

SUMMARY ANALYSIS OF AMENDED BILL

Author: Chavez Analyst: Davi Milam Bill Number: AB 2676
 Related Bills See Legislative Telephone: 845-2551 Amended Date: May 16, 2016
History Attorney: Bruce Langston Sponsor: _____

SUBJECT: Child & Dependent Care Expenses Credit

SUMMARY

This bill would, under the Personal Income Tax Law (PITL), temporarily increase the Child and Dependent Care Expenses Credit.

RECOMMENDATION

No position.

SUMMARY OF AMENDMENTS

The May 16, 2016, amendments modified the credit to temporarily increase the credit percentages, made technical changes, and resolved the department's technical consideration by accepting the amendment suggested in the analysis of the bill as introduced February 19, 2016. Except for the "Effective/Operative Date," "This Bill," "Technical Considerations," "Economic Impact," and "Policy Concerns" sections, the remainder of the department's analysis of the bill as introduced February 19, 2016, still applies.

The "Support/Opposition" section has been updated to reflect currently available information. The "Implementation Considerations" and "Fiscal Impact" 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 taxable years beginning on or after January 1, 2016. The temporary increase to the credit percentages would be specifically operative for taxable years beginning on or after January 1, 2016, and before January 1, 2019.

THIS BILL

For taxable years beginning on or after January 1, 2016, and before January 1, 2019, this bill would, under the PITL, increase the Child and Dependent Care Expenses credit by modifying the state credit percentages as follows:

If AGI is:	Current Credit Percentage	Under this Bill Credit Percentage
\$40,000 or less	50%	65%
Over \$40,000 but not over \$70,000	43%	50%
Over \$70,000 but not over \$100,000	34%	34%
Over \$100,000	0%	0%

This bill would reinstate the current credit percentages as reflected in the above table for taxable years beginning on or after January 1, 2019.

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 2676 As Amended May 16, 2016 Assumed Enactment After June 30, 2016 (\$ in Millions)		
2016-17	2017-18	2018-19
- \$2.0	- \$2.0	- \$2.0

This analysis does not account for changes in aggregate employment, personal income, or gross state product that could result from this bill.

Revenue Discussion

Using Child and Dependent Care Expenses Credit data from the Internal Revenue Service and data from the Franchise Tax Board, the amount of credit each taxpayer could claim was recalculated using the proposed percentages. The estimated additional credit available relative to current law would be \$16 million as of tax year 2013. 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 available Child and Dependent Care Expenses Credit is estimated to be \$1.8 million for 2013. The estimate is then adjusted for changes in the economy over time, resulting in an estimated \$2 million revenue loss in 2016.

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

SUPPORT/OPPOSITION¹

Support: None noted.

Opposition: California Tax Reform Association.

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¹ As noted in the Assembly Revenue and Taxation Committee analysis dated May 5, 2016.