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**Introduced by Senator Burton**

January 9, 2002

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An act to add and repeal Section 17041.1 of the Revenue and Taxation Code, relating to taxation, to take effect immediately, tax levy.

LEGISLATIVE COUNSEL'S DIGEST

SB 1255, as introduced, Burton. Personal income tax: rates.

Under the Personal Income Tax Law, taxes are imposed at specified rates up to a maximum of 9.3% based on the amount of the taxpayer's taxable income and a maximum of 7% based on the taxpayer's alternative minimum taxable income.

This bill would, for taxable years beginning on or after January 1, 2002, and before a specified fiscal threshold is reached, impose 10% and 11% maximum rates for taxpayers with taxable incomes over certain amounts, and impose an 8.5% maximum rate based upon the taxpayer's alternative minimum taxable income.

This bill would result in a change in state taxes for the purpose of increasing state revenues within the meaning of Section 3 of Article XIII A of the California Constitution, and thus would require for passage the approval of  $\frac{2}{3}$  of the membership of each house of the Legislature.

The bill would take effect immediately as a tax levy.

Vote:  $\frac{2}{3}$ . Appropriation: no. Fiscal committee: yes. State-mandated local program: no.

*The people of the State of California do enact as follows:*

- 1 SECTION 1. Section 17041.1 is added to the Revenue and
- 2 Taxation Code, to read:

1 17041.1. (a) Notwithstanding any other provision of law, all  
2 of the following apply:

3 (1) (A) For any taxable year beginning on or after January 1,  
4 2002, and before the Director of Finance certifies pursuant to  
5 subdivision (b) that the prudent reserve threshold has been met, the  
6 income tax brackets and rates set forth in paragraph (1) of  
7 subdivision (a) of Section 17041 shall be modified by each of the  
8 following:

9 (i) For that portion of taxable income that is over one hundred  
10 thirty thousand dollars (\$130,000) but not over two hundred sixty  
11 thousand dollars (\$260,000), the tax rate is 10 percent of the excess  
12 over one hundred thirty thousand dollars (\$130,000).

13 (ii) For that portion of taxable income that is over two hundred  
14 sixty thousand dollars (\$260,000), the tax rate is 11 percent of the  
15 excess over two hundred sixty thousand dollars (\$260,000).

16 (B) The income tax brackets specified in this paragraph shall  
17 be recomputed, as otherwise provided in subdivision (h) of Section  
18 17041, only for taxable years beginning on and after January 1,  
19 2003, to which this section applies.

20 (2) (A) For any taxable year beginning on or after January 1,  
21 2002, and before the Director of Finance certifies pursuant to  
22 subdivision (b) that the prudent reserve threshold has been met, the  
23 income tax brackets and rates set forth in paragraph (1) of  
24 subdivision (c) of Section 17041 shall be modified by each of the  
25 following:

26 (i) For that portion of taxable income that is over one hundred  
27 seventy-six thousand nine hundred fifty dollars (\$176,950) but not  
28 over three hundred fifty-three thousand eight hundred ninety-nine  
29 dollars (\$353,899), the tax rate is 10 percent of the excess over one  
30 hundred seventy-six thousand nine hundred fifty dollars  
31 (\$176,950).

32 (ii) For that portion of taxable income that is over three hundred  
33 fifty-three thousand eight hundred ninety-nine dollars (\$353,899),  
34 the tax rate is 11 percent of the excess over three hundred  
35 fifty-three thousand eight hundred ninety-nine dollars (\$353,899).

36 (B) The income tax brackets specified in this paragraph shall  
37 be recomputed, as otherwise provided in subdivision (h) of Section  
38 17041, only for taxable years beginning on and after January 1,  
39 2003, to which this section applies.



1 (3) For any taxable year beginning on or after January 1, 2002,  
2 and for any taxable year thereafter for which this section is  
3 operative, the tax imposed pursuant to subparagraph (A) of  
4 paragraph (3) of subdivision (b) of Section 17062 is 8.5 percent.

5 (b) (1) No later than November 1 of 2002, and on or before  
6 each November 1 thereafter until he or she certifies that the  
7 prudent reserve threshold has been met, the Director of Finance  
8 shall do both of the following:

9 (A) Estimate whether, as of June 30 of the current fiscal year,  
10 the amount in the Special Fund for Economic Uncertainties, as  
11 established pursuant to Section 16418 of the Government Code,  
12 will exceed 3 percent of General Fund Revenues for the current  
13 fiscal year.

14 (B) Certify his or her estimate to the Governor and each house  
15 of the Legislature.

16 (2) For purposes of this subdivision, the Director of Finance  
17 certifies that the prudent reserve threshold has been met when he  
18 or she certifies, pursuant to paragraph (1), that the amount in the  
19 Special Fund for Economic Uncertainties as of June 30 of the  
20 current fiscal year is estimated to exceed 3 percent of General Fund  
21 revenues for the current fiscal year.

22 (c) This section shall remain in effect only until the January 1  
23 next following the Director of Finance's certification that the  
24 prudent reserve threshold had been met, and as of that date is  
25 repealed.

26 SEC. 2. This act provides for a tax levy within the meaning of  
27 Article IV of the Constitution and shall go into immediate effect.

