STATE OF CALIFORNIA
Franchise Tax Board

Bill Analysis

Author: Tangipa

Sponsor:

Bill Number: AB 547

Related Bills: See Legislative History

Amended: May 7, 2025

SUBJECT

In Vitro Fertilization (IVF) Tax Credit

SUMMARY

This bill would, under the Personal Income Tax Law (PITL), allow taxpayers a credit up to $5,000 for the qualified expenses of IVF for taxable years beginning on or after January 1, 2026, and before January 1, 2031.

RECOMMENDATION

No position—The three-member Franchise Tax Board has not formally voted or taken a position on this bill.

SUMMARY OF AMENDMENTS

The May 7, 2025, amendments changed the operative date, defined the term "qualified taxpayer," modified the definition of "qualified expenses of in vitro fertilization,", and the Section 41 reporting due date, and made other technical changes.

These amendments resolved all of the implementation and technical considerations, and one of the two policy considerations discussed in the Franchise Tax Board's (FTB) analysis of the bill as introduced February 11, 2025.

REASON FOR THE BILL

The reason for this bill is to provide financial relief by creating a tax credit for individuals who have paid or incurred costs for IVF procedures.

ANALYSIS

This bill, under the PITL, for each taxable year beginning on or after January 1, 2026, and before January 1, 2031, would allow a tax credit in an amount equal to the qualified expenses of IVF of a qualified taxpayer, not to exceed $5,000 paid or incurred during the taxable year.

The bill would define the following:

- "Qualified expenses of in vitro fertilization" means all costs of IVF procedures, regardless of sex, undergone by the taxpayer, the taxpayer's spouse, or the taxpayer's surrogate that are not covered by insurance, and includes all of the following:
    - Preparatory testing, screening, and evaluation.
    - Ovarian stimulation.
    - Egg retrieval and implantation.
    - Fertilization and embryo development.
    - Embryo transfer.
    - Luteal phase support.
    - Pregnancy and posttransfer embryo monitoring.
    - Sperm preparation.
    - Medications or supplements prescribed by a medical professional in support of any of the procedures provided in this list.
- "Qualified taxpayer" means a taxpayer that satisfies either of the following:
    - A surviving spouse or spouses filing a joint return, adjusted gross income (AGI) does not exceed $300,000.
    - Any other individual, AGI does not exceed $150,000.

Any deduction otherwise allowed for any amount of cost paid or incurred by the taxpayer that is eligible for the credit would be reduced by the amount of the credit allowed.

This bill, for purposes of complying with Section 41, would require the FTB to provide a written report to the Legislature on or before December 1, 2028, and annually thereafter, that includes the following information:

- The number of taxpayers allowed a credit, and
- The total dollar value of credits allowed.

The Section 41 reporting requirements would be treated as an exception to the general prohibition against disclosure of confidential taxpayer information.

This credit would be repealed as of December 1, 2031.

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, 2031.

Federal/State Law

Federal and 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, hiring credits). These credits generally are designed to provide incentives for taxpayers to perform various actions or activities that they may not otherwise be undertaken.

Implementation Considerations

None Noted.

Technical Considerations

None noted.

Policy Considerations

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

This bill does not provide a carryover period. As a result, any unused credit would be lost if the taxpayer is unable to use the entire credit amount in the year claimed. The author may wish to add language to allow a limited carryover period.

LEGISLATIVE HISTORY

AB 1431 (Tangipa, 2025/2026) would provide, under the PITL, a tax credit to a qualified taxpayer in an amount equal to the qualified income earned by the qualified taxpayer for medical services performed in a rural area in the state, not to exceed $5,000 per taxable year. This bill did not pass out of the Assembly by the required deadline.

AB 1697 (Patterson and Gallagher, 2021/2022), under the PITL, would have established a tax credit for certain qualified expenses not to exceed $2,000 per Certificate of Still Birth for taxpayers who hold a Certificate of Still Birth for taxable years beginning on or after January 1, 2022, and before January 1, 2027. This bill did not pass out of the Assembly by the constitutional deadline.

AB 1709 (Rodriguez, 2021/2022), under the PITL, would have allowed a tax credit to taxpayers who donated blood to a licensed, exempt organization. This bill did not pass out of the Assembly by the constitutional deadline.

SB 1025 (Bates and Cooper, 2021/2022), under the PITL and Corporation Tax Law, would have allowed a tax credit to businesses that hold blood drives on their premises in coordination with a nonprofit blood bank organization. This bill did not pass out of the Senate by the constitutional deadline.

PROGRAM BACKGROUND

None noted.

OTHER STATES' INFORMATION

None noted.

FISCAL IMPACT

FTB'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 AB 547 as amended May 7, 2025
Assumed Enactment after June 30, 2025

($ in Millions)

Fiscal Year	Revenue
2025-2026	-$13
2026-2027	-$22
2027-2028	-$22

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.

Revenue Discussion

Based on Centers of Disease Control and Prevention data, it is estimated that there would be approximately 36,000 IVF procedures in California in 2026. After accounting for the average number of procedures needed for a successful pregnancy and the AGI limitations imposed by the bill, it is estimated that about 8,500 qualified taxpayers would undergo IVF and incur approximately $240 million in qualified expenses in the 2026 taxable year.

After accounting for the maximum credit amount of $5,000, it is estimated that about $43 million in credit would be generated in the 2026 taxable year. It is estimated that 60 percent, or $26 million, would be earned by taxpayers with sufficient tax liability to offset with the credit. Of this, 80 percent, or $21 million, would be claimed in the year generated and the remaining credit would go unused.

The offsetting deduction would be the medical and dental expense itemized deduction and allowed only to the extent that medical and dental expense exceed 7.5 percent of the taxpayer's AGI. To arrive at the offsetting tax effect of the medical and dental expense deduction that would otherwise be allowed under current law, it is estimated that taxpayers would be able to deduct approximately $12 million in qualified expenses in the 2026 taxable year. Applying an average tax rate of 7 percent, results in an offsetting revenue gain of about $0.8 million. Resulting in a net revenue loss of $20 million for the 2026 taxable year.

The tax year estimates are converted to fiscal year estimates and then rounded to arrive at the amounts reflected in the above table.

LEGAL IMPACT

None noted.

EQUITY IMPACT

None noted.

APPOINTMENTS

None noted.

SUPPORT/OPPOSITION

Assembly Committee on Appropriations, dated May 19, 2025

Support

None on file.

Opposition

Anti-choice groups
Labor organizations
California Federation of Teachers

ARGUMENTS

Assembly Committee on Appropriations, dated May 19, 2025

Proponents

None on file.

Opponents

The bill is opposed by the California Federation of Teachers, noted in part:

> While the merit and goal of the bill are laudable, educators prefer that the state invest in progressive tax policies, such as a wealth tax...Revenue from such a source would more than cover the goal of this bill and more, without harming others in this zero-sum environment.

LEGISLATIVE CONTACT

FTBLegislativeServices@ftb.ca.gov