



Bill Analysis

Author: Nguyen

Sponsor:

Bill Number: SB 1125

Related Bills: See Legislative
History

Introduced: February 13, 2024

SUBJECT

Virtual Learning Expense Credit

SUMMARY

This bill would, under the Personal Income Tax Law (PITL), allow a credit equal to 50% of qualified costs directly related to virtual learning for a qualified dependent, not to exceed \$2,500 per qualified dependent per taxable year.

RECOMMENDATION

No position. The Franchise Tax Board (FTB) has not formally voted or taken a position on this bill.

SUMMARY OF AMENDMENTS

Not applicable.

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, 2026, and before January 1, 2030, would allow a tax credit in an amount equal to 50% 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 \$2,500 per qualified dependent per 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, secondary school, or community college 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This credit would be repealed as of December 1, 2030.

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, 2026, and before January 1, 2030.

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 tax expenditure.

Implementation Considerations

This bill defines “qualified dependent” as any dependent of the qualified taxpayer who is an elementary, secondary school, or community college student. For clarity, the author may wish to include in this definition whether the dependent is a “dependent” as described under Internal Revenue Code section 152.

Technical Considerations

None noted.

Policy Considerations

None noted.

Legislative History

SB 93 (Nguyen 2023/2024) would have, under PITL, provided a credit equal to 50% of qualified costs directly related to virtual learning for a qualified dependent, not to exceed \$2,250 per qualified dependent. SB 93 did not pass out of the house of origin by the constitutional deadline.

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 did not pass out of the house of origin by the constitutional deadline.

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 did not pass out of the house of origin by the constitutional deadline.

SB 610 (Grove and Ochoa Bogh 2021/2022) would have, under PITL, provided a credit equal to 50% of qualified costs directly related to virtual learning for a qualified dependent, not to exceed \$2,250 per qualified dependent. SB 610 did not pass out of the house of origin by the constitutional deadline.

PROGRAM BACKGROUND

None noted.

OTHER STATES' INFORMATION

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 1125 as Introduced February 13, 2024
 Assumed Enactment after June 30, 2024

(\$ in Millions)

Fiscal Year	Revenue
2024-2025	\$0
2025-2026	\$0
2026-2027	-\$65

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.

EQUITY IMPACT

None noted.

APPOINTMENTS

None noted.

SUPPORT/OPPOSITION

Senate Committee on Government Organization Analysis 04-23-2024

Support: None on file.

Opposition: None on file.

ARGUMENTS

Senate Committee on Government Organization Analysis 04-23-2024

Proponents: None on file.

Opponents: None on file.

LEGISLATIVE CONTACT

FTBLegislativeServices@ftb.ca.gov