

**Franchise Tax Board**

**ANALYSIS OF ORIGINAL BILL**

Author: Fletcher and Perea Analyst: Janet Jennings Bill Number: AB 1175

Related Bills: See Legislative History Telephone: 845-3495 Introduced Date: February 18, 2011

Attorney: Patrick Kusiak Sponsor: \_\_\_\_\_

**SUBJECT:** FTB To Revise Tax Forms To Allow 529 Plan Contributions

**SUMMARY**

This bill would require the Franchise Tax Board (FTB) to revise personal income tax (PIT) returns to allow a direct deposit of a taxpayer's refund into an Internal Revenue Code (IRC) section 529 college savings account.

**RECOMMENDATION AND SUPPORTING ARGUMENTS**

No position.

**PURPOSE OF THE BILL**

According to the author's office, the purpose of this bill is to encourage taxpayers to save for future educational expenses for themselves or their dependents.

**EFFECTIVE/OPERATIVE DATE**

This bill would be effective on January 1, 2012, and operative for designations made on tax returns filed on and after that date.

**ANALYSIS**

FEDERAL/STATE LAW

Federal law allows taxpayers three direct deposit options:

- Split the refund with direct deposits into two or three checking and/or savings accounts,
- Direct deposit refund into one checking or savings account, or
- Use the refund to purchase up to \$5,000 in U.S. Series I Savings Bonds.

State law allows taxpayers two direct deposit options:

- Split the refund with direct deposits into two checking and/or savings accounts, including an IRC section 529 college savings account, or
- Direct deposit refund into one checking or savings account accounts, including an IRC section 529 college savings account.

Board Position:	Executive Officer	Date
_____ S		
_____ SA	Geoff Way	04/04/11
_____ N	For Selvi Stanislaus	
_____ NA		
_____ O		
_____ OUA		
_____ X NP		
_____ NAR		

## THIS BILL

This bill would require the FTB to revise the PIT return to allow a taxpayer, who is an individual, to designate that the direct deposit of his or her refund be made to an IRC section 529 college savings account.

## IMPLEMENTATION CONSIDERATIONS

Personal income taxpayers currently have the ability to designate a portion or all of their refund into one or two 529 college savings accounts by listing the routing number of the financial institution responsible for administering the IRC section 529 account and the account number(s) on their PIT return. As a result, implementing this bill would not impact the department's programs and operations because revisions to the PIT returns would be unnecessary.

## **LEGISLATIVE HISTORY**

SB 323 (Oropeza, 2009/2010) would have required the FTB to revise the tax return to include a separate space for a taxpayer to designate a direct deposit to an IRC section 529 college savings plan. This bill was held in the Assembly Appropriations Suspense File.

SB 918 (Oropeza, 2007/2008) would have allowed taxpayers to direct any amount in excess of their tax liability to a Qualified Tuition Program (QTP) account. This bill was held in the Assembly Appropriations Suspense File.

AB 2437 (Baca, 2005/2006) would have allowed taxpayers to designate a minimum amount of \$250 to be deposited to the credit of the taxpayer's QTP. This bill failed to pass out of the Assembly Revenue & Taxation Committee.

## **FISCAL IMPACT**

This bill would not impact the department's costs.

## **ECONOMIC IMPACT**

This bill would not impact the state's income tax revenue.

## **SUPPORT/OPPOSITION**

Support: None provided.

Opposition: None provided.

## **ARGUMENTS**

Pro: This bill could increase awareness of a taxpayer's ability to request a direct deposit of all or a portion of their refund into an IRC section 529 college savings account.

Con: This bill is unnecessary as taxpayers currently have the ability to designate a portion or all of their refund into one or two IRC section 529 college savings.

## **LEGISLATIVE STAFF CONTACT**

Janet Jennings

Legislative Analyst, FTB

(916) 845-3495

[janet.jennings@ftb.ca.gov](mailto:janet.jennings@ftb.ca.gov)

Patrice Gau-Johnson

Asst. Legislative Director, FTB

(916) 845-5521

[patrice.gau-johnson@ftb.ca.gov](mailto:patrice.gau-johnson@ftb.ca.gov)