

SUMMARY ANALYSIS OF AMENDED BILL

Author: Quirk-Silva Analyst: Jessica Deitchman Bill Number: AB 490
Related Bills: See Prior Telephone: 845-6310 Amended Date May 26, 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.

This analysis only addresses the provisions of the bill that impact the department’s programs and operations.

RECOMMENDATION – NO POSITION

SUMMARY OF AMENDMENTS

The May 26, 2017, amendments removed a provision that would have required the Franchise Tax Board to provide education and outreach. As a result of the amendments, the implementation consideration provided in the department’s analysis of the bill as amended April 6, 2017, has been resolved. Except for the “This Bill” and “Implementation Considerations” sections, the remainder of that analysis still applies. The “Fiscal Impact” and “Economic Impact” sections have been restated for convenience and the “Support/Opposition” section has been updated.

THIS BILL

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

IMPLEMENTATION CONSIDERATIONS

Implementing this bill would occur during the department’s normal annual update.

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, 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.

SUPPORT/OPPOSITION¹

Support: California Catholic Conference.

Opposition: None provided.

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¹ As provided in the Assembly Revenue and Taxation Committee Analysis, dated March 24, 2017.