

REVISED ANALYSIS

Franchise Tax Board

Author: Alquist & Cunneen Analyst: Kristina North Bill Number: AB 2

Related Bills: See previous analysis Telephone: 845-6978 Original Date: 12/07/98

Attorney: Doug Bramhall Sponsor: _____

SUBJECT: Exclusion/Educational Assistance Program Payments/Includes Graduate Level Courses

- AMENDMENTS IMPACT REVENUE. A new revenue estimate is provided.
- DEPARTMENT POSITION CHANGED TO _____.
- REMAINDER OF PREVIOUS ANALYSIS OF BILL AS INTRODUCED December 7, 1998, STILL APPLIES.
- OTHER - See comments below.

SUMMARY OF BILL

Under the Personal Income Tax Law (PITL), this bill would allow an employee taking graduate level courses to annually exclude up to \$5,250 from gross income that his or her employer pays or incurs for the employee's costs for those courses.

SUMMARY OF REVISION

The revenue estimate for this bill has been revised in light of newly available data. The remainder of the department's analysis of this bill as introduced December 7, 1998, still applies.

Tax Revenue Estimate

The revenue losses from this bill are estimated to be:

Fiscal Year Revenue Loss \$ Millions Assumes Enactment After June 30, 1999		
1999/2000	2000/2001	2001/2002
(\$5)	(\$10)	(\$10)

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

Tax Revenue Discussion

The exclusion for employer-reimbursed educational expenses expired for graduate level classes on June 30, 1996. This bill reinstates the exclusion for classes beginning after June 30, 1999.

This estimate has been revised in light of newly available data. The revised revenue loss is calculated as follows. The 1998 California Statistical Abstract reports that there was approximately 197,000 graduate students in California in 1996.

Board Position:

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Legislative Director

Date

Johnnie Lou Rosas

3/9/1999

This number was grown at a rate of 2% per year (213,000 students in 2000). A new report from the Department of Education, Student Financing of Graduate and First-Professional Education 1995/1996, indicates that a 20.5% of graduate and professional students receive assistance from their employer. This study also indicates that the average level of employer assistance was \$2,821 for the 1995/1996 school year. This number also was grown 2% annually. The estimate assumes that the \$5,000 per year exclusion limit will prevent 25% of students from excluding all of the assistance received from their employer. The resulting revenue loss is approximately \$10 million per year.