

AMENDED IN SENATE APRIL 11, 2013

SENATE BILL

No. 693

Introduced by Senator Correa

February 22, 2013

An act to add and repeal Sections 17052.5 and 17052.7 of the Revenue and Taxation Code, relating to taxation, to take effect immediately, tax levy.

LEGISLATIVE COUNSEL'S DIGEST

SB 693, as amended, Correa. ~~Income taxes: Personal income tax:~~ credits: school expenses.

The Personal Income Tax Law ~~and the Corporation Tax Law~~ allow ~~allows~~ various credits against the ~~taxes~~ tax imposed by ~~those laws~~ that law.

This bill would, for taxable years beginning on or after January 1, 2014, and before January 1, 2019, allow a credit against that tax to low-income and middle-income parents and guardians for education-related expenses, as defined, not to exceed \$500, and a credit against that tax to qualified taxpayers, as defined, for instructional materials and classroom supplies, not to exceed \$250.

This bill would take effect immediately as a tax levy.

~~This bill would state that it is the intent of the Legislature to enact legislation that would allow credit and deduction for education-related expenses for low-income parents and a refundable credit for costs of instructional and classroom materials paid by low-income teachers, as specified.~~

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

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

1 *SECTION 1. Section 17052.5 is added to the Revenue and*
2 *Taxation Code, to read:*

3 17052.5. (a) *For each taxable year beginning on or after*
4 *January 1, 2014, and before January 1, 2019, there shall be*
5 *allowed as a credit against the “net tax,” as defined in Section*
6 *17039, the qualified amount that was paid or incurred for qualified*
7 *education-related expenses for one or more dependent children*
8 *by a low-income or middle-income parent or guardian during the*
9 *taxable year.*

10 **(b) For purposes of this section:**

11 **(1) “Dependent children” means children who attend**
12 *kindergarten or any grades 1 to 12, inclusive, in California at a*
13 *public, charter, or private school that has a current private school*
14 *affidavit on file with the State Department of Education in the*
15 *taxable year and who meet the requirements of Section*
16 *152(c)(1)(B), (D), and (E) of the Internal Revenue Code.*

17 **(2) “Qualified amount” means the following:**

18 **(A) If the qualified education-related expenses are two hundred**
19 *fifty dollars (\$250) or less, the amount paid or incurred for those*
20 *expenses.*

21 **(B) If the qualified education-related expenses are more than**
22 *two hundred fifty dollars (\$250) and less than one thousand two*
23 *hundred fifty dollars (\$1,250), two hundred fifty dollars (\$250)*
24 *plus 25 percent of the difference between the amount paid or*
25 *incurred for those expenses and two hundred fifty dollars (\$250).*

26 **(C) If the qualified education-related expenses are more than**
27 *one thousand two hundred fifty dollars (\$1,250), five hundred*
28 *dollars (\$500).*

29 **(3) (A) “Qualified education-related expenses” means the costs**
30 *of textbooks, school supplies, including, but not limited to, pens,*
31 *paper, pencils, notebooks, calculators, and rulers, school uniforms,*
32 *computers, computer hardware, and educational computer software*
33 *used to learn academic subjects, tuition, tutoring,*
34 *psychoeducational diagnostic evaluations to assess the cognitive*
35 *and academic abilities of pupils, special education services for*
36 *pupils who have an individualized education program or its*
37 *equivalent, academic after-school programs, out-of-school*
38 *enrichment programs, public transportation, third-party*

1 transportation, and the rental or purchase of educational
2 equipment required for classes held during the regular school
3 year.

4 (B) “Qualified education-related expenses” shall not include
5 any expenses for the items described in subparagraph (A) that are
6 used in a trade or business.

7 (4) “Low-income or middle-income parent or guardian” means
8 a parent or legal guardian of a full-time pupil who is under 21
9 years of age at the close of the school year who meets both of the
10 following requirements:

11 (A) Both the pupil and the parent or guardian reside in
12 California when the qualified education-related expenses were
13 paid or incurred.

14 (B) The household income does not exceed 300 percent of the
15 federal Income Eligibility Guidelines published by the Food and
16 Nutrition Service of the United States Department of Agriculture
17 for use in determining eligibility for reduced price meals.

18 (5) “Tuition” means tuition for a private school with
19 kindergarten or any grades 1 to 12, inclusive, or for college
20 courses or summer school courses that satisfy high school
21 graduation requirements.

22 (c) (1) The credit amount shall be limited to five hundred dollars
23 (\$500) per household.

24 (2) If more than one parent or guardian qualifies for this credit,
25 the following applies:

26 (A) The credit shall be allowed to the parent or guardian having
27 custody for the greater portion of the calendar year.

28 (B) If the child resides with more than one parent or guardian
29 for the same amount of time during the taxable year, the parent
30 or guardian with the highest adjusted gross income shall be
31 allowed the credit.

32 (d) In the case where the credit allowed by this section exceeds
33 the “net tax,” the excess may be carried over to reduce the “net
34 tax” in the following year, and succeeding four years if necessary,
35 until the credit is exhausted.

36 (e) (1) The Franchise Tax Board may prescribe rules,
37 guidelines, or procedures necessary or appropriate to carry out
38 the purposes of this section.

39 (2) Chapter 3.5 (commencing with Section 11340) of Part 1 of
40 Division 3 of Title 2 of the Government Code shall not apply to

1 any standard, criterion, procedure, determination, rule, notice, or
2 guideline established or issued by the Franchise Tax Board
3 pursuant to this section.

4 (f) This section shall remain in effect only until December 1,
5 2019, and as of that date is repealed, unless a later enacted statute,
6 that is enacted before January 1, 2019, deletes or extends that
7 date.

8 SEC. 2. Section 17052.7 is added to the Revenue and Taxation
9 Code, to read:

10 17052.7. (a) For each taxable year beginning on or after
11 January 1, 2014, and before January 1, 2019, there shall be
12 allowed as a credit against the “net tax,” as defined in Section
13 17039, an amount equal to the amount paid or incurred by a
14 qualified taxpayer during the taxable year for instructional
15 materials and classroom supplies, not to exceed two hundred fifty
16 dollars (\$250).

17 (b) For purposes of this section:

18 (1) “Instructional materials and classroom supplies” means
19 any unreimbursed expenses, otherwise deductible as a trade or
20 business expense, for books, supplies, computer equipment,
21 including related software and services and other equipment, and
22 supplementary materials used in the classroom.

23 (2) “Qualified taxpayer” means a person who works at least
24 900 hours in the school year as a teacher, instructor, counselor,
25 principal, or aide in a school for kindergarten or any grades 1 to
26 12, inclusive.

27 (c) A qualified taxpayer shall be allowed this credit only for the
28 first three years of employment as a teacher, instructor, counselor,
29 principal, or aide in a school for kindergarten or any grades 1 to
30 12, inclusive.

31 (d) In the case where the credit allowed by this section exceeds
32 the “net tax,” the excess may be carried over to reduce the “net
33 tax” in the following year, and succeeding four years if necessary,
34 until the credit is exhausted.

35 (e) (1) The Franchise Tax Board may prescribe rules,
36 guidelines, or procedures necessary or appropriate to carry out
37 the purposes of this section.

38 (2) Chapter 3.5 (commencing with Section 11340) of Part 1 of
39 Division 3 of Title 2 of the Government Code shall not apply to
40 any standard, criterion, procedure, determination, rule, notice, or

1 *guideline established or issued by the Franchise Tax Board*
2 *pursuant to this section.*

3 *(f) This section shall remain in effect only until December 1,*
4 *2019, and as of that date is repealed, unless a later enacted statute,*
5 *that is enacted before January 1, 2019, deletes or extends that*
6 *date.*

7 *SEC. 3. This act provides for a tax levy within the meaning of*
8 *Article IV of the Constitution and shall go into immediate effect.*

9 ~~SECTION 1. It is the intent of the Legislature to enact~~
10 ~~legislation that would allow the following:~~

11 ~~(a) A personal income tax credit or deduction for low-income~~
12 ~~parents for education-related expenses, including, but not limited~~
13 ~~to, tuition, textbooks, uniforms, computer hardware and educational~~
14 ~~software, tutors, transportation, and other nontuition educational~~
15 ~~expenses, for dependent children in kindergarten and grades 1 to~~
16 ~~12, inclusive, attending private or public schools or homeschooling.~~

17 ~~(b) A refundable personal income tax credit for the costs of~~
18 ~~instructional materials and classroom supplies paid by low-income~~
19 ~~teachers of kindergarten and grades 1 to 12, inclusive, in public~~
20 ~~and private schools.~~