

AMENDED IN ASSEMBLY MAY 16, 2016

CALIFORNIA LEGISLATURE—2015–16 REGULAR SESSION

**ASSEMBLY BILL**

**No. 2676**

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**Introduced by Assembly Member Chávez**

February 19, 2016

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An act to amend Section 17052.6 of the Revenue and Taxation Code, relating to taxation, to take effect immediately, tax levy.

LEGISLATIVE COUNSEL'S DIGEST

AB 2676, as amended, Chávez. Income taxes: credit: dependent care.

The Personal Income Tax Law, in modified conformity to federal income tax law, authorizes a credit for household and dependent care expenses necessary for gainful employment, as provided. That law provides that the amount of the state credit is a percentage of the allowable federal credit determined on the basis of the amount of federal adjusted gross income earned, as provided.

This bill, for taxable years beginning on or after January 1, 2016, *and before January 1, 2019*, would increase the amount of the applicable state credit percentage ~~and revise adjusted gross income amounts, as provided for taxpayers with adjusted gross income amounts of \$70,000 or less, as provided.~~

This bill would take effect immediately as a tax levy.

Vote: majority. 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 17052.6 of the Revenue and Taxation
- 2 Code is amended to read:

17052.6. (a) For each taxable year beginning on or after January 1, 2000, there shall be allowed as a credit against the “net ~~tax~~”, *tax*,” as defined in Section 17039, an amount determined in accordance with Section 21 of the Internal Revenue Code, relating to expenses for household and dependent care services necessary for gainful employment, except that the amount of the credit shall be a percentage, as provided in subdivision (b) of the allowable federal credit without taking into account whether there is a federal tax liability.

(b) For the purposes of subdivision (a), the percentage of the allowable federal credit shall be determined as follows:

(1) For taxable years beginning before January 1, 2003:

If the adjusted gross income is:	The percentage of credit is:
\$40,000 or less.....	63%
Over \$40,000 but not over \$70,000.....	53%
Over \$70,000 but not over \$100,000.....	42%
Over \$100,000.....	0%

(2) For taxable years beginning on or after January 1, 2003, and before January 1, 2016:

If the adjusted gross income is:	The percentage of credit is:
\$40,000 or less.....	50%
Over \$40,000 but not over \$70,000.....	43%
Over \$70,000 but not over \$100,000.....	34%
Over \$100,000.....	0%

(3) For taxable years beginning on or after January 1, ~~2016:~~  
*2016, and before January 1, 2019:*

If the adjusted gross income is:	The percentage of credit is:
<del>\$100,000 or less.....</del>	<del>200%</del>
<del>Over \$100,000 but not over \$125,000.....</del>	<del>100%</del>
<del>Over \$125,000 but not over \$150,000.....</del>	<del>50%</del>
<del>Over \$150,000.....</del>	<del>-0%</del>

1		<i>The percentage of</i>
2	<i>If the adjusted gross income is:</i>	<i>credit is:</i>
3	\$40,000 or less.....	65%
4	Over \$40,000 but not over \$70,000.....	50%
5	Over \$70,000 but not over \$100,000.....	34%
6	Over \$100,000.....	0%

(4) For taxable years beginning on or after January 1, 2019:

10		<i>The percentage of</i>
11	<i>If the adjusted gross income is:</i>	<i>credit is:</i>
12	\$40,000 or less.....	50%
13	Over \$40,000 but not over \$70,000.....	43%
14	Over \$70,000 but not over \$100,000.....	34%
15	Over \$100,000.....	0%

(c) For purposes of this section, “adjusted gross income” means adjusted gross income as computed for purposes of paragraph (2) of subdivision (h) of Section 17024.5.

(d) The credit authorized by this section shall be limited, as follows:

(1) Employment-related expenses, within the meaning of Section 21 of the Internal Revenue Code, relating to expenses for household and dependent care services necessary for gainful employment, shall be limited to expenses for household services and care provided in this state.

(2) Earned income, within the meaning of Section 21(d) of the Internal Revenue Code, relating to earned income limitation, shall be limited to earned income subject to tax under this part. For purposes of this paragraph, compensation received by a member of the ~~armed forces~~ *Armed Forces* for active services as a member of the ~~armed forces~~; *Armed Forces*, other than pensions or retired pay, shall be considered earned income subject to tax under this part, whether or not the member is domiciled in this state.

(e) For purposes of this section, Section 21(b)(1) of the Internal Revenue Code, relating to a qualifying individual, is modified to additionally provide that a child, as defined in Section ~~152(e)(3)~~ *152(f)(1)* of the Internal Revenue Code, relating to ~~age requirements~~, *child defined*, shall be treated, for purposes of Section 152 of the Internal Revenue Code, relating to dependent defined,

1 as applicable for purposes of this section, as receiving over one-half  
2 of his or her support during the calendar year from the parent  
3 having custody for a greater portion of the calendar year, that  
4 parent shall be treated as a “custodial parent,” within the meaning  
5 of Section 152(e) of the Internal Revenue Code, relating to special  
6 rule for divorced parents, etc., as applicable for purposes of this  
7 section, and the child shall be treated as a qualifying individual  
8 under Section 21(b)(1) of the Internal Revenue Code, relating to  
9 qualifying individual, as applicable for purposes of this section, if  
10 both of the following apply:

11 (1) The child receives over one-half of his or her support during  
12 the calendar year from his or her parents who never married each  
13 other and who lived apart at all times during the last six months  
14 of the calendar year.

15 (2) The child is in the custody of one or both of his or her parents  
16 for more than one-half of the calendar year.

17 (f) The amendments to this section made by Section 1.5 of  
18 Chapter 824 of the Statutes of 2002 shall apply only to taxable  
19 years beginning on or after January 1, 2002.

20 (g) The amendments made to this section by Chapter 14 of the  
21 Statutes of 2011 shall apply to taxable years beginning on or after  
22 January 1, 2011.

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