



Analysis of Original Bill

Author: Choi & Flora

Sponsor:

Bill Number: AB 348

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Introduced: February 4, 2019

Attorney: Shane Hofeling

Related Bills: See Legislative
History

Subject: Teachers Unreimbursed Instructional Materials and Classroom Supplies Credit

Summary

This bill would, under the Personal Income Tax Law (PITL), allow qualified teachers a tax credit for purchases of instructional materials and classroom supplies.

Recommendation – No position.

Reason for the Bill

The reason for this bill is to provide some relief to teachers who spend out of pocket money on classroom supplies and materials.

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

Existing federal and state laws provide various tax credits designed to provide tax relief for taxpayers who incur certain expenses (e.g., child adoption) or to influence behavior, including business practices and decisions (e.g., research credits or hiring credits). These credits generally are designed to provide incentives for taxpayers to perform various actions or activities that they may not otherwise undertake.

There are currently no federal or state credits comparable to the credit this bill would create.

This Bill

For each taxable year beginning on or after January 1, 2020, this bill would, under the PITL, allow a tax credit in an amount equal to the amount paid or incurred by a qualified teacher during the taxable year for instructional materials and classroom supplies, not to exceed \$200.

The bill would define the following terms for purposes of this credit.

- “Instructional materials and classroom supplies” means books, supplies, computer equipment, including related software, services, and other equipment, and supplementary materials used in the classroom, that are not of a religious nature. “Instructional materials and classroom supplies” would specifically exclude nonathletic supplies for courses of instruction in health or physical education.
- “Qualified teacher” means a teacher in a public, charter, or private school offering instruction in kindergarten or any grades 1 to 12, inclusive.

Unused credits could be carried over for up to three years or until exhausted.

Implementation Considerations

Department staff has identified the following implementation considerations for purposes of a high-level discussion; additional concerns may be identified as the bill moves through the legislative process. Department staff is available to work with the author’s office to resolve these and other concerns that may be identified.

The defined phrase “instructional materials and classroom supplies” uses the undefined phrase “not of a religious nature” as well as specifically excluding the undefined phrase “nonathletic supplies for courses of instruction in health or physical education.” The absence of definitions to clarify these phrases could lead to disputes with taxpayers and would complicate the administration of this bill. For example, expenses paid for certain materials supporting social studies and history could be argued to be “of a religious nature” and ineligible for the credit. To ensure clarity and consistency with the author’s intent this bill should be amended.

The definition of “qualified teacher” uses the undefined terms “teacher” and “offering instruction.” Additionally, the definition would exclude teachers that are transitional kindergarten or preschool teachers from eligibility for the credit. To ensure clarity and consistency with the author’s intent this bill should be amended.

Because the bill fails to specify otherwise, two qualified teachers filing a joint return would each be eligible for the credit. If this is contrary to the author’s intent, the bill should be amended.

Legislative History

AB 337 (Jones-Sawyer, et al., 2015/2016) would have created a tax credit for unreimbursed costs paid by qualified teachers for instructional materials and school supplies. AB 337 failed to pass by the constitutional deadline.

Other States' Information

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

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 348 as Introduced February 4, 2019
Assumed Enactment after June 30, 2019

(\$ in Millions)

Fiscal Year	Revenue
2019-2020	\$0
2020-2021	- \$38
2021-2022	- \$41

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 California Department of Education, it is estimated there would be 300,000 qualified teachers in California in 2020. Data from the National Center for Education Statistics shows that teachers in California spend an average of \$480 of their own money during the school year on classroom supplies. It is estimated that qualified teachers would be eligible for the full credit of \$200 credit annually, resulting in \$60 million of credits generated in tax year 2020.

Based on data, it is estimated that 70 percent of qualified teachers would have the tax liability to offset the credit and of this amount, 90 percent of the credit, or \$38 million, would be used in the year generated with most of the remainder being utilized over the next three years.

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

Policy Concerns

This bill lacks a sunset date. Sunset dates generally are provided to allow periodic review of the effectiveness of the credit by the Legislature.

Generally, tax credits are based on unreimbursed expenditures. This bill would allow reimbursed expenses in determining the credit, thus allowing taxpayers in certain circumstances a tax benefit when there has been no underlying economic outlay.

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