



## **Summary Analysis of Amended Bill**

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Sponsor:

Bill Number: AB 416

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Amended: April 12, 2019

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Related Bills: See Prior Analysis

**Subject:** California Achieving a Better Life Experience (CalABLE) Contributions Deduction

### **Summary**

This bill would, under the Personal Income Tax law (PITL), allow a tax deduction for amounts contributed to a CalABLE account.

**Recommendation – No position.**

### **Summary of Amendments**

The April 12, 2019, amendments modified the effective/operative date and added goals and performance indicators.

As a result of these amendments, the “Effective/Operative Date,” “This Bill,” “Implementation Considerations,” “Technical Considerations,” and “Economic Impact” sections of the department’s analysis of the bill as introduced February 7, 2019, have been revised. For convenience, the “Fiscal Impact,” section is restated below. The remainder of the department’s analysis as introduced still applies.

### **Reason for the Bill**

The reason for the bill is to encourage individuals to make monetary contributions to support persons with disabilities to assist them with maintaining their health, independence, and quality of life.

### **Effective/Operative Date**

As a tax levy, this bill would be effective immediately upon enactment and specifically operative for taxable years beginning on or after January 1, 2020, and before January 1, 2025.

## **This Bill**

For each taxable year beginning on or after January 1, 2020, and before January 1, 2025, this bill would, under the PITL, allow a deduction for amounts contributed by a taxpayer to a CalABLE account during the taxable year when determining Adjusted Gross Income.

In uncodified law, this bill would do all of the following:

- State the objective of the deduction.
- Require the department to submit a report to the Legislature on or before January 1, 2026, that includes the amount of deductions allowed to CalABLE contributors and findings and declarations relating to the goals of the deduction.
- Require that the bill's success be measured by the average of contributions made during the taxable year beginning on or after January 1, 2020, and before January 1, 2021, and each subsequent taxable year to determine if there is an increase in contributions per year.

This deduction would remain in effect until December 1, 2025, and be repealed as of that date.

## **Implementation Considerations**

The department has identified the following implementation concerns. Department staff is available to work with the author's office to resolve this and other concerns that may be identified.

Because the bill fails to specify otherwise, an individual that contributed to multiple CalABLE accounts would be allowed a deduction for 100 percent of their contributions. If this is contrary to the author's intent, this bill should be amended.

The deduction would be limited to individuals although contributions to a CalABLE account may be made by any person, including business entities as well as individuals. If the author intends to provide a tax benefit to all CalABLE contributors, this bill should be amended.

The bill states that the success of the program will be measured by calculating the average of the contributions made for the taxable year and each subsequent taxable year to determine if there was an increase in contributions per year. For clarity, the author may wish to consider measuring the success, for example by the average contribution per taxpayer per year or by comparing the total contributions per taxpayer for the taxable year.

### Technical Considerations

This bill includes a reporting requirement in uncodified law. For ease of administration it is recommended that the bill be amended to include these requirements in the relevant sections of the Revenue and Taxation Code.

### Fiscal Impact

The department's cost 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 416 as Amended on April 12, 2019  
Assumed Enactment after June 30, 2019

(\$ in Millions)

Fiscal Year	Revenue
2019-2020	-\$2.4
2020-2021	-\$4.9
2021-2022	-\$6.1

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

The CalABLE Savings Plan were made available to the public on December 18, 2018. As a result, actual full year's data is currently unavailable. Based on the California Treasurer's CalABLE projections, it is estimated that \$45 million in qualified contributions would be made to CalABLE accounts in 2020. By 2024, the amount of contributions would grow to approximately \$100 million dollars. Using an average tax rate of 9 percent results in an estimated revenue loss of \$4 million in 2020, and \$9 million in 2024.

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

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