



## **Bill Analysis**

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Sponsor:

Bill Number: SB 444

Related Bills: See Legislative  
History

Amended: March 3, 2021

### **SUBJECT**

Income Exclusion for National and Community Service State Grant Program

### **SUMMARY**

This bill would add a provision under the Revenue & Taxation Code (RTC) to exclude from gross income amounts received for participation in National and Community Service State Grant Program and California for All Education Award Program.

### **RECOMMENDATION**

No position.

### **SUMMARY OF AMENDMENTS**

The March 3, 2021, removed the spot bill language and added the provisions discussed in this analysis.

### **REASON FOR THE BILL**

The reason for the bill is to enable recipients of the Segal AmeriCorps Education Award and the California for All Education Award to receive the full benefit of the award by exempting the award from state income tax in exchange for their commitment to service.

### **ANALYSIS**

This bill, under the RTC, would allow individuals to exclude from gross income the Segal AmeriCorps educational award received through the National and Community Service State Grant Program or the California for All Educational Award program.

#### *Effective/Operative Date*

As a tax levy, this bill would be effective immediately upon enactment and operative for taxable years beginning on or after January 1, 2021, and before January 1, 2032.

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### *Federal/State Law*

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.

AmeriCorps is a federal program established in 1993 under the National Community Service Trust Act. AmeriCorps provides individuals with the opportunity to serve their community and provides benefits, such as a living allowance, money for college or trade school, loan deferment, and professional development. Those individuals who complete their term of service and enroll in the National Service Trust can receive a Segal AmeriCorps Education Award and California for All Education Award. The award can be used to repay qualified student loans or pay current educational expense at eligible higher education institutions and training programs. The federal amount of award is equal to the maximum amount of a Federal Pell Grant, which is \$6,495 for the 2021-2022 award year.

California also offers the California for All Education Award for full-time AmeriCorps members in the 2019-2020 program year. For that year, the amount of award is \$3,905.

### *Implementation Considerations*

None noted.

### *Technical Considerations*

The bill references the federal National and Community Service State Grant Program and for consistency, the bill should also reference the law section for the California for All Education Award to identify those grants will be excluded from gross income.

### *Policy Considerations*

This bill would create differences between federal and California tax law, thereby increasing the complexity of California tax return preparation.

Under RTC section 41, legislation that would create a new tax expenditure, which includes a credit, deduction, exclusion, exemption, or any other tax benefit as provided for by the state, is required to include specific goals, purposes, objectives, and performance measures to allow the Legislature to evaluate the effectiveness of the tax benefit. This bill should be amended to satisfy the RTC section 41 requirements.

## LEGISLATIVE HISTORY

SB 1271 (Evans, Chapter 841, Statutes of 2017) excludes from gross income student loan debt that is forgiven or repaid under the income-based repayment programs administered by the U.S. Department of Education.

AB 242 (Assembly Revenue & Taxation Committee, Chapter 727, Statutes of 2011) conforms to the health professional's student loan repayment program exclusion and student loan forgiveness exclusion under the Patient Protection and Affordable Care Act (PPACA).

## PROGRAM BACKGROUND

Not applicable.

## 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 SB 444 as Amended March 3, 2021  
Assumed Enactment after June 30, 2021

<b>Fiscal Year</b>	<b>Revenue</b>
2021-2022	-\$600,000
2022-2023	-\$400,000
2023-2024	-\$400,000

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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