



Bill Analysis

Author: Choi, et al.

Sponsor:

Bill Number: AB 1889

Related Bills: See Legislative
History

Introduced: February 9, 2022

Amended: March 17, 2022

SUBJECT

Teachers' Education Related Expense Deduction Conformity

SUMMARY

This bill, under the Personal Income Tax Law (PITL), would allow the same deduction on a California personal income tax return for educator expenses as is allowed on a federal individual income tax return.

RECOMMENDATION

No position.

SUMMARY OF AMENDMENTS

The March 17, 2022, amendments added coauthors, removed the intent language relating to a teachers' school supply tax credit, and replaced it with the provisions discussed in this analysis.

This is the department's first analysis of the bill.

REASON FOR THE BILL

The reason for this bill is to recognize dedicated teachers and help to defray the costs for purchases used in their classrooms.

ANALYSIS

This bill would, under the PITL, for taxable years beginning on or after January 1, 2022, conform to the federal provisions that allow an eligible educator an above-the-line deduction, up to \$250 for certain expenses of elementary and secondary school teachers, for taxable years 2002 through 2014, pursuant to Internal Revenue Code (IRC) section 62.

This bill under Revenue and Taxation Code (RTC) section 41, states the goals, purpose, and objective of the deduction is to better support California's teachers.

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This bill would require the Franchise Tax Board (FTB) to report to the Legislature on or before July 1, 2027, for each taxable year the deduction is allowed. The effectiveness of this deduction would be measured by the:

- 1) Total number of taxpayers claiming the deduction, and
- 2) Average amount of the deductions allowed.

The disclosure would be treated as an exception to the general prohibition against disclosure of confidential taxpayer information.

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, 2022.

Federal/State Law

Federal Law

Federal law allows eligible educators to deduct up to \$250 of the cost to purchase books, supplies (other than nonathletic supplies for courses of instruction in health or physical education), computer equipment (including related software and services) and other equipment, and supplementary materials used by the eligible educator in the classroom as an adjustment to gross income. Educators are also allowed to include the cost of professional development courses related to the curriculum for which the educator provides instruction. This is known as an "above-the-line" deduction. Federal law also allows each eligible spouse the maximum deduction.

State Law

California conforms to the IRC as of January 1, 2015, but specifically does not conform to the federal deduction for educator expenses. There is no provision comparable in state law. As a result, a taxpayer must reverse the federal deduction for educator expenses on their California income tax return to add back to their taxable income.

Implementation Considerations

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

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California conforms to the IRC as of January 1, 2015. IRC section 62 that was in effect as of that date provides an above-the-line deduction for educator expenses for taxable years 2002 through 2014. Therefore, conforming to this version of IRC section 62 would not provide California taxpayers a deduction for taxable years beginning on or after January 1, 2022. The author may wish to amend the bill to include conformity to IRC section 62, as amended by Public Law 114-113, the Consolidated Appropriations Act of 2016, which would also include cost-of-living adjustments.

This bill would require the FTB to provide a report with certain information that the FTB would not have available. If this deduction were allowed for California purposes, and because the California personal income tax return starts with federal adjusted gross income, the deduction would have already been removed from income. The deduction amount would generally not be disclosed on the California return.

Technical Considerations

None noted.

Policy Considerations

None noted.

LEGISLATIVE HISTORY

AB 250 (Choi, 2021/2022) would have allowed 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 per taxable year. AB 250 did not pass out of the Assembly Revenue and Taxation Committee by the constitutional deadline.

AB 348 (Choi & Flora, 2019/2020) would have allowed a credit for amounts paid or incurred by a qualified teacher during the taxable year for instructional materials and classroom supplies, not to exceed \$200 for each taxable year beginning on or after January 1, 2020. AB 348 did not pass out of the Assembly Revenue and Taxation Committee by the constitutional deadline.

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 did not pass out of the Assembly Appropriations Committee by the constitutional deadline.

PROGRAM BACKGROUND

None noted.

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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, as amended on March 17, 2022, would not impact state income or franchise tax revenue.

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.

This bill would conform to the federal provisions that allow an above-the-line deduction for qualified educator expenses up to \$250, as of the specified date of January 1, 2015. As of the specified date, these deductions were allowed for taxable years 2002 through 2014. As a result, the deduction would not be allowed for taxable years beginning on or after January 1, 2022.

LEGAL IMPACT

None noted.

APPOINTMENTS

None noted.

SUPPORT/OPPOSITION

To be determined.

ARGUMENTS

To be determined.

LEGISLATIVE CONTACT

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