



Bill Analysis

Author: Patterson

Sponsor:

Bill Number: AB 1456

Related Bills: See Legislative
History

Amended: March 29, 2023

SUBJECT

Qualified Guest Lecturer Tax Credit

SUMMARY

Under the Personal Income Tax Law (PITL), and the Corporation Tax Law (CTL), this bill would allow a qualified taxpayer, a \$500 credit per qualified guest lecture, not to exceed \$1000 per taxable year.

RECOMMENDATION

No position.

SUMMARY OF AMENDMENTS

The March 29, 2023, amendments removed provisions of the bill relating to the Education Code and replaced them 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 provide a tax credit for qualified guest lectures.

ANALYSIS

Under the PITL and CTL, for taxable years beginning on or after January 1, 2024, this bill would allow a credit to a qualified taxpayer, equal to \$500 per qualified guest lecture during the taxable year, not to exceed \$1000 per taxable year.

The bill defines the following terms:

"Qualified employee" means an employee of the qualified taxpayer who does not receive any compensation, monetary or otherwise, for the qualified guest lecture.

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“Qualified guest lecture” means a lecture or presentation by a qualified employee to qualified students during class time, for a length of at least 45 minutes, on topics related to the qualified taxpayer’s company, or industry, including financial literacy and customer service.

“Qualified school” means a public or private school, including a charter school or an alternative school.

“Qualified students” means students enrolled in kindergarten or any of grades 1 to 12, inclusive, at a qualified school.

“Qualified taxpayer” means a business located within the same city as the qualified school at which the qualified guest lecture occurred.

The bill specifies that any deduction otherwise allowed, for any amount paid or incurred by the taxpayer upon which the credit is based, must be reduced by the amount of this credit.

Unused credits may be carried over for eight years until the credit is exhausted.

For purposes of complying with Section 41, the specific goal, purpose, and objective of this credit is to provide an additional incentive for local businesses to educate students within their city on issues relating to the company or industry, such as customer service, finance, technology, financial literacy, or balancing budget.

Detailed performance indicators for the Legislature to use in determining whether the credit meets the goal, purpose, and the objective are as follows:

- The total number of qualified taxpayers that are allowed the credit.
- The total number of credits allowed that are claimed during the taxable year.

On or before March 1, 2025, and annually thereafter, this bill would require the Franchise Tax Board (FTB) to review the effectiveness of the credit allowed by this bill and post the review on its website.

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, 2024.

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Federal/State Law

Existing state and federal 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.

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.

This bill requires the FTB to review the effectiveness of the credit allowed by this bill and post the review on its internet website on or before March 1, 2025. If the author's intent is to be able to review a report that contains complete information for the 2024 taxable year, it is recommended that the reporting due date be extended to June of 2026. The department needs approximately six to nine months to complete return processing and to compile the needed data to prepare a report. As a result, it is recommended that the reporting due date be no earlier than June of 2026 to provide information for the 2024 taxable year.

For clarity, in Section 17052.4 (e)(3), remove "shall review the effectiveness of the credits allowed by this section and Section 23652.4, and shall post the review on their internet website" and insert "shall post a written report of the detailed performance indicators of the credit allowed by this section and Section 23652.4 on its internet website".

Technical Considerations

For consistency, in Section 17052.4 (c) and Section 23652.4 (c) replace "taxpayer" with "qualified taxpayer".

Policy Considerations

This bill does not provide a sunset date, which would generally allow periodic review of the effectiveness of the tax law change.

LEGISLATIVE HISTORY

AB 2164 (Patterson, et al., 2013/2014) would have under the PITL and CTL, created a tax credit for employers that provide education or training for employees. AB 2164 did not pass out of the Assembly by the Constitutional deadline.

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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 determined.

ECONOMIC IMPACT

Revenue Discussion

This bill would allow a credit of \$500 to a qualified taxpayer for each qualified guest lecturer, not to exceed \$1,000 per taxpayer, per taxable year.

To determine the revenue impact, both the number of qualified businesses that would have guest lecturers and frequency of the speaking engagements must be known. Since it is difficult to predict the number of qualified businesses with qualified lecturers and the frequency of the speaking engagements, the revenue impact is unknown.

However, it is anticipated that for every 1,000 qualified guest lectures the revenue loss would be approximately \$500,000.

LEGAL IMPACT

None noted.

APPOINTMENTS

None noted.

SUPPORT/OPPOSITION

To be determined.

ARGUMENTS

To be determined.

LEGISLATIVE CONTACT

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