

SUMMARY ANALYSIS OF AMENDED BILL

Author: Fletcher and Perea Analyst: Janet Jennings Bill Number: AB 1175
 Related Bills: See Prior Analysis Telephone: 845-3495 Amended Date: April 15, 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 the personal income tax (PIT) forms and instructions to inform a taxpayer that they can request a direct deposit of a refund into an Internal Revenue Code (IRC) section 529 college savings account.

RECOMMENDATION AND SUPPORTING ARGUMENTS

No position.

SUMMARY OF AMENDMENTS

The April 15, 2011, amendments would require the FTB to revise the individual tax forms and instructions to include information regarding a taxpayer’s ability to explicitly designate for direct deposit their tax refund into a 529 college savings account.

The amendments would also define the Golden State Scholarshare College Savings Trust. As a result of the amendments, a “Policy Concern” has been identified, and the “This Bill” , “Implementation Considerations”, and “Fiscal” provided in the analysis of the bill as introduced February 18, 2011, have been revised. The remainder of that analysis still applies.

ANALYSIS

THIS BILL

This bill would require the FTB to do the following:

- Revise the forms and instructions to include information about split refund options, including the ability to deposit a portion of the refund into the Golden State Scholarshare College Savings Trust;
- Revise the individual tax forms instructions to include information, provided by the Scholarshare Investment Board, regarding a taxpayer’s ability to request a direct deposit into an Internal Revenue Code section 529 college savings account;

Board Position:	Asst. Legislative Director	Date
<input type="checkbox"/> S <input type="checkbox"/> NA <input checked="" type="checkbox"/> NP <input type="checkbox"/> SA <input type="checkbox"/> O <input type="checkbox"/> NAR <input type="checkbox"/> N <input type="checkbox"/> OUA	Patrice Gau-Johnson	04/27/11

- Revise the tax forms to add the 529 college saving account to the return as a type of account to which a direct deposit can be made; and
- Define the Golden State Scholarshare College Savings Trust by reference to subdivision (e) of Section 69980 of the Education Code.¹

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. However, specifically adding a section 529 account type box to the personal income tax returns would expand the forms 540A, 540 2EZ, and 540NR Short Form to three pages. The forms 540 and 540NR Long Form are expected to accommodate the 529 College Savings box within the current pages.

The bill does not limit the length of the description the Scholarshare Investment Board is to provide the FTB for inclusion in its instructions. A lengthy description could require the FTB to add more pages to the tax instructions, which may incur additional costs.

FISCAL IMPACT

The present 540A, 540 2EZ, and 540NR Short Form have limited space available for additional lines or boxes, and this bill would increase the length of these forms from two to three pages. As a result, this bill would impact the department's printing, processing and storage costs for tax returns. As the bill continues to move through the legislative process, costs will be identified and an appropriation will be requested, if necessary.

POLICY CONCERNS

By designating one specific type of savings account, the Golden State Scholarshare 529 savings plan, on the personal income tax returns, taxpayers could incorrectly conclude they no longer have the ability to request all or a part of their refund to other types of savings accounts, such as a money market account, individual retirement account, or brokerage account.

LEGISLATIVE STAFF CONTACT

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¹ Subdivision (e) of Section 69980 of the Education Code "Golden State Scholarshare College Savings Trust" or "Scholarshare trust" means the trust created pursuant to this article.