

**SUMMARY ANALYSIS OF AMENDED BILL**

Author: Patterson, et al. Analyst: Narinder Dosanjh Bill Number: AB 2519  
 Related Bills: See Prior Analysis Telephone: 845-5275 Amended Date: May 15, 2014  
 Attorney: Bruce Langston Sponsor: \_\_\_\_\_

**SUBJECT:** Tuition Paid for Education & Training at Vocational Institution Credit

**SUMMARY**

This bill would, under the Personal Income Tax law, provide a tax credit for the costs paid or incurred for certain education or training at a vocational institution.

**RECOMMENDATION**

No position.

**SUMMARY OF AMENDMENTS**

The May 15, 2014, amendments modified the operative date, added a sunset date, and limited the amount of the credit. The amendments also added provisions to disallow the credit in certain instances. As a result of the amendments, the Implementation Considerations and Policy Concerns as provided in the department’s analysis of the bill as amended April 24, 2014, have been resolved. Except for the “Effective/Operative Date,” “This Bill,” and “Economic Impact” sections, the remainder of the department’s analysis of the bill as amended April 24, 2014, still applies. This “Fiscal Impact” and “Support/Opposition” sections have been provided for convenience.

**EFFECTIVE/OPERATIVE DATE**

As a tax levy, this bill would be effective immediately upon enactment and specifically operative for taxable years beginning on or after January 1, 2015, and before January 1, 2020.

**ANALYSIS**

THIS BILL

For each taxable year beginning on or after January 1, 2015, and before January 1, 2020, this bill would provide a personal income tax credit equal to 15 percent of the tuition paid or incurred during the taxable year, by a taxpayer for education and training obtained by the taxpayer or a dependent of the taxpayer at a vocational institution. The aggregate amount of the credit for each taxable year per taxpayer could not exceed \$2,500. Any unused portion of the credit may be carried over for up to eight years, until the credit is exhausted.

Board Position: _____ S                      _____ NA <u>  X  </u> NP _____ SA                      _____ O                      _____ NAR _____ N                      _____ OUA	Asst. Legislative Director                      Date  Rachel Hallgren                                      5/21/14 For Jahna Carlson
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This bill would define “vocational institution” as a private postsecondary institution that grants only certificates or associate degrees.

This bill would disallow a credit to a taxpayer who deducts the tuition paid or incurred during the taxable year for education and training obtained by the taxpayer at a vocational institution as an ordinary and necessary business expense pursuant to Section 17201.<sup>1</sup>

Also, this bill would disallow a credit to a taxpayer who pays for the tuition at a vocational institution with distributions from the taxpayer’s Golden State Scholarshare College Savings Account.

This credit would be repealed as of December 1, 2020.

**IMPLEMENTATION CONSIDERATIONS**

Implementing this bill would require changes to existing tax forms and instructions and information systems.

**FISCAL IMPACT**

The 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**

**Revenue Estimate**

Estimated Revenue Impact of AB 2519 As Amended May 15, 2014 Assumed Enactment After June 30, 2014 (\$ in Millions)		
2014-15	2015-16	2016-17
- \$32	- \$75	- \$110

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

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<sup>1</sup> Itemized deduction.

## **SUPPORT/OPPOSITION**

Support: None on file.

Opposition: California Tax Reform Association.<sup>2</sup>

## **LEGISLATIVE STAFF CONTACT**

Narinder Dosanjh

Legislative Analyst, FTB

(916) 845-5275

[narinder.dosanjh@ftb.ca.gov](mailto:narinder.dosanjh@ftb.ca.gov)

Mandy Hayes

Revenue Manager, FTB

(916) 845-5125

[mandy.hayes@ftb.ca.gov](mailto:mandy.hayes@ftb.ca.gov)

Jahna Carlson

Asst. Legislative Director, FTB

(916) 845-5683

[jahna.carlson@ftb.ca.gov](mailto:jahna.carlson@ftb.ca.gov)

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<sup>2</sup>As noted in the Assembly Revenue and Taxation Committee analysis of AB 2519 dated May 13, 2014.