumed Enactment After June 30, 2015		
2016-17	2017-18	2018-19
- \$100,000	- \$100,000	- \$100,000

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

#### **Revenue Discussion**

Based on animal adoption data from the California Department of Public Health and the Humane Society, it is estimated that 100,000 qualified pets (cats, dogs, and other pets) would be adopted in 2016. This amount includes an adjustment (decrease) to reflect that this bill would not apply to pets, other than cats, four years of age and under. This estimate assumes that only 60 percent of adopters would itemize their deductions and that 30 percent of itemizers exceed the 2 percent floor for miscellaneous deductions, therefore, it is estimated that approximately 18,000 taxpayers would take the proposed deduction. Multiplying the population by the maximum pet adoption deduction and applying a marginal tax rate of 6 percent, results in an average revenue loss of \$108,000 per taxable year. The tax year estimates are converted to fiscal year revenue estimates and rounded to arrive at the amounts reflected in the above table.

### **SUPPORT/OPPOSITION**

Support: American Society for the Prevention of Cruelty of Animals (Sponsor), Humane Society of the United States, Sacramento Society for the Prevention of Cruelty of Animals, San Diego Humane Society and SPCA.

Opposition: None on file.

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