SENATE BILL No. 918

Introduced by Senator Oropeza

February 23, 2007

An act to add Chapter 3.5 (commencing with Section 18900) to Part 10.2 of Division 2 of the Revenue and Taxation Code, relating to taxation.

LEGISLATIVE COUNSEL'S DIGEST

SB 918, as amended, Oropeza. Taxation: deposits: qualified tuition programs.

The Personal Income Tax Law imposes taxes on taxable income which are administered by the Franchise Tax Board. Existing law authorizes taxpayers to contribute amounts in excess of their tax liability for the support of specified funds.

This bill would provide that a taxpayer may designate on his or her tax return that an amount in excess of tax liability, as specified, be deposited by the Franchise Tax Board into a qualified tuition program account, as specified. This bill would require the Franchise Tax Board to revise the form of the return to include the necessary information that will allow a taxpayer to make this designation, as provided.

Vote: majority. Appropriation: no. Fiscal committee: yes. State-mandated local program: no.

The people of the State of California do enact as follows:

1   SECTION 1. Chapter 3.5 (commencing with Section 18900)
2 is added to Part 10.2 of Division 2 of the Revenue and Taxation
3 Code, to read:
4
5   CHAPTER 3.5. DIRECTED DEPOSITS
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7   18900. (a) A taxpayer may designate on the tax return, that
8 an amount in excess of tax liability, if any, be deposited to the
9 credit of the taxpayer's qualified tuition program, as defined in
10 Section 529 of the Internal Revenue Code, including, but not
11 limited to, Scholarshare.
12   (b) The designation shall only be allowed *only* if the designation
13 is a full dollar amount that is in excess of one dollar ($1).
14   (c) The Franchise Tax Board shall revise the form of the return
15 to include a space to allow the designation permitted under
16 subdivision (a), and any other information that may be necessary
17 to carry out this section, including, but not limited to, the following:
18   (1) The amount of the designation.
19   (2) The account number and named beneficiary of the qualified
20 tuition program.
21   (d) In the event *If* the payments and the designation reported on
22 the return do not exceed the tax liability, if any, shown thereon,
23 the tax return shall be treated as though the designation had not
24 been made.
25   (e) If the taxpayer designates a deposit to more than one
26 qualified tuition program and the amount available is insufficient
27 to satisfy the total amount designated, the deposits shall be
28 allocated among the designated accounts on a pro rata basis.
29   *18901.   If a taxpayer designates a voluntary contribution*
30 *pursuant to Chapter 3 (commencing with Section 18701) and a*
31 *directed deposit pursuant to this chapter, and the amount in excess*
32 *of tax liability is less than the total amount designated, the amount*
33 *in excess of tax liability shall be allocated among the designees*
34 *on a pro rata basis.*

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