



Bill Analysis

Author: Mia Bonta

Sponsor:

Bill Number: AB 2880

Related Bills: See Legislative
History

Introduced: February 18, 2022

SUBJECT

College Access Tax Credit

SUMMARY

This bill, under the Insurance Tax Law (ITL), Personal Income Tax Law (PITL) and the Corporation Tax Law (CTL), would extend the sunset date and repeal date for the College Access Tax Credit, for a five-year period.

This analysis only addresses the provisions of the bill that impact the department's programs and operations.

RECOMMENDATION

No position.

SUMMARY OF AMENDMENTS

Not applicable.

REASON FOR THE BILL

The reason for this bill is to encourage increased private sector support of the Cal Grant Program.

ANALYSIS

This bill would, under the PITL and the CTL, extend the College Access Tax Credit to taxable years beginning on or after January 1, 2023, and before January 1, 2028, and the repeal date from December 1, 2023, to December 1, 2028.

For purposes of complying with Revenue and Taxation (RTC) section 41, this bill would require the Franchise Tax Board (FTB) to issue a report, annually to the Legislature on the number of taxpayers allowed the credit and total value of credits allowed. This bill would provide an exception to the RTC section 19542 disclosure rules.

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Effective/Operative Date

This bill would be effective on January 1, 2023, and operative for taxable years beginning before January 1, 2028.

Federal/State Law

Federal Law

No comparable provision in federal law.

State Law

For taxable years beginning on or after January 1, 2017, and before January 1, 2023, current state tax law allows a College Access Tax Credit, in an amount equal to 50 percent of the amount contributed by a taxpayer to the College Access Tax Credit Fund, as allocated and certified by the California Educational Facilities Authority (Authority). The maximum aggregate amount of credit that could be allocated and certified by the Authority is \$500 million.

Taxpayers are precluded from taking a deduction for amounts included in the calculation of the credit. Any unused credits may be carried forward for up to six years.

The College Access Tax Credit may reduce tax below tentative minimum tax under both the PITL and the CTL.

The College Access Tax Credit Fund has a special fund in the State Treasury. Amounts contributed to the College Access Tax Credit Fund are allocated in the following order:

- To reimburse the General Fund for the aggregate amount of the credit allowed. The allocated funds would be considered General Fund revenues for purposes of Sections 8 and 8.5 of Article XVI of the California Constitution.
- Upon appropriation by the Legislature, to reimburse the Department of Insurance, the FTB, the Authority, the State Controller, and the Student Aid Commission for all administrative costs incurred in connection with this credit.
- To the Student Aid Commission for the purpose of awarding Cal Grants to students.

The credit will be repealed by its own terms on December 1, 2023.

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Implementation Considerations

This bill would require the FTB to report on the number of credits allowed and the total dollar value of credits allowed under the PITL, CTL, and ITL. The author may wish to amend the bill to clarify the following:

- The FTB does not administer the ITL and would not have information on credits claimed under that law. It is recommended that the bill be amended to require the agency responsible for administration of credits claimed under the ITL provide that reporting or allow that agency to share information with the FTB to satisfy the reporting requirement.
- Due to return filing extensions and processing times, complete taxpayer data for the first year of the report would be available in 2025. It is recommended that the bill be amended to provide that the annual reporting requirement begin in 2025, and continue annually thereafter until two years after the repeal date.

Technical Considerations

None noted

Policy Considerations

None noted.

LEGISLATIVE HISTORY

AB 490 (Quirk-Silva, Chapter 527, Statutes of 2017) extended the sunset date and added repeal language for the College Access Tax Credit.

SB 81 (Committee on Budget and Fiscal Review, Chapter 22, Statutes of 2015) extended the College Access Tax Credit to taxable years beginning on or after January 1, 2017, and before January 1, 2018.

SB 798 (De Leon, Chapter 367, Statutes of 2014) created the College Access Tax Credit, an income tax credit for cash contributions made to an education special fund with an aggregate credit cap of \$500 million per calendar year.

PROGRAM BACKGROUND

None noted.

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.

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ECONOMIC IMPACT

Revenue Estimate

This bill would result in the following revenue loss:

Estimated Revenue Impact of AB 2880 as Introduced February 18, 2022
Assumed Enactment after June 30, 2022

Fiscal Year	Revenue
2022-2023	-\$150,000
2023-2024	-\$400,000
2024-2025	-\$600,000

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

To be determined.

ARGUMENTS

To be determined.

LEGISLATIVE CONTACT

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