

## Assembly Bill No. 1140

### CHAPTER 196

An act to amend Section 18501 of the Revenue and Taxation Code, relating to taxation.

[Approved by Governor July 27, 1999. Filed with  
Secretary of State July 28, 1999.]

#### LEGISLATIVE COUNSEL'S DIGEST

AB 1140, Villaraigosa. Income taxes: returns: filing requirements.

Existing income tax laws require every individual taxable under the Personal Income Tax Law that has certain amounts of adjusted gross income, or gross income, to make a return to the Franchise Tax Board.

This bill would require the board to recompute those amounts to take into account the effect of the dependent credit and the senior exemption credit, as provided.

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

SECTION 1. Section 18501 of the Revenue and Taxation Code is amended to read:

18501. (a) Every individual taxable under Part 10 (commencing with Section 17001) shall make a return to the Franchise Tax Board, stating specifically the items of the individual's gross income from all sources and the deductions and credits allowable, if the individual has any of the following for the taxable year:

(1) An adjusted gross income from all sources in excess of eight thousand dollars (\$8,000), if single.

(2) An adjusted gross income from all sources in excess of sixteen thousand dollars (\$16,000), if married.

(3) A gross income from all sources in excess of ten thousand dollars (\$10,000), if single, and twenty thousand dollars (\$20,000), if married, regardless of the amount of adjusted gross income.

(4) In the case of an individual described in Section 63(c)(5) of the Internal Revenue Code, relating to limitation on basic standard deduction in the case of certain dependents, a gross income from all sources that exceeds the amount of the standard deduction allowed under that section.

(b) If a husband and wife have for the taxable year an adjusted gross income from all sources in excess of sixteen thousand dollars (\$16,000) or a gross income from all sources in excess of twenty thousand dollars (\$20,000), each shall make a return on the income



of each shall be included on a single joint return as otherwise provided in this article.

(c) For any individual described in paragraph (1) or (2), the Franchise Tax Board shall recompute the amounts provided in subdivision (b) and paragraphs (1) to (3), inclusive, of subdivision (a) as follows:

(1) For any individual eligible to claim the credit described in subdivision (c) of Section 17054, the Franchise Tax Board shall increase the income amounts described in subdivision (b) and paragraphs (1) to (3), inclusive, of subdivision (a), as adjusted by subdivision (d), by the quotient provided by dividing the credit described in subdivision (c) of Section 17054, as adjusted in subdivision (i) of Section 17054, by 2 percent.

(2) For any individual or married couple eligible to claim the credit described in subdivision (d) of Section 17054, the Franchise Tax Board shall increase the income amounts described in subdivision (b) or paragraphs (1) to (3), inclusive, of subdivision (a), as adjusted by subdivision (d), by the quotient provided by dividing each credit described in subdivision (d) of Section 17054, as adjusted in subdivision (i) of Section 17054, by the following:

(A) If the individual or married couple is not eligible to claim the credit allowed in subdivision (c) of Section 17054, 3 percent for the first dependent credit and 4 percent for the second dependent credit, if any.

(B) If the individual or married couple is eligible to claim the credit allowed in subdivision (c) of Section 17054, 4 percent for the first dependent credit and 5 percent for the second dependent credit, if any.

(d) For each taxable year beginning on or after January 1, 1996, the Franchise Tax Board shall recompute the income amounts prescribed in paragraphs (1) to (3), inclusive, of subdivision (a) and in subdivision (b), as follows:

(1) The 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 do both of the following:

(A) Compute an inflation adjustment factor by adding 100 percent to the percentage change figure that is furnished pursuant to paragraph (1) and dividing the result by 100.

(B) Multiply the income amounts for the preceding taxable year by the inflation adjustment factor determined in subparagraph (A) and round off the resulting products to the nearest one dollar (\$1).



(e) The changes to subdivision (c) made by the act adding this subdivision shall apply to each taxable year beginning on or after January 1, 1999.

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