



Bill Analysis

Author: Patterson & Lackey

Sponsor:

Bill Number: AB 514

Related Bills: See Legislative
History

Introduced: February 07, 2023

SUBJECT

Retired Police Dogs Refundable Tax Credit

SUMMARY

This bill, under the Personal Income Tax Law (PITL), would provide a \$1,500 refundable tax credit to a taxpayer for the adoption of one or more law enforcement dogs during the taxable year.

RECOMMENDATION

No position.

SUMMARY OF AMENDMENTS

Not applicable.

REASON FOR THE BILL

The reason for the bill is to enable more taxpayers to adopt law enforcement dogs by offering a refundable tax credit.

ANALYSIS

For taxable years beginning on or after January 1, 2025, and before January 1, 2030, this bill would allow a refundable credit in an amount equal to \$1,500 to a taxpayer that has adopted one or more qualified dogs during the taxable year. The credit would be refundable only upon appropriation.

This bill would define the following:

“Qualified dog” means a dog that satisfies either of the following:

- Was in the service of a California law enforcement agency for at least five years prior to retirement, or
- Was in the service of a California law enforcement agency for at least three years and was injured in the line of service.

Introduced February 07, 2023

As the bill does not specify, this credit would not reduce regular tax below the tentative minimum tax.

For purposes of complying with Revenue and Taxation Code (RTC) section 41, the Legislature finds and declares that the goal of the credit is to provide an additional incentive and financial assistance to individuals that adopt law enforcement dogs.

This bill would require the Franchise Tax Board (FTB) to issue a report to the Legislature on the number of taxpayers allowed the credit by May 1, 2026, and annually thereafter.

This credit would be in effect only until December 1, 2030, and as of that date is repealed.

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, 2025, and before January 1, 2030. The refundable provision of any excess credit would be contingent on an appropriation by the Legislature.

Federal/State Law

Existing state and federal laws provide various tax credits designed to provide tax relief for taxpayers who incur certain expenses (e.g., child adoption) or to influence behavior, including business practices and decisions (e.g., research credits or hiring credits). These credits generally are designed to provide incentives for taxpayers to perform various actions or activities that they may not otherwise undertake.

Federal Law

No comparable provision in federal law.

State Law

There are currently no state income tax credits comparable to the credit this bill would create.

Implementation Considerations

Department staff has identified the following implementation considerations for purposes of a high-level discussion; additional considerations may be identified as the bill moves through the legislative process. Department staff is available to work with the author's office to resolve these and other considerations that may be identified.

Introduced February 07, 2023

Typically, credits involving areas for which the department lacks expertise are certified by another agency or agencies that possess the relevant expertise. The certification language would specify the responsibilities of both the certifying agency and the taxpayer. To avoid disputes between taxpayer and the department, it is recommended that this bill be amended to include a certifying agency.

It is unclear how taxpayers filing joint returns would be treated. Because the bill does not specify otherwise, two taxpayers filing a married filing joint return, or a married filing separate return would each be eligible for the credit. If this is contrary to the author's intent, the bill should be amended.

The bill is silent regarding whether the refundable portion of the tax credit would be excluded from gross income for California income tax purposes.

This credit's refundable provision would be contingent upon an appropriation by the Legislature, which could create uncertainty for taxpayers, the department, and software providers. If this is not the intent, the author may want to amend the bill.

This bill requires the FTB to prepare a report on the number of taxpayers allowed a credit by May 1, 2026, and annually thereafter. If the author's intent is to be able to review a report that contains complete information for the 2025 taxable year, it is recommended that the reporting due date be extended to May of 2027. If the due date of the report remains unchanged, the report will include the information available as of the date when the report is prepared.

Technical Considerations

The term taxpayer includes individuals, fiduciaries, estates, or and partnerships. If the author intends that the credit will only apply to individuals, the term taxpayer could be replaced with the term individual.

Policy Considerations

This credit would be allowed for qualified dog adopted outside of California. If this is contrary to the author's intent, this bill should be amended.

The author may want to consider a carryover instead of a refundable credit for ease of administration.

LEGISLATIVE HISTORY

AB 3128 (Chen, 2017/2018) would have allowed to a qualified disabled veteran a credit for qualified costs of ownership and maintenance of a service dog in an amount equal to 50 percent of the qualified disabled veteran's qualified costs, not to exceed \$1,500 during the taxable year. AB 3128 did not pass out of the Assembly by the constitutional deadline.

Introduced February 07, 2023

AB 2472 (Linder, 2015/2016) would have allowed a tax credit equal to 50 percent of the qualified costs of a qualified disabled veteran, paid or incurred for the ownership and maintenance of a qualified animal, not to exceed \$1,500. AB 2472 did not pass out of the Assembly by the constitutional deadline.

PROGRAM BACKGROUND

None noted.

FISCAL IMPACT

This bill would impact the department’s systems, resulting in programming and processing revisions and form revisions as well as the need for taxpayer outreach, however the department’s costs to implement this bill have yet to be determined. As the bill continues to move through the legislative process, costs will be determined.

ECONOMIC IMPACT

Revenue Estimate

This bill would result in the following revenue loss:

Estimated Revenue Impact of AB 514 as Introduced February 7, 2023
Assumed Enactment after June 30, 2023

(\$ in Millions)

Fiscal Year	Revenue
2023-2024	N/A
2024-2025	-\$1.6
2025-2026	-\$2.7

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.

LEGAL IMPACT

None noted.

APPOINTMENTS

None noted.

Bill Analysis

Bill Number: AB 514

Introduced February 07, 2023

SUPPORT/OPPOSITION

To be determined.

ARGUMENTS

To be determined.

LEGISLATIVE CONTACT

FTBLegislativeServices@ftb.ca.gov