



Summary Analysis of Amended Bill

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Sponsor:

Bill Number: SB 1214

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Amended: May 9, 2018, and
May 25, 2018

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Related Bills: See Prior Analysis

Subject: Teacher Professional Expenses Deduction

Summary

This bill would, under the Personal Income Tax Law (PITL), allow a tax deduction for certain teacher professional development expenses.

Recommendation – No position.

Summary of Amendments

The May 9, 2018, amendments made several technical corrections and specified that the deduction would be \$0 unless otherwise specified in any budget measure. The May 25, 2018, amendments replaced “any budget measure” with “any bill providing for appropriations related to the Budget Bill.” As a result of the amendments, the implementation consideration identified in the department's analysis of the bill as amended on February 15, 2018, and March 19, 2018, has been resolved.

Except for the “Effective/Operative Date,” “This Bill,” “Implementation Considerations,” “Economic Impact,” and “Policy Concerns” sections, the remainder of the department's analysis of the bill as amended on February 15, 2018, and March 19, 2018, still applies. The “Fiscal Impact,” section has been restated for convenience.

Effective/Operative Date

As a tax levy, this bill would be effective immediately upon enactment and specifically operative for each taxable year beginning on or after January 1, 2019, and before January 1, 2024. The deduction amount for each year would be \$0 unless a differing amount for a taxable year is specified in any bill providing for appropriations related to the Budget Bill.

This Bill

This bill would, for each taxable year beginning on or after January 1, 2019, and before January 1, 2024, allow under the PITL “an above-the-line”¹ deduction in an amount equal to the amount paid or incurred by a qualified taxpayer during the taxable year, not to exceed \$2,500, for teacher professional development expenses.

The bill states that the deduction amount would be \$0 unless an amount is specified in any bill providing appropriations related to the Budget Bill.

The bill would define the following phrases:

“Qualified taxpayer” means a taxpayer who meets all of the following requirements:

- Completed a teacher preparation program or fulfilled the requirements of the early completion option described in Section 44468 of the Education Code and is in possession of a preliminary general education (multiple or single subject) teaching credential or a preliminary special education teaching credential.
- Enrolled in a program, approved by the Commission on Teacher Credentialing, in order to earn a general education clear credential or an education specialist instruction clear credential.
- Is not otherwise reimbursed for the teacher professional development expenses.

“Second tier teaching credential program” means a teacher induction program that leads to a clear teaching credential.

“Teacher professional development expenses” means enrollment fees associated with the completion of a second tier teaching credential program, approved by the Commission on Teacher Credentialing.

A qualified taxpayer would be allowed a deduction under this bill for no more than three taxable years.

No deduction otherwise allowed would be allowed for any amount paid or incurred for the same expenses allowed as a deduction established by this bill.

The Franchise Tax Board (FTB) may issue regulations necessary or appropriate to carry out the purposes of the deduction. Any rule, standard, criterion, guideline, procedure, determination, or notice established or issued by the FTB would be exempt from the normal rulemaking requirements of the Administrative Procedures Act.

The deduction would be repealed by its own terms as of December 1, 2024.

¹ A deduction that reduces gross income to arrive at adjusted gross income, before any itemized or standard deduction.

Implementation Considerations

Implementing this bill would not significantly impact the department's programs and operations.

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.

Economic Impact

Revenue Estimate

This bill would result in the following revenue loss:

Estimated Revenue Impact of SB 1214 as Amended May 25, 2018
Assumed Enactment after June 30, 2018

Fiscal Year	Revenue
2018-2019	- \$100,000
2019-2020	- \$200,000
2020-2021	- \$200,000

This analysis does not account for changes in employment, personal income, or gross state product that could result from this bill or for the net final payment method of accrual.

This estimate assumes a budget measure that specifies the deduction would be set at \$2,500.

Revenue Discussion

Based on data from the California Commission on Teacher Credentialing in 2015, there were approximately 2,400 qualified taxpayers (taxpayers that meet the qualifications in this bill) that expended \$2,100 a year on teacher professional development expenses. The number of qualified taxpayers and the amounts expended on teacher professional development expenses were adjusted for changes in the economy over time resulting in an approximately 3,500 qualified taxpayers in the 2019 taxable year. The estimate assumes qualified taxpayers would incur average annual expenses in excess of the maximum of \$2,500 each year, for a total of nearly \$8.8 million in qualified teacher professional development expenses.

This bill specifies that no other deduction shall be allowed for these expenses. To arrive at the offsetting tax effect of miscellaneous itemized deductions that would otherwise be allowed under current law, it is estimated that qualified taxpayers would be able to deduct almost \$900,000 in teacher professional development expenses. Therefore, the total expenses are reduced by \$900,000 for miscellaneous itemized deductions that would no longer be allowed.

Applying an average tax rate of 2.5 percent, results in an estimated \$200,000 revenue loss in 2019.

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

Policy Concern

This bill would create a difference between federal and California tax law limited to years during which a required appropriation, as specified, is made, thereby increasing the complexity of California tax return preparation for those years.

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