



Bill Analysis

Author: Nguyen

Sponsor:

Bill Number: SB 93

Related Bills: See Legislative
History

Introduced January 18, 2023
Amended: March 16, 2023

SUBJECT

Virtual Learning Tax 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 \$2,250 per qualified dependent.

RECOMMENDATION

No position.

SUMMARY OF AMENDMENTS

The March 16, 2023, amendments removed intent language relating to taxation and replaced it with the provisions discussed in this analysis.

This is Franchise Tax Board's (FTB) first analysis of the bill.

REASON FOR THE BILL

The reason for the 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, 2023, and before January 1, 2028, 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 \$2,250 per qualified dependent for any taxable year.

Introduced January 18, 2023, and Amended March 16, 2023

This bill would define the following terms:

- “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, \$150,000 or less for that taxable year.
 - For all other individuals, \$75,000 or less for that taxable year.

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

This bill expresses Legislative intent to comply with the requirements of Revenue and Taxation Code (RTC) section 41.

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, 2023, and before January 1, 2028.

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.

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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 noted.

Technical Considerations

None noted.

Policy Considerations

The FTB has identified the following policy considerations and is available to work with the author's office to resolve these and other considerations that may be identified.

It is recommended that the bill be amended to include a repeal date of December 1, 2028. This would retain the provisions "in law" until the day after the last day of the fiscal year beginning December 1, 2027.

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.

LEGISLATIVE HISTORY

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 Senate Committee on Appropriations.

AB 219 (Villapudua, et al., 2021/2022) would have, under PITL, provided 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 Assembly Revenue and Taxation Committee.

AB 250 (Choi, 2021/2022) would have, under the PITL, allowed 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 Assembly Revenue and Taxation Committee.

PROGRAM BACKGROUND

None noted.

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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 Estimate

This bill would result in the following revenue loss:

Estimated Revenue Impact of SB 93 as Amended March 16, 2023
Assumed Enactment after June 30, 2023

(\$ in Millions)

Fiscal Year	Revenue
2023-2024	-\$20
2024-2025	-\$25
2025-2026	-\$28

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

None on file.

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ARGUMENTS

None on file.

LEGISLATIVE CONTACT

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