

**SUMMARY ANALYSIS OF AMENDED BILL**

Author:	<u>Linder</u>	Analyst:	<u>Jessica Deitchman</u>	Bill Number:	<u>AB 2472</u>
Related Bills:	<u>None</u>	Telephone:	<u>845-6310</u>	Amended Date:	<u>April 28, 2016</u>
		Attorney:	<u>Bruce Langston</u>	Sponsor:	<u></u>

**SUBJECT:** Disabled Animal Service Credit

**SUMMARY**

This bill would, under the Personal Income Tax Law, allow a credit to certain disabled veterans for the cost of ownership and maintenance of a service animal.

**RECOMMENDATION**

No position.

**SUMMARY OF AMENDMENTS**

The April 28, 2016, amendments modified definitions and resolved the implementation and policy concerns. Except for the “This Bill,” “Implementation Concerns,” “Policy Concerns,” and “Economic Impact,” sections, the department’s analysis of the bill as amended March 18, 2016, still applies. The “Fiscal Impact” section has been restated for convenience.

**THIS BILL**

For each taxable year beginning on or after January 1, 2017, and before January 1, 2022, this bill would allow a credit in an amount equal to 50 percent of the qualified costs of a qualified disabled veteran, not to exceed \$2,000 for a taxable year.

The bill would define the following:

“Qualified animal” means a guide dog, signal dog, or service dog.<sup>1</sup>

“Qualified costs” mean the amounts paid or incurred during the taxable year by a qualified disabled veteran for the ownership and maintenance of a qualified animal that is limited to the amounts paid as:

- Local fees for animal licenses,
- Veterinary care and medical-related expenses such as:
  - Vaccinations,
  - Annual check-ups, and
  - Drug prescriptions.
- Pet Insurance coverage expenses,

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<sup>1</sup> As defined in subparagraph (C) of paragraph (6) of subdivision (b) of Section 54.1 of the Civil Code.

- Expenses for specialty equipment such as:
  - Vests,
  - Leads, and
  - Harnesses.
- Grooming expenses, and
- Food expenses.

“Qualified disabled veteran” would mean an individual who meets both of the following conditions:

- Has served on active duty with the Armed Forces of the United States and received an honorable discharge for all periods of active service.
- Has a service-connected disability rating of at least 30 percent (as determined by the United States Department of Veterans Affairs) and is assisted with any disability associated with that rating by a qualified animal.

No other credit or deduction would be allowed with respect to the amounts paid or incurred by a qualified disabled veteran for a qualified animal that are taken into account in computing the credit allowed by this bill.

The credit may be carried over for up to seven years if necessary, until the credit is exhausted.

Section 41 would not apply to this bill’s tax credit.

This bill would remain in effect until December 1, 2022, and would be repealed as of that date.

## **IMPLEMENTATION CONSIDERATIONS**

Implementing this bill would require 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 AB 2472 As Amended April 28, 2016 Assumed Enactment After June 30, 2016 (\$ In Millions)		
2016-17	2017-18	2018-19
\$0	- \$38	- \$41

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 data from the Veterans Health Administration (VHA), the U.S. Census Bureau, and other sources it is estimated that there were approximately 1.8 million veterans living in California in 2015. Of those, it is estimated that approximately 270,000 have service related disability ratings of 30 percent or more. Each year the population of qualified veterans would increase by an estimated 6,000 veterans per year. Of the total population of qualified veterans, it is assumed that all 270,000 would be in need of a guide, signal, or service dog. Based on the above sources, it is estimated that 17 percent of veterans with service related disabilities, or 46,000, already have a dog. Because this bill lacks a certification requirement nor does it specify how the dog would receive its specialized training, all currently owned dogs would qualify for the credit. Based on the same sources, it is estimated that approximately 500 veterans with disability ratings of 30 percent or more would acquire a new guide, signal, or service dog each year. Based on a 2010 report by the VHA, it is estimated that approximately 25 dogs are given to veterans with service related disabilities by the VHA or non-profit entities each year and the remaining are purchased by the qualified veteran.

For the assumed 46,000 veterans who currently own a dog, the estimated credit generated would be 50 percent of \$2,000, or \$46 million in 2017. For the estimated 500 veterans who would acquire a new dog each year the estimated credit generated would be 50 percent of \$2,000, or \$500,000 in 2017. For the estimated 25 veterans who would receive a new dog from the VHA or a non-profit, the estimated credit generated would be \$25,000 in 2017. This results in a total estimated credit generated of \$46 million in 2017. It is assumed that 80 percent, or \$37 million, of the credit would be used in the year generated and the remaining 20 percent would be used over the next several years. This amount was then adjusted to reflect changes in the economy over time.

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

## SUPPORT/OPPOSITION

Support: None provided.

Opposition: None provided.

## LEGISLATIVE STAFF CONTACT

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