

SUMMARY ANALYSIS OF AMENDED BILL

Author: Steinorth, et al. Analyst: Funmi Obatolu Bill Number: AB 292
Related Bills: See Prior Telephone: 845-5845 Amended Date March 21, 2017
Analysis Attorney: Bruce Langston Sponsor: _____

SUBJECT: Pet Adoption Costs Deduction

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 March 21, 2017, amendments modified the bill's operative date. Except for the "Effective/Operative Date," "This Bill, and "Technical Considerations" sections, the remainder of the department's analysis of the bill as introduced February 2, 2017, still applies. The "Economic Impact", "Fiscal Impact," and "Policy Concerns" 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 a taxable year beginning on or after January 1, 2018, and before January 1, 2023, as of the effective date of any budget measure that specifically appropriates funds to the Franchise Tax Board (FTB) for its costs of administering this bill.

THIS BILL

For taxable years beginning on or after January 1, 2018, and before January 1, 2023, when a budget measure has specifically appropriated funds to the FTB for its administrative costs, 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 limited to \$100 per taxable year and reported as a miscellaneous itemized deduction subject to the 2 percent of Annual Gross Income limitation and income phase-out.

This bill would be operative on the effective date of any budget measure that specifically appropriates funds to the FTB for its cost in administering the deduction under this bill.

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 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.

This bill would be repealed by its own terms as of December 1, 2023.

TECHNICAL CONSIDERATIONS

On page 2, line 14, before “pet”, insert “qualified”.

On page 2, line 24, strikeout “as an organization described in” and insert “under”.

ECONOMIC IMPACT

Revenue Estimate

This bill would result in the following revenue loss:

Estimated Revenue Impact of AB 292* As Amended March 21, 2017 Assumed Enactment After June 30, 2017		
2017-18	2018-19	2019-20
n/a	- \$150,000	- \$150,000

*Estimates assume that FTB is appropriated funds for the cost of administering this section.

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 150,000 qualified pets (cats, dogs, and other pets) would be adopted in 2018. This amount includes an adjustment (decrease) to reflect that this bill would not apply to pets, other than cats, that are 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 27,000 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 estimated revenue loss of \$150,000 per taxable year. The tax year estimates are converted to fiscal year revenue estimates, rounded and reflected in the above table.

FISCAL IMPACT

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

POLICY CONCERNS

This bill would establish a deduction for which federal law has no counterpart, thus creating a difference between federal and California tax law, thereby increasing the complexity of California tax return preparation.

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