STATE OF CALIFORNIA
Franchise Tax Board

INDEXING - TAX YEAR 2019 PERSONAL INCOME TAX LAW

The inflation rate, as measured by the California Consumer Price Index (CCPI) for all urban consumers from June of 2018 to June of 2019, was 3.1 percent. The tax threshold (the income level at which a person begins paying income taxes based on the tax rate schedule) has risen to an adjusted gross income of $15,025 for single or separate taxpayers and to $30,050 for joint, surviving spouse and unmarried head of household taxpayers.

The indexed values for the 2019 taxable year are as follows:

STANDARD DEDUCTIONS (R&TC Section 17073.5)

The standard deduction amount for single or separate taxpayers will increase from $4,401 to $4,537 for tax year 2019. For joint, surviving spouse, or head of household taxpayers, the standard deduction increases from $8,802 to $9,074 for tax year 2019.

PERSONAL AND SENIOR EXEMPTIONS (R&TC Section 17054 (a) (b) (c))

The personal and senior exemption amount for single, separate and head of household taxpayers will increase from $118 to $122 for the 2019 tax year. For joint or surviving spouse, the personal and senior exemption credit will increase from $236 to $244.

DEPENDENT EXEMPTIONS (R&TC Section 17054 (d)(1))
The dependent exemption credit will increase from $367 per dependent claimed in 2018 year to $378 each for 2019.

JOINT CUSTODY HEAD OF HOUSEHOLD/DEPENDENT PARENT CREDIT (R&TC Section 17054.5)

Joint custody head of household was a filing status for pre-1987 tax years. It has been replaced as a tax credit for post-1986 tax years. This provision was further amended to add the dependent parent credit for tax years beginning on or after January 1, 1988. The original 1987 taxable year credit was $200 or less, computed by multiplying the net tax by 30%. Indexing last year's credit of $469 yields a 2019 credit of the lesser of $484 or 30% of net tax.

QUALIFIED SENIOR HEAD OF HOUSEHOLD CREDIT (R&TC Section 17054.7)

Senate Bill 389 (Chap. 90-1154) created a tax credit, beginning with the 1990 taxable year, equal to an amount of 2% of taxable income, not to exceed $750. Due to legislation SB 673 (Chap. 93-877) the stated dollar amount and the related indexing provision were eliminated. Indexing was restarted for the 1993 taxable year. For the 2019 taxable year the new maximum credit will be $1,478. The new 2019 maximum AGI (adjusted gross income) ceiling amount allowed for this credit is $78,441.

QUALIFIED PARENT/YOUNG INFANT CREDIT (R&TC Section 17052.20)

This tax credit was in effect for tax years 1991-1993. The credit has sunset and will not appear in the 2019 Personal Income Tax booklets. However the credit still has carryover provisions. It is included on the 2019 form FTB 3540, Credit Carryover Summary.

CALIFORNIA EARNED INCOME TAX CREDIT (CA EITC) (R&TC Section 17052 (b) and (d))

For taxable years beginning on or after January 1, 2019, Assembly Bill 91 increased the maximum AGI for the California EITC. For 2019, the California EITC will generally be available to households with AGI up to $30,000 regardless of whether the household has a qualifying child.

For taxable years beginning on or after January 1, 2020, and subsequent years as provided in AB 91, the earned income and phase out amounts will be annually adjusted in the same manner as the income tax brackets.

YOUNG CHILD TAX CREDIT (R&TC section 17052.1)

For taxable years beginning on or after January 1, 2019, AB 91 also enacted the new Young Child Tax Credit. The maximum credit is $1,000 for a qualified taxpayer who is allowed the California EITC and has a qualifying child younger than six years old on the last day of the taxable year. The credit amount phases out as AGI exceeds the "threshold amount" of $25,000, and completely phases out at $30,000.

For taxable years beginning after the taxable year in which the minimum wage, as defined in Section 1182.12 of the Labor Code, is set at $15 per hour, the "threshold amount" would be annually adjusted in the same manner as the income tax brackets.

RENTER'S TAX CREDIT (R&TC Section 17053.5)

Senate Bill 169 (Chap. 91-117) reduced the tax credit for renters. The credits were phased out based on a sliding AGI (Adjusted Gross Income) scale for tax year 1991. In 1992 these AGI amounts were subject to indexing. For tax years 1993 and 1994 the credit was suspended due to passage of AB 760 (Chap. 93-62). The credit was suspended for tax year 1995 due to AB 2389 (Chap. 94-144), for tax year 1996 due to SB 1794 (Chap. 96-192) and for tax year 1997 due to AB 1592 (Chap. 97-292). The credit was reinstated for tax year 1998 by SB 94 (Chap.98-931) as a nonrefundable $60 credit for single filers with an AGI $25,000 or less and a $120 credit for joint filers with an AGI $50,000 or less. Indexing was restarted for taxable year 1999. The new 2019 indexed year AGI amounts are $42,932 or less for single filers and $85,864 or less for joint filers.

REDUCTION OF EXEMPTION CREDITS (R&TC Section 17054.1)

Senate Bill 169 (Chap. 91-117) activated the reduction of California personal exemption credits in conjunction to federal adjusted gross income levels. For each $2,500 ($1,250 if married filing separate) of AGI or fraction thereof, which exceeds the threshold value, a reduction of $6 ($12 joint) will apply. The indexed threshold values for the 2019 tax year are as follows:

Single, married filing separate	-- $200,534
Head of household	-- $300,805
Joint, surviving spouse	-- $401,072

REDUCTION OF ITEMIZED DEDUCTIONS (R&TC Section 17077)

Senate Bill 169 (Chap. 91-117) also activated the reduction of California itemized deductions based on AGI similar to the federal reduction. The amount of the itemized deductions otherwise allowable shall be reduced by the lesser of (1) 6% of excess of AGI over the threshold amount or (2) 80% of itemized deductions otherwise allowed for the tax year. The indexed threshold amounts for the 2019 tax year are as follows:

Single, married filing separate	--	$200,534
Head of household	--	$300,805
Joint, surviving spouse	--	$401,072

RETURN FILING REQUIREMENTS (R&TC Section 18501)

Senate Bill 721 (Chap. 95-65) authorized the increase in the filing requirement thresholds and the indexing of these thresholds for subsequent years. Starting with tax year 1995, the filing requirement thresholds for AGI amounts from all sources were: $8,000 for an individual and $16,000 for married filers. The threshold amounts for gross incomes from all sources were: $10,000 for an individual and $20,000 for married filers. The indexed amounts for taxable year 2019 are:

Single, or unmarried, adjusted gross income	--	$14,593
Married, adjusted gross income	--	$29,190
Single, or unmarried, gross income	--	$18,241
Married, gross income	--	$36,485

The tax threshold (the income level at which a person begins paying income taxes based on the tax rate schedule) has risen to an adjusted gross income of $15,025 for single or separate taxpayers and to $30,050 for joint, surviving spouse and unmarried head of household taxpayers.

Assembly Bill 1140 (Chap. 99-196) also changes certain minimum filing threshold amounts. They will be adjusted to account for the inclusion of the additional senior exemption credit(s) and the dependent exemption credit(s) allowed under previously referenced legislation. The table reflecting these changes has been developed in conjunction with Tax Forms Development Section. The filing requirements chart is attached (Attachment 1).

ALTERNATIVE MINIMUM TAX (AMT) EXEMPTION (R&TC Section 17062 (5) (A-C) and (6) (A-C))

Senate Bill 519 (Chap. 98-7) authorizes the start of new base exemption amounts for the AMT, and their exemption phase outs. It also provides for the indexing of these amounts for subsequent years, commencing with tax year 1998. The exemption amounts for taxable year 2019 are:

Joint, or surviving spouse	--	$98,330
Single, or unmarried	--	$73,748
Separate, or an estate or trust	--	$49,163

Starting initial amounts for AMT exemption phase outs are:

Joint, or surviving spouse	--	$368,737
Single, or unmarried	--	$276,552
Separate, or an estate or trust	--	$184,365

TAX RATE SCHEDULES (R&TC Section 17041)

The Tax Rate Schedules are attached (Attachment 2).
The Tax Tables, as required for the tax forms booklets, have been completed in conjunction with the Tax Forms Development and Distribution Unit.

TAXPAYERS' BILL OF RIGHTS -- EXEMPTION FROM LEVY (R&TC Section 21017)

Assembly Bill 2788 (Chap. 88-1573) authorizes indexing of property values exempt from levy. Since the inflation total adjustment factor has not exceeded the stipulated 5% threshold (last indexed 2018), these exemptions are not scheduled to be indexed for taxable year 2019.

TAXPAYERS' BILL OF RIGHTS – Taxpayers' Rights Advocate (R&TC Section 21004)

Paragraph (c) of Section 21004 allows for the Taxpayers' Rights Advocate, in coordination with the Chief Counsel of the Franchise Tax Board to provide relief pursuant to this subdivision and abate any penalties, fees, additions to tax, or interest assessed if it is determined that these amounts have been assessed, or any part thereof, is attributable to any of the following: erroneous action or erroneous inaction by FTB in processing documents filed or payments made by taxpayers; unreasonable delay caused by FTB; or erroneous written advice that does not qualify for relief under Section 21012.

The total relief granted pursuant to this subdivision to a taxpayer with respect to penalties, fees, additions to tax, or interest for a taxable year may not exceed ten thousand dollars ($10,000). The amount shall be recomputed annually in accordance with this Section and Section 19442. The indexed amount for 2019 is $11,248.

TAXPAYERS' SALES, PROPERTY, AND PAYROLL FOR DOING BUSINESS PURPOSES (R&TC Section 25120 (c)(e)(f))

"Doing business" means actively engaging in any transaction for the purpose of financial or pecuniary gain or profit. For taxable years beginning on or after January 1, 2011, a taxpayer is doing business in this state for a taxable year if any of the following conditions has been satisfied:

- The taxpayer is organized or commercially domiciled in this state.
- Sales of the taxpayer in California exceed the lesser of five hundred thousand dollars $500,000) or 25 percent of the taxpayer's total sales.
- The real property and tangible personal property of the taxpayer in this state exceed the lesser of fifty thousand dollars ($50,000) or 25 percent of the taxpayer's total real property and tangible personal property.
- The amount paid in this state by the taxpayer for compensation exceeds the lesser of fifty thousand dollars ($50,000) or 25 percent of the total compensation paid by the taxpayer.

The indexed threshold values for the 2019 tax year are as follows:

Sales	-- $601,967
Property	-- $60,197
Payroll	-- $60,197

AUTOMOBILE DEPRECIATION DEDUCTION LIMITATIONS (IRC Section 2804(a)

IRC Section 280F(a) imposes dollar limitations on the depreciation deduction for the year the taxpayer places the passenger automobile in service and for each succeeding year. For passenger automobiles placed in service after 1988, IRC Section 280F(d)(7) requires the amounts allowable as a depreciation deductions be indexed by a price inflation adjustment amount. The Tax Cuts and Jobs Act signed into law on December 22, 2017 changed the dollar limitation amounts. California's general specified date of conformity is January 1, 2015; therefore, California does not conform to the new federal limitations. In 1987, the first year dollar limitation was $2,560. For taxable year 2019, the dollar limitations are the following:

Table 1: Depreciation limitations for passenger automobiles (that are not trucks or vans) placed in service in the calendar year 2019 for which the IRC Section 168(k) additional first year depreciation deduction does not apply.

Tax Year	Amount
1st Tax Year	$ 3,258
2nd Tax Year	$ 5,155
3rd Tax Year	$ 3,041
Each Succeeding Year	$ 1,830

Table 2: Depreciation limitations for trucks and vans placed in service in the calendar year 2019 for which the IRC Section 168(k) additional first year depreciation deduction does not apply.

Tax Year	Amount
1st Tax Year	$ 3,670
2nd Tax Year	$ 5,877
3rd Tax Year	$ 3,454
Each Succeeding Year	$ 2,139

Attachment 1

Do I Have to File

Requirements for Most People

On 12/31/19, my filing status was:	and on 12/31/19, my age was:	California Gross Income[1]			California Adjusted Gross Income[2]		
		Dependents			Dependents		
		0	1	2 or more	0	1	2 or more
Single or head of household	Under 65	18,241	30,841	40,291	14,593	27,193	36,643
	65 or older	24,341	33,791	41,351	20,693	30,143	37,703
Married filing joint Married filing separate	Under 65 (both spouses)	36,485	49,085	58,535	29,190	41,790	51,240
	65 or older (one spouse)	42,585	52,035	59,595	35,290	44,740	52,300
	65 or older (both spouses)	48,685	58,135	65,695	41,390	50,840	58,400
Qualifying widow(er)	Under 65		30,841	40,291		27,193	36,643
	65 or older		33,791	41,351		30,143	37,703
Any filing status	Under 65	More than your standard deduction					
	65 or older	More than your standard deduction					

Attachment 2

2019 California Tax Rate Schedules

	If the amount on Form 540 line 19 is: over -	But not over -	Enter on Form 540 line 31		of the amount over -
	$ 0	$ 8,809	$ 0.00 +	1.00%	$ 0
Schedule X -	8,809	20,883	88.09 +	2.00%	8,809
Use if your filing status is Single or	20,883	32,960	329.57 +	4.00%	20,883
Married Filing Separate	32,960	45,753	812.65 +	6.00%	32,960
	45,753	57,824	1,580.23 +	8.00%	45,753
	57,824	295,373	2,545.91 +	9.30%	57,824
	295,373	354,445	24,637.97 +	10.30%	295,373
	354,445	590,742	30,722.39 +	11.30%	354,445
	590,742	AND OVER	57,423.95 +	12.30%	590,742

	$ 0	$ 17,618	$ 0.00 +	1.00%	$ 0
Schedule Y -	17,618	41,766	176.18 +	2.00%	17,618
Use if your filing status is Married	41,766	65,920	659.14 +	4.00%	41,766
Filing Joint or Qualifying	65,920	91,506	1,625.30 +	6.00%	65,920
Widow(er) with dependent Child	91,506	115,648	3,160.46 +	8.00%	91,506
	115,648	590,746	5,091.82 +	9.30%	115,648
	590,746	708,890	49,275.93 +	10.30%	590,746
	708,890	1,181,484	61,444.76 +	11.30%	708,890
	1,181,484	AND OVER	114,847.88 +	12.30%	1,181,484

	$ 0	$ 17,629	$ 0.00 +	1.00%	$ 0
Schedule Z -	17,629	41,768	176.29+	2.00%	17,629
Use if your filing status is	41,768	53,843	659.07 +	4.00%	41,768
Head of Household	53,843	66,636	1,142.07 +	6.00%	53,843
	66,636	78,710	1,909.65 +	8.00%	66,636
	78,710	401,705	2,875.57 +	9.30%	78,710
	401,705	482,047	32,914.11 +	10.30%	401,705
	482,047	803,410	41,189.34 +	11.30%	482,047
	803,410	AND OVER	77,503.36 +	12.30%	803,410

SUMMARY

Indexed amounts for tax year 2019 are as follows:

Standard Deductions

Single, Married/RDP filing separately:	→	$4,537
Married/RDP filing jointly, Surviving Spouse or Head of Household:	→	$9,074

Personal Exemption Credit

Single, Married/RDP filing separately, or Head of Household:	→	$122
Married/RDP filing jointly:	→	$244
Blind:	→	$122
Age 65 and over:	→	$122

Dependent Exemption Credit

Dependent Exemption Credit:	→	$378

Joint Custody Head of Household/Dependent Parent Credit

Joint Custody Head of Household/ Dependent Parent Credit:	→	Lesser of $484 or 30% of net tax *

Qualified Senior Head of Household Credit

New maximum credit:	→	$1,478 *
New maximum AGI ceiling:	→	$78,441

Footnotes:

* Nonresident filers receive a prorated amount based on the percent of total AGI attributable to California sources.