

SUMMARY ANALYSIS OF AMENDED BILL

Author: Oropeza Analyst: Nicole Kwon Bill Number: SB 918
 Related Bills: See Prior Analysis Telephone: 845-7800 Amended Date: June 4, 2007
 Attorney: Daniel Biedler Sponsor: _____

SUBJECT: Qualified Tuition Program Deposits/FTB Revise PIT Returns To Allow Taxpayers To Designate Amount In Excess Of Tax Liability To Be Deposited In Taxpayer's Qualified Tuition Program

- DEPARTMENT AMENDMENTS ACCEPTED. Amendments reflect suggestions of previous analysis of bill as introduced/amended _____.
- AMENDMENTS IMPACT REVENUE. A new revenue estimate is provided.
- AMENDMENTS DID NOT RESOLVE THE DEPARTMENT'S CONCERNS stated in the previous analysis of bill as introduced/amended _____.
- FURTHER AMENDMENTS NECESSARY.
- DEPARTMENT POSITION CHANGED TO _____.
- REMAINDER OF PREVIOUS ANALYSIS OF BILL AS AMENDED May 2, 2007, STILL APPLIES.
- OTHER – See comments below.

SUMMARY

This bill would allow taxpayers to direct any amount in excess of their tax liability to a Qualified Tuition Program (QTP) account.

SUMMARY OF AMENDMENTS

The June 4, 2007, amendments removed language that would allow taxpayers to designate more than one QTP on their tax return and added language that limits the taxpayer to one designated QTP. The previous revenue discussion is revised to include additional explanations that would show how the department came up with the revenue estimate for the provisions in this bill. The remainder of the department's analysis of the bill as amended May 2, 2007, still applies.

POSITION

Pending.

Board Position:	Legislative Director	Date
<input type="checkbox"/> S	Brian Putler	6/27/07
<input type="checkbox"/> NA		
<input type="checkbox"/> NP		
<input type="checkbox"/> SA		
<input type="checkbox"/> O		
<input type="checkbox"/> NAR		
<input type="checkbox"/> N		
<input type="checkbox"/> OUA		
<input checked="" type="checkbox"/> PENDING		

ECONOMIC IMPACT

Revenue Estimate

Revenue Analysis for SB 918 Enactment Assumed after June 30, 2007 Effective and Operative January 1, 2008			
Fiscal Year	2007-08	2008-09	2009-10
Revenue Gain/Loss	+/- \$250,000	+/- \$250,000	+/- \$250,000

This analysis does not consider any possible changes in employment, personal income, or gross state product that could result from this bill.

Revenue Discussion

Providing an additional mechanism to induce deposits would not necessarily increase total deposits to QTP accounts. Individuals who are going to contribute to an account are likely to contribute without a tax refund mechanism.

Contributions to QTP accounts do not directly cause a revenue effect. It is the inside buildup (tax deferred compounding of investment returns) and the eventual tax-free distribution for qualified education expenses that impact revenue. As the bill's effect on total deposits could be an incremental increase or decrease, any incremental effect on inside buildup would be negligible. The bill would result in negligible gains or losses of less than \$250,000 in any given year. Because it is unlikely that a distribution from a QTP would occur in the same year a contribution occurred, any incremental revenue effects of tax-free distributions would be in future years.

LEGISLATIVE STAFF CONTACT

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