

Date of Hearing: April 26, 2017

ASSEMBLY COMMITTEE ON APPROPRIATIONS

Lorena Gonzalez Fletcher, Chair

AB 942 (Mathis) – As Amended April 4, 2017

Policy Committee: Revenue and Taxation Vote: 6 - 2

Urgency: No State Mandated Local Program: No Reimbursable: No

**SUMMARY:**

This bill allows a Personal Income Tax (PIT) credit for veterinary costs. Specifically, this bill:

- 1) Allows a tax credit equal to 50% the amounts paid for medically-necessary veterinary costs for a dog or cat owned by the taxpayer. The credit may not exceed \$2,000.
- 2) Allows the tax credit for taxable years beginning on or after January 1, 2017, and before January 1, 2023. This bill repeals the tax credit on December 1, 2023.

**FISCAL EFFECT:**

General Fund (GF) revenue loss of \$1.9 billion in 2017-18, \$1.3 billion in 2018-19, and \$1.4 billion in 2019-20.

**COMMENTS:**

- 1) **Purpose.** According to the author, AB 942 will help California's pet owners cope with the costs of veterinarian care. Supporters of the bill note that these high costs can leave families conflicted about their ability to pay for life-and-death treatment.
- 2) **Fiscal implications of tax expenditures.** Existing law provides various credits, deductions, exclusions, and exemptions for particular taxpayer groups. These features of the tax law are referred to as "expenditures" since they are generally enacted to accomplish some governmental purpose and there is a determinable cost associated with each (in the form of foregone revenues). One ongoing concern about tax expenditures is the lack of control over revenue losses, since the number of taxpayers taking advantage of any given tax expenditure can vary each year. This bill enacts a new tax expenditure program, in the form of a PIT credit, to help families cope with the high costs of veterinarian care.
- 3) **Controlling AB 942's annual costs.** A number of tax expenditures that are currently pending in this Committee contain language, added by policy committee, making the proposed tax expenditure contingent upon an appropriation to the FTB for administering a bill's provisions. (See: AB 290 (Steinorth), 2017/18, and AB 54 (Steinorth), 2017/18, for examples). These provisions give policymakers with more control over the year-to-year costs of tax expenditures. The Committee may wish to include similar language in order to better manage the bill's significant fiscal impact.

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