

SUMMARY ANALYSIS OF AMENDED BILL

Author: Chavez Analyst: Davi Milam Bill Number: AB 230
 Related Bills: See Prior Telephone: 845-2551 Amended Date April 18, 2017
Analysis Attorney: Bruce Langston Sponsor: _____

SUBJECT: Child & Dependent Care Expenses Credit

SUMMARY

This bill would, under the Personal Income Tax Law (PITL), temporarily increase the Child and Dependent Care Expenses Credit.

RECOMMENDATION – NO POSITION

SUMMARY OF AMENDMENTS

The April 18, 2017, amendments revised the credit to temporarily increase the credit percentages and modified the operative date. The amendments resolved the policy concern discussed in the department’s analysis of the bill as introduced January 26, 2017, and created a technical consideration.

As a result of the amendments, the “Effective/Operative Date,” “This Bill,” “Technical Considerations,” “Policy Concerns,” and “Economic Impact” sections have been revised. The “Support/Opposition” section has been updated to reflect current information. The remainder of the department’s analysis of the bill as introduced January 26, 2017, still applies. The “Implementation Considerations” and “Fiscal Impact” sections have been restated for convenience.

EFFECTIVE/OPERATIVE DATE

As a tax levy, this bill would be effective immediately upon enactment, and specifically operative for taxable years beginning on or after January 1, 2017. The temporary increase to the credit percentages would be specifically operative for taxable years beginning on or after January 1, 2017, and before January 1, 2020, contingent on a specific appropriation of funds to the Franchise Tax Board (FTB) for its costs to administer the increased credit.

THIS BILL

For taxable years beginning on or after January 1, 2017, and before January 1, 2020, this bill would, under the PITL, temporarily increase the Child and Dependent Care Expenses Credit by increasing the state credit percentages as follows:

If Adjusted Gross Income (AGI) is:	Current Credit Percentage	Under this Bill Credit Percentage
\$40,000 or less	50%	65%
Over \$40,000 but not over \$70,000	43%	50%
Over \$70,000 but not over \$100,000	34%	34%
Over \$100,000	0%	0%

This bill would reinstate the current credit percentages as reflected in the above table for taxable years beginning on or after January 1, 2020.

IMPLEMENTATION CONSIDERATIONS

Implementing this bill would require changes to existing tax forms and instructions and information systems.

TECHNICAL CONSIDERATIONS

For clarity, the phrase “any budget measure” should be replaced with the phrase “the 2017 annual Budget Act”.

FISCAL IMPACT

The department’s costs to implement this bill have yet to be determined. As the bill moves through the legislative process, costs will be identified and an appropriation will be requested, if necessary.

ECONOMIC IMPACT

Revenue Estimate

This bill would result in the following revenue loss:

Estimated Revenue Impact of AB 230* As Amended on April 18, 2017 Assumed Enactment After June 30, 2017 (\$ in Millions)		
2017-18	2018-19	2019-20
- \$2.5	- \$2.5	- \$2.5

*Estimates assumes a specific appropriation of funds to the FTB would be enacted in 2017 for its costs to administer the increased credit.

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

Using Child and Dependent Care Expenses Credit data from the Internal Revenue Service and data from the FTB, the amount of credit each taxpayer would claim was recalculated using the proposed percentages and AGI limitations. The estimated additional credit available would be \$28 million as of tax year 2014. The amount of additional credit each taxpayer could use would be limited by their current tax liability. As a result, the revenue loss from the increase in the available credit is estimated to be \$2.4 million for 2014. The estimate is then adjusted to reflect changes in the economy over time, resulting in an estimated \$2.5 million revenue loss in 2017.

The tax year estimates are converted to fiscal years, and then rounded to arrive at the estimates reflected in the above table.

SUPPORT/OPPOSITION¹

Support: California Alternative Payment Program Association.

Opposition: California Tax Reform Association.

LEGISLATIVE STAFF CONTACT

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¹ As noted in the Assembly Revenue and Taxation Committee analysis dated March 30, 2017.