

Date of Hearing: June 2, 2020

ASSEMBLY COMMITTEE ON APPROPRIATIONS

Lorena Gonzalez, Chair

AB 2247 (Burke) – As Introduced February 13, 2020

Policy Committee: Revenue and Taxation

Vote: 10 - 1

Urgency: No

State Mandated Local Program: No

Reimbursable: No

SUMMARY:

This bill allows a taxpayer claiming the dependent exemption credit to provide alternative identifying information for the dependent if the dependent is ineligible for a federal tax identification number (ITIN).

FISCAL EFFECT:

Minor General Fund (GF) costs to the extent this bill allows a taxpayer who cannot claim the dependent exemption credit due to new federal administrative practices to do so. The number of potentially affected taxpayers is small, and this bill does not change eligibility criteria or the amount of the credit.

COMMENTS:

- 1) **Background.** Under federal law, the definition of a "dependent" includes a qualifying child or relative who lives in Mexico or Canada and who is not a US citizen. Prior to 2018, a taxpayer with such a dependent could claim a personal exemption deduction in order to reduce the taxpayer's federal income tax liability. However, the Tax Cuts and Jobs Act of 2017 suspended this personal exemption altogether. Recently, the Internal Revenue Service (IRS) stopped issuing an ITIN to a dependent whose only need for an ITIN was for this suspended personal exemption deduction.

Under state law, a household can still claim a state dependent exemption credit so long as the tax return includes a social security number or ITIN for each qualifying dependent. The recent actions by IRS have jeopardized eligibility for this state credit because dependents who would normally have an ITIN may no longer have one.

- 2) **Purpose.** This FTB-sponsored bill provides taxpayers a different option for providing alternative information to claim the dependent exemption credit.

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