



Summary Analysis of Amended Bill

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Sponsor:

Bill Number: SB 1176

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Amended: April 23, 2018

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Related Bills: See Prior Analysis

Subject: Personal Exemption Credit Increase to \$389

Summary

Under the Personal Income Tax Law, this bill would increase the amount of the dependent exemption credit.

Recommendation – No position.

Summary of Amendments

The April 23, 2018, amendments modified the dependent exemption credit amount and made technical corrections to the indexing provision.

As a result of the amendments, the department's technical concern discussed in the department's analysis of the bill as introduced February 14, 2018, was resolved. Except for the "This Bill," "Technical Considerations," and "Economic Impact" sections, the remainder of the department's analysis of the bill as introduced on February 14, 2018, still applies. The "Implementation Considerations" and "Fiscal Impact" sections have been restated below for convenience.

This Bill

For taxable years beginning on or after January 1, 2019, this bill would increase the dependent exemption credit amount subject to the existing adjusted gross income limitations from \$353¹ to \$389 per dependent.

For taxable years beginning on or after January 1, 2020, the increased dependent exemption amount would be indexed for inflation.

¹ The dependent exemption credit amount of \$353 reflects the base credit of \$227 adjusted for inflation pursuant to R&TC section 17054.

Implementation Considerations

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

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 SB 1176 as Amended April 23, 2018
For Taxable Years Beginning On or After January 1, 2019
Assumed Enactment after June 30, 2018

(\$ in Millions)

Fiscal Year	Revenue
2018-2019	- \$46
2019-2020	- \$80
2020-2021	- \$80

This analysis does not account for changes in employment, personal income, or gross state product that could result from this bill or for the net final payment method of accrual.

Revenue Discussion

Based on data from Franchise Tax Board's Personal Income Tax micro-simulation model, the amount of dependent exemption credits that taxpayers currently claim was recalculated using the proposed credit amounts, and then reduced by the amount currently claimed. 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 dependent exemption is estimated to be \$80 million in the 2019 taxable year. The exemption amounts were indexed for inflation beginning in 2020.

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

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