

# SUMMARY ANALYSIS OF AMENDED BILL

Author: Nestande, et al. Analyst: Diane Deatherage Bill Number: AB 2421  
 Related Bills: See Prior Analysis Telephone: 845-4783 Amended Date: August 4, 2014  
 Attorney: Bruce Langston Sponsor \_\_\_\_\_

<b>SUBJECT:</b>	Contributions to K-College Education Scholarship Organization Credit
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## SUMMARY

This bill would create the K-College Education Scholarship Organization tax credit under the Corporation Tax Law (CTL).

This analysis only addresses the provisions of the bill that impact the department’s programs and operations.

## RECOMMENDATION

No position.

## SUMMARY OF AMENDMENTS

The August 4, 2014, amendments:

- Modify and clarify the roles of the State Department of Education and Franchise Tax Board (FTB);
- Make various technical, non-substantive changes; and
- Provide definitions.

The August 4, 2014, amendments resolved all of the implementation concerns as discussed in the department’s analysis of the bill as amended June 17, 2014. As a result of the August 4, 2014, amendments, the department has identified two additional technical considerations. Except for the “This Bill” and “Technical Considerations” sections the remainder of the department’s analysis of the bill as amended June 17, 2014, still applies. The “Fiscal Impact,” “Economic Impact,” and “Policy Concerns” sections are restated for convenience.

## THIS BILL

For taxable years beginning on or after January 1, 2015, and before January 1, 2020, this bill would establish, under the CTL, the K-College Education Scholarship Organization credit, with a sunset date of December 1, 2020.

This bill would create a tax credit for approved monetary contributions made by a corporate taxpayer to a qualified K-College education scholarship organization to fund qualified kindergarten through college (K-College) education scholarships for a specified pupil attending a public, charter, or private school in California. The credit may not exceed \$200,000 and would be equal to 50 percent of an approved monetary contribution made by a corporate taxpayer during the taxpayer year.

Board Position:	Asst. Legislative Director	Date
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The State Department of Education would be required to do the following:

- Establish application forms and procedures to determine eligibility of an entity as a qualified K-College educational scholarship organization.
- Allocate tax credits to taxpayers that make an approved monetary contribution.
  - The aggregate amount of credits allowed may not exceed \$10 million for each calendar year.
  - The allocation of credits would be on a first-come-first served basis.
  - The Legislature may increase the \$10 million aggregate amount.
- Certify and issue tax credit certificates to taxpayers for approved monetary contributions made.
- Provide the FTB with a list of taxpayers and the tax credit amounts allocated to each qualified taxpayer by the State Department of Education.

The FTB would be required to do the following:

- Assist the State Department of Education in creating a form for taxpayers to request approval of a monetary contribution to a qualified K-College education scholarship organization and a certificate to be provided to taxpayers of the approved tax credit amount.
- Establish a procedure to verify that the amount of tax credit claimed on a tax return has been approved and certified by the State Department of Education. The corporate taxpayer would be required to provide a copy of the credit certificate upon request.

Any unused tax credit could be carried forward by the taxpayer up to six years, until the credit is exhausted.

The tax credit would be in lieu of any other credit or deduction claimed by a taxpayer for contributions made to a nonprofit education scholarship organization.

The tax credit would be required to be claimed on a timely filed original return.

The rules, guidelines, and procedures established would be exempt from the regulatory requirements of the Administrative Procedures Act.<sup>1</sup>

## **TECHNICAL CONSIDERATIONS**

Subdivision (c) of Section 23692, needs to be amended where the term "qualified K-College education scholarship" appears, as it should be "qualified K-College education scholarship organization" to correspond to the term used throughout the bill. Amendment 1 is provided.

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<sup>1</sup> Chapter 3.5 (commencing with Section 11340) of Part 1 of Division 3 of Title 2 of the Government Code.

Subdivision (k) of Section 23692, needs to be amended to accurately reflect the type of regime that will be developed and followed by agencies responsible for administering this credit. Amendment 2 is provided.

### **FISCAL IMPACT**

The department's costs to administer this bill have yet to be determined. As the bill continues to move through the legislative process, costs will be identified and an appropriation will be requested, if necessary.

### **ECONOMIC IMPACT**

Estimated Revenue Impact of AB 2421 As Amended August 4, 2014 Assumed Enactment After June 30, 2014 (\$ in Millions)		
2014-15	2015-16	2016-17
- \$1.6	- \$6.1	- \$8.3

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

### **POLICY CONCERNS**

This bill would provide a tax benefit for corporations that would not be provided to other business entities. Thus, this bill would provide differing treatment based solely on business organization.

### **LEGISLATIVE STAFF CONTACT**

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FRANCHISE TAX BOARD'S  
PROPOSED AMENDMENTS TO AB 2421  
AS AMENDED AUGUST 4, 2014

AMENDMENT 1

On page 6, line 9, after "scholarship" insert:

organization

AMENDMENT 2

On page 9, line 14, ~~strikeout "or regulations"~~