

ASSEMBLY BILL

No. 2726

Introduced by Assembly Member McCarty

February 19, 2016

An act to add and repeal Section 17053 of the Revenue and Taxation Code, relating to taxation, to take effect immediately, tax levy.

LEGISLATIVE COUNSEL'S DIGEST

AB 2726, as introduced, McCarty. Personal income taxes: credit: Scholarshare account contributions.

The Personal Income Tax Law, in conformity with federal income tax law, provides that a qualified tuition program is exempt from taxes. Existing law establishes the Golden State Scholarshare College Savings Trust as a qualified tuition program. Existing law excludes from gross income of a beneficiary of, or contributor to, a qualified tuition program qualified distributions or earnings under that program, as specified.

This bill, for taxable years beginning on or after January 1, 2016, and before January 1, 2021, would allow a credit under the Personal Income Tax Law in an amount equal to 20% of the monetary contributions made to one or more Scholarshare accounts by a qualified taxpayer, as defined, during the taxable year, not to exceed \$500. This bill would include findings and declarations specifying the objectives, performance indicators, and data collection and reporting requirements related to this credit.

This bill would take effect immediately as a tax levy.

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

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

SECTION 1. Section 17053 is added to the Revenue and Taxation Code, to read:

17053. (a) (1) For each taxable year beginning on or after January 1, 2016, and before January 1, 2021, there shall be allowed to a qualified taxpayer a credit against the “net tax,” as defined in Section 17039, in an amount as determined by paragraph (2).

(2) The credit amount allowed pursuant to this section shall be the lesser of the following:

(A) Twenty percent of the monetary contributions made by a qualified taxpayer to one or more accounts established pursuant to a qualified tuition program during the taxable year.

(B) Five hundred dollars (\$500).

(b) For the purposes of this section:

(1) “Qualified higher education expenses” means qualified higher education expenses, as defined in Section 529(e)(3) of the Internal Revenue Code.

(2) “Qualified taxpayer” means an individual who, on behalf of a beneficiary, contributes money to a qualified tuition program for which the individual is the account owner and has one of the following California adjusted gross incomes:

(A) In the case of a single individual or married individual filing a separate return, seventy-five thousand dollars (\$75,000) or less.

(B) In the case of a head of household or surviving spouse, as defined in Section 17046, or a married couple filing a joint return, one hundred fifty thousand dollars (\$150,000) or less.

(3) “Qualified tuition program” means a qualified tuition program, as defined in Section 529(b) of the Internal Revenue Code and as established pursuant to Article 19 (commencing with Section 69989) of Chapter 2 of Part 42 of Division 5 of Title 3 of the Education Code.

(c) In the case of any distribution in excess of qualified higher education expenses, the aggregate amount of credit allowed under subdivision (a) that reduced tax in any taxable year shall be added to the tax of the qualified taxpayer in the taxable year of such distribution to the extent that such distribution is attributable to the aggregate amount of contributions for which a credit is allowed under this section in taxable years beginning on or after January 1, 2016, and before January 1, 2021.

1 (d) (1) The Franchise Tax Board may prescribe rules,
2 guidelines, or procedures necessary or appropriate to carry out the
3 purposes of this section.

4 (2) Chapter 3.5 (commencing with Section 11340) of Part 1 of
5 Division 3 of Title 2 of the Government Code does not apply to
6 any standard, criterion, procedure, determination, rule, notice, or
7 guideline established or issued by the Franchise Tax Board
8 pursuant to this section.

9 (e) This section shall remain in effect only until December 1,
10 2021, and as of that date is repealed.

11 SEC. 2. For the purposes of complying with Section 41 of the
12 Revenue and Taxation Code, the Legislature finds and declares
13 all of the following:

14 (a) Objectives:

15 (1) Provide a tax incentive to motivate California families to
16 open and contribute to a Scholarshare account, California's 529
17 college savings plan account, for the purposes of saving for future
18 college expenses, thereby encouraging more Californians to pursue
19 a postsecondary education and reducing the amount of student
20 loan debt they may accumulate upon graduation.

21 (2) Reduce the amount of student loan debt on a dollar-for-dollar
22 basis, thereby increasing a person's ability to purchase a home,
23 car, and other products that help stimulate economic activity.

24 (b) Performance indicators:

25 (1) The number of tax credits issued by the Franchise Tax Board
26 under Section 17053 of the Revenue and Taxation Code.

27 (2) The dollar amount of tax credits issued by the Franchise Tax
28 Board under Section 17053 of the Revenue and Taxation Code.

29 (3) Taxpayer income information of those who qualified and
30 used the tax credit.

31 (4) The number of new Scholarshare accounts opened during
32 the calendar year.

33 (c) Data collection and reporting requirements:

34 (1) The Scholarshare Investment Board shall collect data on the
35 amount of tax credits issued and taxpayer income from the
36 Franchise Tax Board within 120 days from the filing date of the
37 tax return of a taxable year.

38 (2) The Scholarshare Investment Board shall collect data on the
39 total amount of contributions made to Scholarshare accounts by
40 March 1 of each year the credit is claimed on a tax return.

1 (3) The Scholarshare Investment Board shall survey new and
2 existing Scholarshare account owners to collect information about
3 their motivation to do all of the following:

4 (A) Open a Scholarshare account.

5 (B) Contribute to a Scholarshare account.

6 (C) Increase the frequency and amount of contributions to a
7 Scholarshare account.

8 (D) Refer a Scholarshare account to friends and family.

9 (4) (A) The Scholarshare Investment Board shall compile an
10 annual report that will include, but not be limited to, prior year
11 and cumulative baseline data and information. The report shall be
12 compiled for, and delivered to, the Legislature by July 31 of each
13 year the credit is in effect.

14 (B) The requirement for submitting a report imposed under
15 subparagraph (A) is inoperative on December 1, 2021, pursuant
16 to Section 10231.5 of the Government Code.

17 (C) A report to be submitted pursuant to subparagraph (A) shall
18 be submitted in compliance with Section 9795 of the Government
19 Code.

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