

SUMMARY ANALYSIS OF AMENDED BILL

Author: Quirk-Silva Analyst: Jessica Deitchman Bill Number: AB 490
Related Bills: See Prior Telephone: 845-6310 Amended Date April 6, 2017
Analysis Attorney: Bruce Langston Sponsor: _____

SUBJECT: College Access Tax Credit – Extend Sunset Date

SUMMARY

This bill would, under the Personal Income Tax Law and the Corporation Tax Law, extend the sunset date and add repeal language for the College Access Tax Credit.

RECOMMENDATION – NO POSITION

SUMMARY OF AMENDMENTS

The April 6, 2017, amendments added sunset and repeal date provisions. Except for the “Effective/Operative Date,” “This Bill,” and “Economic Impact” sections, the department’s analysis of the bill as amended March 20, 2017, still applies. The “Fiscal Impact” and “Implementation Considerations” sections have been restated for convenience.

EFFECTIVE/OPERATIVE DATE

This bill would be effective January 1, 2018, and specifically operative for taxable years beginning on or after January 1, 2018 and before January 1, 2023.

THIS BILL

This bill would extend; (1) the sunset date for the College Access Tax Credit from January 1, 2018, to January 1, 2023, and (2) the repeal date from December 1, 2018, to December 1, 2023.

The bill would also add language to allow the fund to be allocated upon appropriation, to the Franchise Tax Board (FTB) for outreach purposes to inform taxpayers about the College Access Tax Credit Fund and the credits allowed.

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 and the implementation concern is resolved, costs will be identified, if necessary.

ECONOMIC IMPACT

Revenue Estimate

This bill would result in the following revenue loss:

Estimated Revenue Impact of AB 490* As Amended on April 6, 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 personal 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 of contributions to the College Access Tax Fund is 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 proposed 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 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 amounts reflected in the above table.

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