



## Bill Analysis

Author: Hadwick

Related Bills: See Legislative History

Bill Number: AB 834

Sponsor:

Amended March 24, 2025

### SUBJECT

Teachers' Education Related Expense Deduction

### SUMMARY

Under the Personal Income Tax Law (PITL), for taxable years beginning on or after January 1, 2026, and before January 1, 2031, would conform to the federal deduction allowed for certain expenses of elementary and secondary school teachers.

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

### RECOMMENDATION

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

### SUMMARY OF AMENDMENTS

The March 24, 2025, amendments removed intent language relating to a personal income tax teachers' credit and replaced it with the provisions discussed in this analysis.

### REASON FOR THE BILL

The reason for this bill is to achieve conformity with federal law and support teachers that incur classroom supplies, materials, and professional development costs.

### ANALYSIS

This bill would, under the PITL, for taxable years beginning on or after January 1, 2026, and before January 1, 2031, conform to the federal above-the-line deduction allowed for certain expenses of elementary and secondary school teachers.

For purposes of complying with RTC section 41, this bill would require the FTB to collect data, to the extent that it is available, on the number of taxpayers claiming the deduction, the average amount of the deduction claimed by taxpayers, and descriptions of the expenses deducted to determine if the deduction is conforming with federal law, supporting teachers, and benefitting students.

#### *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 law allows eligible educators an "above-the-line" deduction for the cost to purchase books, supplies (other than nonathletic supplies for courses of instruction in health or physical education), computer equipment (including related software and services) and other equipment, and supplementary materials used by the eligible educator in the classroom as an adjustment to gross income. Eligible educators are also allowed to deduct the cost of professional development courses related to the curriculum for which the educator provides instruction. An "eligible educator" is defined as an individual who is a kindergarten through grade 12 teacher, instructor, counselor, principal, or aide in a school for at least 900 hours during a school year. This deduction is adjusted for inflation, and for the 2025 taxable year, the limit is \$300.

California conforms to the Internal Revenue Code (IRC) as of January 1, 2025, but specifically does not conform to the federal deduction for educator expenses. There is no provision comparable in state law. As a result, a taxpayer must reverse the federal deduction for educator expenses on their California income tax return, increasing their California taxable income.

#### *Implementation Considerations*

The FTB 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.

The bill includes RTC section 41 requirements that requires the FTB to report certain information relating to the use of this deduction, including "description of the expenses deducted". The personal income tax return does not include space allowing a taxpayer to provide a description for a deduction. This could result in the creation of a new tax form to capture a description for the deduction.

The bill is silent on whether a report would be required and the due date for a report. As an example, an individual filer that files a 2026 tax return on extension, may file as late as October 15, 2027. The FTB needs approximately six months to complete return processing and to compile the needed data to prepare a report. Thus, FTB would not have the data for the 2026 taxable year until approximately June 2028. If this is contrary to the author's intent, the author may wish to amend the bill to require a report that would be due after June 2028.

#### *Technical Considerations*

None noted.

#### *Policy Considerations*

The bill creates a new tax expenditure, as a new deduction. Pursuant to RTC section 41, the bill is required to include specific goals, purposes, objectives, detailed performance indicators and data collection requirement measures to allow the Legislature to evaluate the effectiveness of the tax benefit. The bill does not include performance indicators. The author may wish to amend the bill to include performance indicators for the Legislature to use when measuring whether the tax expenditure meets the goals, purposes, and objectives stated in the bill.

#### **LEGISLATIVE HISTORY**

AB 250 (Choi, 2021/2022) would have allowed a tax credit in an amount equal to the amount paid or incurred by a qualified teacher during the taxable year for instructional materials and classroom supplies, not to exceed \$200 per taxable year. AB 250 did not pass out of the Assembly Revenue and Taxation Committee by the constitutional deadline.

AB 1889 (Choi, et al., 2021/2022) would have, under the PITL, for public school teachers, allowed a deduction for educator expenses similar to the deduction allowed on a federal individual income tax return. AB 1889 did not pass out of the Assembly Revenue and Taxation Committee by the constitutional deadline.

AB 348 (Choi & Flora, 2019/2020) would have allowed a credit for amounts paid or incurred by a qualified teacher during the taxable year for instructional materials and classroom supplies, not to exceed \$200 for each taxable year beginning on or after January 1, 2020. AB 348 did not pass out of the Assembly Revenue and Taxation Committee by the constitutional deadline.

SB 1214 (Portantino, 2017/2018) would have allowed an above-the-line tax deduction for certain teacher professional development expenses not to exceed \$2,500 subject to an appropriation in the annual Budget bill. SB 1214 did not pass out of the Assembly 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 834 as Amended March 24, 2025  
Assumed Enactment after June 30, 2025

(\$ in Millions)

Fiscal Year	Revenue
2025-2026	\$0.0
2026-2027	-\$5.5
2027-2028	-\$5.5

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 data from the California Department of Education, it is estimated that in 2026, there would be 600,000 educators in California. Of those it is estimated that about 350,000 would be qualified educators and would spend their own money on qualified eligible educator expenses. Data from the Economic Policy Institute indicates that each year the average California educator spends around \$660 of their own money on classroom supplies and professional development courses. After indexing for inflation, it is estimated that the maximum deduction amount would be \$350 in the 2026 taxable year. Applying the maximum deduction amount of \$350, results in approximately \$120 million in qualified educator expense deductions claimed in the 2026 taxable year. Applying an average tax rate of 5 percent results in an estimated revenue loss of \$5.5 million in 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**

Committee Report Assembly Revenue and Taxation, dated May 2, 2025.

*Support*

None on file.

*Opposition*

None on file.

**ARGUMENTS**

Committee Report Assembly Revenue and Taxation, dated May 2, 2025.

*Proponents*

None on file.

*Opponents*

None on file.

**LEGISLATIVE CONTACT**

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