Franchise Tax Board **SUMMARY ANALYSIS OF AMENDED BILL**

Author:	Quirk-Silva	Analyst:	Jessica Deitchman	Bill Number:	AB 490
Related Bills:	See Prior Analysis	Telephone:	845-6310	Amended Date	March 20, 2017
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SUBJECT: College Access Tax Credit – Remove Repeal Date/Make the Credit Permanent

SUMMARY

This bill would, under the Personal Income Tax Law and the Corporation Tax Law, remove the sunset date for the College Access Tax Credit making the credit permanent.

RECOMMENDATION – NO POSITION

SUMMARY OF AMENDMENTS

The March 20, 2017, amendments added language to reimburse the Franchise Tax Board (FTB) for expenses incurred for informational outreach purposes activities. Except for the "This Bill," and "Implementation Considerations" sections, the department's analysis of the bill as introduced February 13, 2017, still applies. The "Fiscal Impact," and "Economic Impact" sections have been restated for convenience.

THIS BILL

This bill would remove the sunset date for the College Access Tax Credit, and allow it to be operative indefinitely for taxable years beginning on or after January 1, 2018.

The maximum aggregate amount of the credit that could be allocated, over the lifetime of the credit, would remain unchanged at $500 million.

The bill would specify that the fund shall be allocated as follows:

1. To the general fund in an amount equal to the aggregate amount of certified credits allowed.
2. Upon appropriation, to the Department of Insurance, the FTB, the California Educational Facilities Authority, the Controller, and the Student Aid Commission for reimbursement of all administrative costs incurred by those agencies in connection with their duties.[1]
3. Upon appropriation, to the FTB for outreach purposes to inform taxpayers about the College Access Tax Credit Fund and the credits allowed.

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[1] Under this Section 17053.87, Section 23687, Section 12207, and Section 69431.7 of the Education Code.

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 lacks administrative details necessary to implement the provision of the bill related to informational outreach to be done by the department. Lack of detail makes it difficult to determine the impacts to the department's systems, forms, and processes. It is recommended the bill be amended to specify when FTB would begin the outreach efforts and how the funding for the program would be determined.

FISCAL IMPACT

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

ECONOMIC IMPACT

This bill would result in the following revenue loss:

Estimated Revenue Impact of AB 490* As Amended March 20, 2017 Assumed Enactment After June 30, 2017 ($ in Millions)		
2017-18	2018-19	2019-20
- $1.6	- $3.5	- $4.5

*The table above shows the impact on income and corporation tax. This bill would require funds to be transferred from the College Access Tax Credit Fund to the General Fund so that the net impact of College Access Tax Credits on the General Fund would be zero.

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

Revenue Discussion

Based on donation data from the California State Treasurer's office, the three-year average contributions to the College Access Tax Credit Fund were approximately $10 million. The contribution amounts were adjusted to reflect changes in the economy over time, resulting in an estimated $11 million in contributions for tax year 2018. The credit is 50 percent of the contributions, or $5.5 million for 2018.

Taxpayers would claim the credit in lieu of the charitable contributions deduction. The estimate is reduced by approximately $1 million to account for the offsetting tax effects of the credit on the charitable contributions deduction. This would result in an estimated revenue loss of $4.5 million for the 2018 taxable year.

Although this credit could be used to reduce tax below tentative minimum tax, not all of the generated credit would be used in the year generated. It is estimated that 60 percent would be used in the year generated and the remainder used over the subsequent two years.

The tax year estimates are converted to fiscal years, and then rounded to arrive at the estimates reflected in the table above.

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