

BILL ANALYSIS

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| Department, Board, Or Commission | Author | Bill Number |
| Franchise Tax Board | Committee on Budget and Fiscal Review | SB 85 |

SUBJECT: FTB Disclosure of Tax Return Information to Scholarshare Investment Board (Board) to Verify Eligibility for the Every Kid Counts College Savings Matching Grant Program

SUMMARY

Among other items, in regard to the Every Kid Counts College Savings Match Grant Program, this bill would, upon request, require the Franchise Tax Board (FTB) to provide an applicant's tax return information so that the Board may verify the applicant meets the household income eligibility requirement for the program.

REASON FOR THE BILL

The reason for this bill is to provide incentives to encourage qualified families to save money for higher education expenses and increase college enrollment for low-income students.

EFFECTIVE/OPERATIVE DATE

As a provision of a bill providing for appropriations related to the Budget Bill and identified as a bill related to the budget in the Budget Bill, this provision would be effective immediately upon enactment.

STATE LAW

Current state law prohibits the disclosure of any taxpayer information, except as specifically authorized by statute in the California Revenue and Taxation Code (R&TC). California law permits the FTB to release individual tax return information to specific state agencies. Agencies must have a specific reason for requesting the information, including investigating items of income disclosed on any return or report, verifying eligibility for public assistance, locating absent parents to collect child support, or locating abducted children. For some agencies, only limited information may be released, such as the taxpayer's social security number and address.

THIS BILL

This bill, under the Government Code, would establish the Every Kid Counts Act (EKC).

The bill would, upon appropriation by the Legislature, require the Scholarshare Investment Board to implement and administer a matching grant program that provides a one-time matching grant of up to two hundred dollars in a dollar-for-dollar match of contributions made by qualifying families to a qualified tuition program. Additionally, qualifying families that establish an automatic contribution plan of twenty-five dollars (\$25) or more per month in the Scholarshare Trust will receive a one-time matching grant in the amount of twenty-five dollars (\$25) to be deposited in the designated beneficiary's Scholarshare account.

Each matching grant program participant and each designated beneficiary must meet all of the following requirements:

- The participant must be a California resident at the time of enrollment.
- The participant and designated beneficiary must meet all of the requirements for a Scholarshare account owner and designated beneficiary, respectively.
- The participant's household adjusted gross income for the previous calendar year must be seventy five thousand dollars (\$75,000) or less. This household adjusted gross income maximum amount shall be adjusted each January based on the Consumer Price Index.

This bill states upon request by the Board, the FTB will provide to the Board an applicant's tax return information to verify the applicant meets the household income eligibility requirement for the program.

IMPLEMENTATION CONSIDERATIONS

This bill would require the FTB to provide taxpayer information to the Board, however, the bill fails to provide a statute in the California R&TC to allow for the disclosure of information or provide that the Board is prohibited from further disclosure of confidential taxpayer information. An exception from the general disclosure provisions should be added to Article 2 of Chapter 7 of Part 10.2 of the California R&TC to specifically allow the FTB to comply with the bill's provision on disclosure of tax information.

LEGISLATIVE HISTORY

AB 1175 (Ting, 2017/2018), would establish the Every Kid Counts (EKC) Account Act that would provide a \$100 savings account for every child born in California after a specified date. AB 1175 is currently referred to the Committee on Higher Education.

SB 752 (Dutton, et. al., 2007/2008), similar to AB 1175, would have created the California Kids Investment and Development Savings Act. SB 752 failed to pass from the Assembly by the constitutional deadline.

OTHER STATES' INFORMATION

Review of *Florida, Illinois, Massachusetts, Michigan, Minnesota, and New York* laws found no comparable 529 matching program. These states were selected and reviewed due to their similarities to California's economy and tax laws.

FISCAL IMPACT

This bill would not impact the department's costs.

ECONOMIC IMPACT

This bill would not impact the state's income tax revenue.

APPOINTMENTS

None.

VOTES

| | Date | Yes | No |
|----------------|-------------|------------|-----------|
| Concurrence | 06/15/17 | 37 | 1 |
| Assembly Floor | 06/15/17 | 72 | 6 |
| Senate Floor | 05/11/17 | 26 | 9 |

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