

ANALYSIS OF AMENDED BILL

Franchise Tax Board

Author: Linder & Perea Analyst: Janet Jennings Bill Number: AB 1796
Related Bills: See Legislative History Telephone: 845-3495 Amended Date: April 10, 2014
Attorney: Bruce Langston Sponsor: _____

SUBJECT: FTB To Revise Tax Form Instructions To Provide Information About The Golden State Scholarshare College Savings Trust

SUMMARY

This bill would require the Franchise Tax Board (FTB) to revise the individual and fiduciary form instructions to inform a taxpayer that they can request a direct deposit of a refund into the Golden State Scholarshare College Savings Trust.

RECOMMENDATION

No position.

Summary of Amendments

The April 10, 2014, amendments added a coauthor and replaced the bill's existing provision regarding a deduction for amounts contributed by a qualified taxpayer to a qualified tuition program and replaced them with the provision discussed in this analysis.

REASON FOR THE BILL

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, 2015, and operative for form instructions for 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.

Board Position:

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Executive Officer

Date

Selvi Stanislaus

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State law allows taxpayers two direct deposit options:

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

The Golden State Scholarshare College Savings Trust is an IRC section 529 college savings account.

THIS BILL

This bill would require the FTB to revise the Personal Income Tax form instructions for returns to include information about the ability of a taxpayer to directly deposit a portion of the refund into the Golden State Scholarshare College Savings Trust.

This bill would require the Scholarshare Investment Board to provide the FTB with a description of the Golden State Scholarshare College Savings Trust, not to exceed five lines, on or before a date specified by the FTB.

This bill requires the FTB to revise the forms in the most cost effective manner. The “Golden State Scholarshare College Savings Trust” would have the meaning set forth in subdivision (e) of Section 69980 of the Education Code.¹

IMPLEMENTATION CONSIDERATIONS

The department has identified the following implementation concern. Department staff is available to work with the author’s office to resolve this and other concerns that may be identified.

This bill would allow direct deposit of a refund shown on a fiduciary return to the Golden State Scholarshare Trust. If this is contrary to the author’s intent, this bill should be amended.

LEGISLATIVE HISTORY

AB 1175 (Fletcher, 2011/2012) had the same requirements as this bill, but was limited to individual income tax forms. AB 1175 failed to pass out of the Senate Governance and Finance Committee.

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. SB 323 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. SB 918 was held in the Assembly Appropriations Suspense File.

¹ “Golden State Scholarshare College Savings Trust” or “Scholarshare trust” means the trust created pursuant to Article 19, Golden State Scholarshare Trust Act.

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. AB 2437 failed to pass out of the Assembly Revenue & Taxation Committee.

OTHER STATES' INFORMATION

Since this bill only requires a change to the individual and fiduciary form instructions, a review of other states' tax information would not be relevant.

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 on file.

Opposition: None on File.

ARGUMENTS

Proponents: Some may argue that this bill could increase college savings by raising awareness of a taxpayer's ability to request a direct deposit of all or a portion of their refund into a college savings account.

Opponents: Some may argue that this bill is unnecessary as taxpayers currently have the ability to designate a portion or all of their refund into one or two college savings accounts.

LEGISLATIVE STAFF CONTACT

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