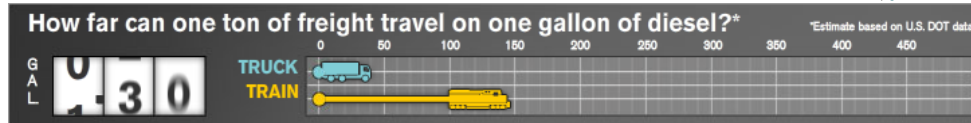


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Where taxpayers will save under new state budget

June 30, 2011 | By Kathleen Pender, Chronicle Columnist

In response to my column item Tuesday on the state sales tax dropping by one percentage point Friday when a temporary surcharge expires, Walter Brem of El Cerrito writes:

"I read with interest your column and (Tuesday's) front-page article on the budget deal. In the latter, Assembly Republican leader Connie Conway of Tulare is quoted as saying that the expiration of the taxes 'will result in the average California family saving nearly \$1,000 a year.' I cannot for the life of me see us saving \$1,000/year in taxes based on our earnings, purchases, etc. How much would a family have to make and spend to save \$1,000 from the expiring batch of taxes?"

Conway's estimate came from the California Taxpayers Association, which was actually estimating how much additional tax a typical family would pay if four temporary revenue raisers the state adopted in 2009 were extended. They were:

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Assembly Republican leader Connie Conway estimates that an average family will save \$1,000. Credit: Rich Pedroncelli / Associated Press 2010

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- A 0.25 percentage point increase in personal income tax rates.
- A reduction in the state tax credit for dependents - from roughly \$309 per dependent to \$99.
- A 0.50 percentage point increase in the vehicle license fee (or \$5 per \$1,000 in car value).
- A one percentage point increase in the state sales tax rate.

Although Democrats tried to extend these revenue raisers for another year or two, they were unsuccessful. The first two expired at the end of last year; the latter two will sunset at midnight tonight.

If all four had been extended as envisioned under one failed bill, it would have cost a hypothetical family of four - with \$60,000 of taxable income, \$20,000 of taxable purchases and two cars valued at \$20,000 and \$15,000 - about \$945 a year, according to CalTax.

For a family of two (no kids) with \$200,000 of taxable income, \$50,000 of taxable purchases and two cars valued at \$30,000 and \$15,000, the tax increase would have been about \$1,215 per year.

Since all four are expiring, Conway figured the average family will save about \$1,000 a year, according to

her spokeswoman Sabrina Lockhart.

For the family of four, the biggest savings - \$420 per year - comes from the higher dependent credit.

Before 1998, the credit was the same for adults and dependents. But in 1998, when the state was awash in cash, it tripled the credit for dependents - from \$99 to \$309 - while leaving the credit for adults at \$99.

In 2009, when the state was drowning in red ink, it took that gift away and reset the dependent credit equal to the adult credit, but only through 2010.

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