



Analysis of Original Bill

Author: Voepel

Sponsor:

Bill Number: AB 153

Analyst: Margo Cave

Phone: (916) 845-7475

Introduced: January 7, 2019

Attorney: Shane Hofeling

Related Bills: See Legislative
History

Subject: Foreign Exchange Student Tax Deduction/Increase Amount to \$500

Summary

This bill would, under the Personal Income Tax Law, increase the amount of the tax deduction related to hosting foreign exchange students that attend K-12 schools in the state.

Recommendation – No position.

Reason for the Bill

The reason for the bill is to help and encourage families to house international students by increasing the amount of the tax deduction in order to cover the costs of food, transportation, and basic standards of living.

Effective/Operative Date

As a tax levy, this bill would be effective immediately upon enactment and operative for taxable years beginning on or after January 1, 2020.

Federal/State Law

Current federal and state law allows a charitable contribution deduction for unreimbursed amounts spent to maintain a full-time elementary or high school student, who is not a dependent or relative, in the taxpayer's home under a written agreement with a program sponsored by a charitable organization providing educational opportunities for students. The deduction is limited to actual expenditures, up to \$50 per calendar month during the taxable year while the student is a member of the taxpayer's household.

This Bill

This bill would increase the amount of the charitable contribution deduction from \$50 to \$500 per month for expenses related to hosting foreign exchange students in the twelfth or lower grade under a written agreement.

Implementation Considerations

Implementing this bill would require some changes to existing tax forms and instructions and information systems, which could be accomplished during the normal annual update.

Legislative History

None.

Other States' Information

The states surveyed include *Florida, Illinois, Massachusetts, Michigan, Minnesota* and *New York*. These states were selected due to their similarities to California's economy, entity type and tax laws.

Illinois does not allow itemized deductions. *Michigan* does not allow a deduction or subtraction for charitable contributions.

Florida, Massachusetts, Minnesota and *New York* do not have a charitable contribution comparable to the one discussed in this bill.

Fiscal Impact

This bill would not significantly impact the department's costs.

Economic Impact

Revenue Estimate

This bill would result in the following revenue loss:

Estimated Revenue Impact of AB153 as Introduced January 7, 2019
Assumed Enactment after June 30, 2019

(\$ in Millions)

Fiscal Year	Revenue
2019-2020	- \$0.65
2020-2021	- \$1.1
2021-2022	- \$1.2

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 US Census Bureau, the PEW Research Foundation, and the Migration Policy Institute, it is estimated that there would be 13,500 qualified students staying with a qualified host located in California in taxable year 2020. Using FTB data, it is estimated that 35 percent, or 4,800, student's hosts would itemize and would claim the proposed increased charitable contribution deduction. It is further estimated that 30 percent, or 1,400, students would be a full time student for one semester and 70 percent, or 3,200, would be a full time student for two semesters.

It is estimated that the costs of housing for a qualified student would exceed the maximum deduction of \$500 per student per month. Applying the \$500 maximum deduction would result in an estimated total contribution deduction of \$20 million in 2020. Adjusting for the \$50 per student per month charitable deduction allowed under current law would result in a net additional deduction of \$19 million. Applying a tax rate of 6 percent results in a net revenue loss of \$1.2 million in taxable year 2020. The tax-year estimates are converted to fiscal-year estimates, and then rounded to arrive at the estimates shown in the above table.

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