



Bill Analysis

Author: Committee on
Budget

Sponsor:

Bill Number: AB 156

Related Bills: See Legislative
History

Amended: August 27, 2022

SUBJECT

Hope, Opportunity, Perseverance, and Empowerment for Children Trust Account Act

SUMMARY

This bill would, under the Welfare and Institutions Code (WIC), create the California Hope, Opportunity, Perseverance, and Empowerment (HOPE) for Children Trust Account Act ("HOPE for Children Trust Account Act") and under the Personal Income Tax Law (PITL), provide for a gross income and earned income exclusion for funds deposited and withdrawn from a trust account established under the HOPE for Children Trust Account Act (SEC. 54).

RECOMMENDATION

No position.

SUMMARY OF AMENDMENTS

The August 27, 2022, amendments removed intent language relating to the Budget Act of 2022, and replaced it with the provisions discussed in this analysis.

This is the department's first analysis of the bill and only addresses the provisions that impact the department.

REASON FOR THE BILL

The reason for this provision of the bill is to provide a gross income exclusion and an earned income exclusion for specified trust fund accounts for eligible youth.

ANALYSIS

This bill would, under the WIC, establish the HOPE for Children Trust Account Act for the purpose of providing an eligible child, as defined, with a trust account. The HOPE for Children Trust Account Program Board, in consultation with the HOPE Advisory Workgroup, would administer the HOPE Program and the funds appropriated for the program.

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This bill would, under the PITL, for taxable years beginning on or after January 1, 2023, provide for an exclusion from gross income for any funds deposited, any investment returns accrued, any accrued interest in a trust account under the HOPE for Children Trust Account Act. This bill would also exclude from gross income any funds withdrawn or transferred by an eligible youth from the account.

This bill would, under the PITL, for taxable years beginning on or after January 1, 2023, provide for an exclusion from earned income, for purposes of determining eligibility for the California Earned Income Tax Credit (CalEITC) and the Young Child Tax Credit (YCTC), any funds deposited, any investment returns accrued, any accrued interest, and any funds withdrawn or transferred from a trust account under the HOPE for Children Trust Account Act.

This bill would, under the WIC, define "eligible child" to mean a minor resident of California who is under 18 years of age, has not emancipated from their parent, Indian custodian, or legal guardian, and meets one of the following qualifications:

- Lost a parent due to COVID-19 and the minor's family was considered low income, as defined.
- Is a foster child who resides in California or is a California resident who is placed out of state by a juvenile or tribal court, as defined.

Effective/Operative Date

This bill, providing for appropriations relating to the Budget Bill and identified as a bill relating to the budget in the Budget Bill, would be effective immediately upon enactment, and the gross income exclusion would be specifically operative for taxable years beginning on or after January 1, 2023.

Federal/State Law

Existing federal and state laws provide that gross income includes all income from whatever source derived, including compensation for services, business income, gains from property, interest, dividends, rents, and royalties, unless specifically excluded.

Existing federal and state laws provide that certain types of income are excluded from gross income, such as amounts received as a gift or inheritance, certain compensation for injuries and sickness, qualified scholarships, educational assistance programs, foster care payments, and interest received on certain state or federal obligations.

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Existing federal law allows eligible individuals a refundable Earned Income Tax Credit (EITC) under Internal Revenue Code (IRC) section 32. The refundable credit allows for the excess of the credit over the taxpayer's tax liability to be refunded to the taxpayer. The EITC is a percentage of the taxpayer's earned income and is phased out as adjusted gross income or earned income increases.

State law provides a refundable CalEITC that is generally patterned after IRC section 32, as applicable for state income tax purposes for the taxable year, except as modified.

Implementation Considerations

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

The bill text does not specify who would be allowed to exclude funds deposited, investment returns accrued, and accrued interest in a HOPE for Children Trust Account from gross income. For clarity, it is recommended that the bill be amended.

Technical Considerations

None noted.

Policy Considerations

None noted.

LEGISLATIVE HISTORY

SB 444 (Hertzberg, et al., 2021/2022) would have excluded from gross income amounts received for participation in National and Community Service State Grant Program and California for All Education Award Program. This bill did not pass out of the Assembly by the constitutional deadline.

AB 2380 (Choi, 2019/2020), would have excluded survivor benefits and payments received under Survivor Benefit Plans from gross income. AB 2380 did not pass out of the Assembly Revenue and Taxation committee.

AB 1275 (Gray, et al., 2015/2016), would have excluded military retirement pay and survivor benefits received by a beneficiary of a qualified taxpayer from gross income. AB 1275 did not pass out of the Assembly by the constitutional deadline.

AB 1791 (Lopez, 2015/2016) would have excluded military retirement pay and survivor benefits from gross income. AB 1791 did not pass out of the Assembly by the constitutional deadline.

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PROGRAM BACKGROUND

None noted.

FISCAL IMPACT

The department anticipates minimal costs to implement this bill.

ECONOMIC IMPACT

Revenue Estimate

This bill, for taxable years beginning on or after January 1, 2023, would exclude from gross income, funds deposited and any investment returns accrued in, as well as withdrawals and transfers from, a HOPE trust fund account. Since it is difficult to predict the number of eligible children who would be enrolled in the program and open a HOPE account, and the amount of investment returns accrued on these accounts, the revenue impact to the General Fund is unknown.

It is estimated that, each year for every \$1 million of funds deposited and investment returns accrued in HOPE accounts, there would be a revenue loss of approximately \$20,000.

LEGAL IMPACT

None noted.

APPOINTMENTS

None noted.

SUPPORT/OPPOSITION

None on file.

ARGUMENTS

None on file.

LEGISLATIVE CONTACT

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