

AMENDED IN SENATE MAY 4, 2016
AMENDED IN SENATE MARCH 15, 2016

SENATE BILL

No. 874

Introduced by Senator Gaines

January 14, 2016

An act to amend Section 17054 of the Revenue and Taxation Code, relating to taxation, to take effect immediately, tax levy.

LEGISLATIVE COUNSEL'S DIGEST

SB 874, as amended, Gaines. Personal Income Tax Law: exemption credit: dependents.

The Personal Income Tax law authorizes a credit of \$227 for each dependent of a taxpayer for each taxable year beginning on or after January 1, 1999, as adjusted for inflation, which may be reduced if a taxpayer's federal adjusted gross income exceeds a threshold amount. The credit for the 2015 taxable year is \$337.

This bill would increase that credit to ~~\$422~~ \$371 for taxable years beginning on or after January 1, 2016, which would be adjusted for inflation in taxable years thereafter.

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 17054 of the Revenue and Taxation Code
- 2 is amended to read:
- 3 17054. In the case of individuals, the following credits for
- 4 personal exemption may be deducted from the tax imposed under

1 Section 17041 or 17048, less any increases imposed under
2 paragraph (1) of subdivision (d) or paragraph (1) of subdivision
3 (e), or both, of Section 17560.

4 (a) In the case of a single individual, a head of household, or a
5 married individual making a separate return, a credit of fifty-two
6 dollars (\$52).

7 (b) In the case of a surviving spouse (as defined in Section
8 17046), or a husband and wife making a joint return, a credit of
9 one hundred four dollars (\$104). If one spouse was a resident for
10 the entire taxable year and the other spouse was a nonresident for
11 all or any portion of the taxable year, the personal exemption shall
12 be divided equally.

13 (c) In addition to any other credit provided in this section, in
14 the case of an individual who is 65 years of age or over by the end
15 of the taxable year, a credit of fifty-two dollars (\$52).

16 (d) (1) (A) For taxable years beginning before January 1, 2016,
17 a credit of two hundred twenty-seven dollars (\$227) for each
18 dependent (as defined in Section 17056) for whom an exemption
19 is allowable under Section 151(c) of the Internal Revenue Code,
20 relating to additional exemption for dependents. The credit allowed
21 under this ~~paragraph~~ *subparagraph* for taxable years beginning
22 on or after January 1, 1999, shall not be adjusted pursuant to
23 subdivision (i) for any taxable year beginning before January 1,
24 2000.

25 ~~(2)~~
26 (B) For taxable years beginning on or after January 1, 2016, a
27 credit of ~~four hundred twenty-two~~ *three hundred twenty-two* ~~seventy-one~~ *seventy-one* dollars (~~\$422~~)
28 (\$371) for each dependent, as defined in Section 17056, for whom
29 an exemption is allowable under Section 151(c) of the Internal
30 Revenue Code, relating to additional exemption for dependents.
31 The credit allowed under this ~~paragraph~~ *subparagraph* for taxable
32 years beginning on or after January 1, 2016, shall be computed,
33 as otherwise provided in subdivision (i), for taxable years beginning
34 on or after January 1, 2017.

35 ~~(3)~~
36 (2) (A) For taxable years beginning on or after January 1, 2015,
37 a credit shall not be allowed under paragraph (1) with respect to
38 any individual unless the identification number, as defined in
39 Section 6109 of the Internal Revenue Code, of that individual is
40 included on the return claiming the credit.

(B) A disallowance of a credit due to the omission of a correct identification number required under this paragraph, may be assessed by the Franchise Tax Board in the same manner as is provided by Section 19051 in the case of a mathematical error appearing on the return. A claimant shall have the right to claim a credit or refund of adjusted amounts within the period provided in Section 19306, 19307, 19308, or 19311, whichever period expires later.

~~(4)~~

(3) (A) For taxable years beginning on or after January 1, 2009, the credit allowed under paragraph (1) for each dependent shall be equal to the credit allowed under subdivision (a). This subparagraph shall cease to be operative for taxable years beginning on or after January 1, 2011, unless the Director of Finance makes the notification pursuant to Section 99040 of the Government Code, in which case this subparagraph shall cease to be operative for taxable years beginning on or after January 1, 2013.

(B) For taxable years that subparagraph (A) ceases to be operative, the credit allowed under paragraph (1) for each dependent shall be equal to the amount that would be allowed if subparagraph (A) had never been operative.

(e) A credit for personal exemption of fifty-two dollars (\$52) for the taxpayer if he or she is blind at the end of his or her taxable year.

(f) A credit for personal exemption of fifty-two dollars (\$52) for the spouse of the taxpayer if a separate return is made by the taxpayer, and if the spouse is blind and, for the calendar year in which the taxable year of the taxpayer begins, has no gross income and is not the dependent of another taxpayer.

(g) For the purposes of this section, an individual is blind only if either (1) his or her central visual acuity does not exceed 20/200 in the better eye with correcting lenses, or (2) his or her visual acuity is greater than 20/200 but is accompanied by a limitation in the fields of vision such that the widest diameter of the visual field subtends an angle no greater than 20 degrees.

(h) In the case of an individual with respect to whom a credit under this section is allowable to another taxpayer for a taxable year beginning in the calendar year in which the individual's taxable year begins, the credit amount applicable to that individual for that individual's taxable year is zero.

(i) For each taxable year beginning on or after January 1, 1989, the Franchise Tax Board shall compute the credits prescribed in this section. That computation shall be made as follows:

(1) The California Department of Industrial Relations shall transmit annually to the Franchise Tax Board the percentage change in the California Consumer Price Index for all items from June of the prior calendar year to June of the current calendar year, no later than August 1 of the current calendar year.

(2) The Franchise Tax Board shall add 100 percent to the percentage change figure which is furnished to them pursuant to paragraph (1), and divide the result by 100.

(3) The Franchise Tax Board shall multiply the immediately preceding taxable year credits by the inflation adjustment factor determined in paragraph (2), and round off the resulting products to the nearest one dollar (\$1).

(4) In computing the credits pursuant to this subdivision, the credit provided in subdivision (b) shall be twice the credit provided in subdivision (a).

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