

SUMMARY ANALYSIS OF AMENDED BILL

Franchise Tax Board

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

Related Bills: See previous analyses Telephone: 845-6978 Amended Date: June 1, 1999

Attorney: Patrick Kusiak Sponsor:

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

DEPARTMENT AMENDMENTS ACCEPTED. Amendments reflect suggestions of previous analysis of bill as introduced/amended

AMENDMENTS IMPACT REVENUE. A new revenue estimate is provided.

AMENDMENTS DID NOT RESOLVE THE DEPARTMENT'S CONCERNS stated in the previous analysis of bill as amended April 21, 1999.

FURTHER AMENDMENTS NECESSARY.

DEPARTMENT POSITION CHANGED TO _____.

REMAINDER OF PREVIOUS ANALYSES OF BILL AS INTRODUCED DECEMBER 7, 1998, AND AMENDED APRIL 21, 1999, STILL APPLY.

OTHER - See comments below.

SUMMARY OF BILL

This bill would allow an employee to exclude from gross income the amount that an employer pays or incurs, up to \$2,625, for the employee to take graduate level courses in pursuit of a law, business, medical or other advanced academic or professional degree beginning on or after July 1, 1999, and before July 2, 2007.

SUMMARY OF AMENDMENT

The June 1, 1999, amendment reduced from \$5,250 to \$2,625 the amount of graduate level educational assistance that may be excluded from income; however, the limitation references a paragraph of the bill defining assistance which is **not** excluded from income.

Except for the above discussion, the new technical consideration, and the previous technical consideration, the remainder of the department's bill analyses of the bill as introduced December 7, 1998, and as amended April 21, 1999, still apply.

Technical Considerations

To address the incorrect reference and to carry out the author's intent to limit the educational assistance exclusion to \$2,625 for graduate level courses. Amendment 1 is provided.

The author's staff has indicated its intent that the graduate level courses for which an exclusion is allowed by this bill begin on or after July 1, 1999, and before July 1, 2007, rather than before July 2, 2007. Amendment 2 is provided to correct this date.

Board Position:

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NP
 NAR
 PENDING

Department/Legislative Director Date

Johnnie Lou Rosas

6/14/1999

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
(\$3)	(\$6)	(\$6)

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

This estimate reflects the reduced aggregate cap for the exclusion of employer-reimbursed educational expenses for graduate level classes. The \$2,625 limitation reduces the estimate from \$5 million in 1999/2000 and from \$10 million in 2000/2001 and 2001/2002 to the above numbers. It was assumed that not all taxpayers qualifying for the graduate level exclusion would have reached the aggregate cap of \$5,250. Thus, this revenue estimate does not reflect a full 50% reduction in revenue losses.

BOARD POSITION

Support.

At its March 23, 1999, meeting, the Franchise Tax Board voted 2-0 to take a support position on this bill as introduced December 7, 1998.

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FRANCHISE TAX BOARD'S
PROPOSED AMENDMENTS TO AB 2
As Amended June 1, 1999

AMENDMENT 1

On page 2, line 13, strikeout "educational" and strikeout lines 14 and 15 and insert:

graduate level courses, as described in subparagraph (D) of paragraph (1) of subdivision (b), beginning on or after July 1, 1999, and on or before June 30, 2007.

AMENDMENT 2

On page 3, line 16, before "after" insert:

on or