



## Bill Analysis

Author: Grove & Ochoa Bogh Sponsor:

Bill Number: SB 610

Related Bills: See Legislative  
History

Introduced: February 18, 2021

Amended: April 5, 2021

### SUBJECT

Virtual Learning Expense Credit

### SUMMARY

This bill would, under the Personal Income Tax Law (PITL), allow a credit equal to 50 percent of qualified costs directly related to virtual learning for a qualified dependent, not to exceed \$2,250 per qualified dependent.

### RECOMMENDATION

No position.

### SUMMARY OF AMENDMENTS

The April 5, 2021, amendments revised the tax credit requirements, defined qualified taxpayer, and added a sunset date.

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

### REASON FOR THE BILL

The reason for this bill is to help with the additional costs associated with virtual learning.

### ANALYSIS

This bill, under the PITL, for each taxable year beginning on or after January 1, 2021, and before January 1, 2026, would allow a tax credit in an amount equal to 50 percent of the amount paid or incurred by a qualified taxpayer during the taxable year for qualified costs directly related to virtual learning for a qualified dependent, not to exceed \$2,250 per qualified dependent for any taxable year.

For purposes of this bill, the following definitions apply:

- “Qualified costs” means costs directly related to the virtual learning for a qualified dependent, including all of the following:
  - Tutoring services.
  - Special needs services.
  - Books and supplies.
  - Computer equipment, including related software, internet services, and other equipment.
- “Qualified dependent” means a dependent of the qualified taxpayer who is an elementary or secondary school student.
- “Qualified taxpayer” means an individual whose adjusted gross income is either of the following:
  - In the case of spouses filing a joint return, heads of household, and surviving spouses, as defined in Section 17046, one hundred fifty thousand dollars (\$150,000) or less for that taxable year.
  - For all other individuals, seventy-five thousand dollars (\$75,000) or less for that taxable year.

Unused credits could be carried for seven years if necessary, until exhausted.

This bill states that it is the intent of the Legislature to comply with Section 41 of the Revenue and Taxation Code (RTC).

#### *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, 2021, and before January 1, 2026.

#### *Federal/State Law*

##### *Federal Law*

No provision comparable in federal law.

##### *State Law*

Existing state laws provide various tax credits designed to provide tax relief for taxpayers who incur certain expenses (e.g., child adoption) or to influence behavior, including business practices and decisions (e.g., research credits or hiring credits). These credits generally are designed to provide incentives for taxpayers to perform various actions or activities that they may not otherwise undertake.

Under RTC section 41, legislation that would create a new tax expenditure is required to include specific goals, purposes, objectives, and performance measures to allow the Legislature to evaluate the effectiveness of the credit.

#### *Implementation Considerations*

None identified.

#### *Technical Considerations*

Under RTC section 41, legislation that would create a new tax credit is required to include specific goals, purposes, objectives, and performance measures to allow the Legislature to evaluate the credit's effectiveness. This bill should be amended to satisfy the RTC section 41 requirements.

#### *Policy Considerations*

It is recommended that the bill be amended to include a repeal date of December 1, 2027. This would retain the provisions "in law" until the day after the last day of the fiscal year beginning December 1, 2026.

### **LEGISLATIVE HISTORY**

AB 219 (Villapudua & Mathis, 2021/2022) would, under PITL, provide a refundable tax credit to qualified taxpayers, as specified, equal to the sales tax collected during the first week of August for purchases of back-to-school items, not to exceed \$2,500 per taxable year, per household. AB 219 is currently in the committee process.

AB 250 (Choi, 2021/2022) would, under the PITL, allow qualified teachers a credit of up to \$200 for the purchase of instructional materials and classroom supplies. AB 250 is currently in the committee process.

AB 742 (Calderon, 2021/2022) would, under the Administration of Franchise and Income Tax Law, modify provisions of the School Supplies for Homeless Children Fund. AB 742 is currently in the committee process.

### **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.

## **ECONOMIC IMPACT**

### Revenue Estimate

This bill would result in the following revenue loss:

Estimated Revenue Impact of SB 610 as Amended on April 5, 2021  
Assumed Enactment after June 30, 2021

(\$ in Millions)

<b>Fiscal Year</b>	<b>Revenue</b>
2021-2022	-\$340
2022-2023	-\$410
2023-2024	-\$440

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**

[FTBLegislativeServices@ftb.ca.gov](mailto:FTBLegislativeServices@ftb.ca.gov)