



Summary Analysis of Amended Bill

Author: Morrell

Sponsor:

Bill Number: SB 924

Analyst: Jahna Carlson

Phone: (916) 845-5683

Amended: June 25, 2018

Attorney: Bruce Langston

Related Bills: See Prior Analysis

Subject: Exclusion/National Guard Income

Summary

This bill would, under the Personal Income Tax Law, allow an exclusion from gross income for certain income received by a member of the state's active militia while on active duty pursuant to a call by the Governor.

Recommendation – No position.

Summary of Amendments

The June 25, 2018, amendments added sunset and repeal language to the bill. As a result of the amendments, one of the policy concerns discussed in the department's analysis of the bill as introduced January 23, 2018, and amended March 19, 2018, has been resolved.

Except for the "Effective/Operative Date," "This Bill," "Fiscal Impact," "Economic Impact," "Support/Opposition," and "Policy Concerns" sections, the remainder of the department's analysis of the bill as introduced on January 23, 2018, and amended March 19, 2018, still applies. The "Fiscal Impact," "Economic Impact," and "Support/Opposition" sections have been updated to reflect currently available information and the "Implementation Considerations" section has 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, 2018, and before January 1, 2028.

This Bill

This bill would, for taxable years beginning on or after January 1, 2018, and before January 1, 2028, exclude from gross income any income received by a member of the active militia, as described, when that income is derived from the member's active service pursuant to a call under Military and Veterans Code sections 143 or 146, by the Governor.

As described in Section 120 of the Military and Veterans Code, "active militia" means the National Guard, State Military Reserve and the Naval Militia.

This bill would remain in effect until December 1, 2028, and be repealed by its own terms as of that date.

Implementation Considerations

The department has identified the following implementation concern. Department staff is available to work with the author's office to resolve this and other concerns that may be identified.

If this bill is enacted in late September or October of 2018, the department would have developed the forms and instructions for the 2018 taxable year. Thus, the department may incur additional costs to develop alternative forms and instructions in the short time frame necessary to ensure they are available for taxpayers to comply with the reporting requirement.

Fiscal Impact

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

Economic Impact

Revenue Estimate

The bill would have a revenue loss, but the amount is unknown.

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

Cases where California's active militia are called to Emergency State Active Duty (ESAD) are relatively sporadic. To determine the magnitude of the impact to the General Fund, the frequency of calls to ESAD, the number of active militia called to ESAD, and the amount of service time on ESAD must be known. Since it is difficult to predict the frequency and values of future calls to ESAD, the revenue loss to the General Fund is unknown.

However, California Military Department data for fiscal years 2014-15 through 2016-17 indicates that between \$4 million and \$10 million was paid to members of the state's active militia on ESAD orders.¹ As a result, it is estimated that for every \$10 million in wages paid for emergency state active duty to members of the active militia, there would be a revenue loss of approximately \$300,000.

¹ Per Senate Committee on Veterans' Affairs analysis dated April 24, 2018.

Support/Opposition²

Support: National Guard Association of California (Sponsor); AMVETS – Department of California; American Legion – Department of California, California Association of County Veterans Service Officers, California State Commanders Veterans Council, Military Officers Association of America – California Council of Chapters

Opposition: None provided.

Policy Concerns

This bill would create differences between federal and California tax law, thereby increasing the complexity of California tax return preparation.

Legislative Staff Contact

Jahna Carlson
Asst. Leg. Director, FTB
(916) 845-5683
jahna.carlson@ftb.ca.gov

Jame Eiserman
Revenue Manager, FTB
(916) 845-7484
jame.eiserman@ftb.ca.gov

Diane Deatherage
Legislative Director, FTB
(916) 845-6333
diane.deatherage@ftb.ca.gov

² Per Assembly Revenue and Taxation Committee analysis dated June 15, 2018.