



Summary Analysis of Amended Bill

Author: Voepel

Sponsor:

Bill Number: AB 152

Analyst: Margo Cave

Phone: (916) 845-7475

Amended: March 5, 2019

Attorney: Shane Hofeling

Related Bills: See Prior Analysis

Subject: Gross Income Exclusion-Student Loan Assistance

Summary

The bill would, under the Personal Income Tax Law (PITL), modify the exclusion from an employee's gross income amounts paid by their employer for educational assistance to include amounts paid by the employer for principal and interest on an employee's qualified education loan.

Recommendation – No position.

Summary of Amendments

The March 5, 2019, amendments recast the bill's specified operative date, added goals and performance indicators, and made several technical changes.

The amendments resolved the department's implementation consideration by accepting the amendment suggested in the department's analysis of the bill as introduced January 7, 2019.

Except for the "This Bill," section, the remainder of the department's analysis of the bill as introduced on January 7, 2019, still applies. The "Effective/Operative Date," "Fiscal Impact," "Economic Impact" and "Policy Concerns" sections have been restated below for convenience.

Effective/Operative Date

As a tax levy, this bill would be effective immediately upon enactment and specifically operative with respect to payments made by employers beginning on or after January 1, 2019, and before January 1, 2024.

This Bill

On or after January 1, 2019, and before January 1, 2024, this bill would, under the PITL, expand the exclusion from an employee's gross income for amounts paid by their employer for educational assistance, as specified, to similarly exclude amounts paid

by the employer to the employee or a lender, of principal or interest on any qualified education loan incurred by the employee, and increase the maximum calendar year exclusion.

The limit on the exclusion of specified principal or interest payments would be \$5,250 per calendar year, matching the calendar year limit on the current exclusion.

The maximum aggregate calendar year exclusion for educational assistance and principal or interest payments on a qualified education loan would be \$10,500 per employee.

In uncodified law, the bill specifies that it is the Legislature's intent to comply with the requirements of Section 41 of the Revenue and Taxation Code and states that the goal of the bill is to ensure California addresses the student debt crisis faced by many Californians and the effectiveness of the exclusion would be measured by the decrease in student loan defaults, and increase in timely repayment of student loans, by Californians.

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 AB 152 as Amended March 5, 2019
Assumed Enactment after June 30, 2019

(\$ in Millions)

Fiscal Year	Revenue
2019-2020	- \$38
2020-2021	- \$31
2021-2022	- \$37

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.

Revenue Discussion

Based on data from the Department of Education and other sources, it is estimated that Californians will hold an estimated \$150 billion in student loan debt, making the average student loan outstanding approximately \$38,000 in taxable year 2019. Based on current available literature, it is assumed that four percent, or \$6 billion, of the total outstanding student loan debt will be held by employees working for employers providing student loan repayment assistance. Of this amount, it is estimated that seven percent, or \$420 million, would be excluded from employee income. Assuming an effective tax rate of five percent, the bill would result in a revenue loss of approximately \$21 million for the 2019 taxable year.

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

Policy Concerns

The gross income exclusion would be allowed for qualified educational assistance expenses paid or incurred at an institution located either inside or outside California.

Legislative Staff Contact

Margo Cave
Legislative Analyst, FTB
(916) 845-7475
margo.cave@ftb.ca.gov

Jame Eiserman
Revenue Manager, FTB
(916) 845-7484
jame.eiserman@ftb.ca.gov

Jahna Carlson
Acting Legislative Director, FTB
(916) 845-5683
jahna.carlson@ftb.ca.gov