



Bill Analysis

Author: Choi, et al.

Sponsor:

Bill Number: AB 1889

Related Bills: See Legislative
History

Amended: May 3, 2022, and
May 9, 2022

SUBJECT

Teachers' Education Related Expense Deduction Conformity

SUMMARY

This bill, under the Personal Income Tax Law (PITL), would, for public school teachers, allow a deduction for educator expenses similar to the deduction allowed on a federal individual income tax return.

RECOMMENDATION

No position.

SUMMARY OF AMENDMENTS

The May 3, 2022, amendments added a sunset date, changed the Revenue and Taxation Code (RTC) section 41 reporting date from July 1, 2027, to January 1, 2026, and specified that the RTC section 41 report would include data available prior to submitting the report.

The May 9, 2022, amendments added provisions conforming to the federal deduction as amended by Public Law 114-113, the Consolidated Appropriations Act of 2016 (CAA).

As a result of the amendments, the implementation considerations discussed in the department's analysis of the bill as introduced February 9, 2022, and as amended March 17, 2022, were resolved, and a new policy consideration was created.

REASON FOR THE BILL

The reason for this bill is to help defray the costs for purchases used in public school teachers' classrooms.

Amended May 3, 2022, and May 9, 2022

ANALYSIS

This bill would, under the PITL, for taxable years beginning on or after January 1, 2022, and before January 1, 2027, conform, with modifications, to the current federal provisions that allow an eligible educator an above-the-line deduction, up to \$250 for certain expenses of elementary and secondary school teachers, pursuant to Internal Revenue Code (IRC) section 62.

For state purposes, the definition of "school" would be modified to include a public elementary or secondary school maintaining kindergarten or any of grades 1 to 12, inclusive, which is operated by a school district, county office of education, or charter school.

This bill under RTC section 41, states the goals, purpose, and objective of the deduction is to better support California's public school teachers.

This bill would require the Franchise Tax Board (FTB) to report to the Legislature on or before January 1, 2026, for each taxable year the deduction is allowed prior to submitting the report.

The effectiveness of this deduction would be measured by the:

- Total number of taxpayers claiming the deduction, and
- Average amount of the deductions claimed.

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, and before January 1, 2027.

Federal/State Law

Federal Law

Federal law allows eligible educators an "above-the-line" deduction for 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 deduction is adjusted for inflation, and for the 2022 taxable year, the limit is \$300.

Amended May 3, 2022, and May 9, 2022

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, increasing their California taxable income.

Implementation Considerations

None noted.

Technical Considerations

None noted.

Policy Considerations

The federal deduction is adjusted for inflation, but this bill does not conform to the inflation adjustment, meaning that the federal and California deductions could be different. If this is contrary to the author's intent, the bill should be amended to conform to IRC section 62(d)(3) as added by Section 104(b) of Division Q of the CAA.

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.

SB 1214 (Portantino, 2017/2018) would have allowed an above-the-line tax deduction for certain teacher professional development expenses not to exceed \$2,500 subject to an appropriation in the annual Budget bill. SB 1214 did not pass out of the Assembly by the constitutional deadline.

PROGRAM BACKGROUND

None noted.

Amended May 3, 2022, and May 9, 2022

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 1889 as Amended May 09, 2022
Assumed Enactment after June 30, 2022

(\$ in Millions)

Fiscal Year	Revenue
2022-2023	-\$2.1
2023-2024	-\$2.1
2024-2025	-\$2.1

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.

LEGAL IMPACT

None noted.

APPOINTMENTS

None noted.

SUPPORT/OPPOSITION

None noted.

ARGUMENTS

None noted.

LEGISLATIVE CONTACT

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