

AMENDED IN ASSEMBLY APRIL 10, 2000

CALIFORNIA LEGISLATURE—1999–2000 REGULAR SESSION

ASSEMBLY BILL

No. 2095

Introduced by Assembly Member Lempert
(Principal coauthor: Senator O'Connell)

February 22, 2000

An act to add and repeal Sections ~~17205 and 24342~~ Section 17053.60 of the Revenue and Taxation Code, relating to taxation, to take effect immediately, tax levy.

LEGISLATIVE COUNSEL'S DIGEST

AB 2095, as amended, Lempert. Income and bank and corporation taxes: ~~deduction credit~~: Scholarshare trust.

The Personal Income Tax Law and the Bank and Corporation Tax Law allow various deductions in computing the income that is subject to the taxes imposed by those laws allows various credits against the taxes imposed by that law.

This bill would, for taxable ~~and income~~ years beginning on or after January 1, 2000, and before January 1, 2005, authorize a ~~deduction under those laws~~ allow a credit in an amount equal to ~~50% specified percentages~~ of the amount of any contribution during the taxable ~~or income~~ year by a qualified taxpayer to a Scholarshare trust, as defined, on behalf of each qualified beneficiary. This bill would limit the ~~deduction to \$1,200 credit to \$200~~ per qualified beneficiary, and would require the Scholarshare Investment Board and the Franchise Tax Board to make reports to the Legislature in connection with the ~~deduction 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:

1 ~~SECTION 1.—Section 17205 is added to the Revenue~~
2 *SECTION 1. Section 17053.60 is added to the Revenue*
3 *and Taxation Code, to read:*

4 *17053.60. (a) For each taxable year beginning on or*
5 *after January 1, 2000, and before January 1, 2005, there*
6 *shall be allowed as a credit against the “net tax,” as*
7 *defined by Section 17039, an amount, not to exceed two*
8 *hundred dollars (\$200) per each qualified beneficiary,*
9 *equal to the amount determined pursuant to subdivisions*
10 *(b) and (c) of any contribution during the taxable year*
11 *by a taxpayer to a Scholarshare trust, as defined by*
12 *subdivision (i) of Section 69980 of the Education Code,*
13 *made on behalf of any qualified beneficiary.*

14 *(b) For joint filers the credit shall be the following*
15 *amounts based upon the following adjusted gross income*
16 *for the taxable year:*

17		
18	<i>The adjusted gross income is:</i>	<i>The credit is:</i>
19		
20	<i>Less than \$35,000</i>	<i>10% of adjusted gross income</i>
21	<i>\$35,000 or more, but less than</i>	
22	<i>\$100,000</i>	<i>5% of adjusted gross income</i>
23	<i>\$100,000 or more, but less than</i>	
24	<i>\$150,000</i>	<i>2% of adjusted gross income</i>
25	<i>\$150,000 or more</i>	<i>0</i>
26		

27 *(c) For individuals other than joint filers the credit*
28 *shall be the following amounts based upon the following*
29 *adjusted gross income for the taxable year:*

30		
31	<i>If the adjusted gross income is:</i>	<i>The credit is:</i>
32		
33	<i>Less than \$17,500</i>	<i>10% of adjusted gross income</i>



1	<i>\$17,500 or more, but less than</i>	
2	<i>\$50,000</i>	<i>5% of adjusted gross income</i>
3	<i>\$50,000 or more, but less than</i>	
4	<i>\$75,000</i>	<i>2% of adjusted gross income</i>
5	<i>\$75,000 or more</i>	<i>0</i>

6
7 (d) For purposes of this section “qualified beneficiary”
8 means an individual for whom a Scholarshare account has
9 been established and who is eligible to be claimed as a
10 “dependent” on the taxpayer’s tax return.

11 (e) No credit shall be allowed by this section for any
12 expenses for which a deduction is also allowed under this
13 part.

14 (f) A penalty of 10 percent shall be imposed on
15 withdrawals for any amounts that do not constitute
16 qualified higher education expenses, as defined by
17 Section 69980 of the Education Code.

18 (g) The Scholarshare Investment Board shall report to
19 the Franchise Tax Board regarding (1) the amount of
20 annual contributions made on behalf of a beneficiary and
21 (2) the point in time where the amount of contributions
22 made for a beneficiary have reached the maximum level
23 of contributions as defined by the Scholarshare
24 Investment Board.

25 (h) The Franchise Tax Board shall report annually, to
26 the extent data is available, on the utilization of the credit
27 allowed by this section.

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

33 (j) This section shall remain in effect only until
34 December 1, 2005, and as of that date, is repealed.

35 ~~and Taxation Code, to read:~~

36 ~~17205. (a) For any taxable year beginning on or after~~
37 ~~January 1, 2000, and before January 1, 2005, there shall be~~
38 ~~allowed as a deduction an amount equal to 50 percent of~~
39 ~~the amount of any contribution during the taxable year~~
40 ~~by a qualified taxpayer to a Scholarshare trust, as defined~~



1 by subdivision (i) of Section 69980 of the Education Code,
2 made on behalf of any qualified beneficiary.

3 (b) The amount of the deduction allowed by this
4 section shall not exceed one thousand two hundred
5 dollars (\$1,200) per taxable year for each qualified
6 beneficiary.

7 (e) For purposes of this section:

8 (1) "Qualified beneficiary" means an individual for
9 whom a Scholarshare account has been established and
10 who is eligible to be claimed as a "dependent" on the
11 taxpayer's tax return.

12 (2) "Qualified taxpayer" means an individual whose
13 federal adjusted gross income for the taxable year is
14 between forty thousand dollars (\$40,000) and fifty
15 thousand dollars (\$50,000) and joint filers whose
16 combined federal adjusted gross income for the taxable
17 year is between eighty thousand dollars (\$80,000) and one
18 hundred thousand (\$100,000).

19 (d) No deduction shall be allowed by this section for
20 any expenses for which a tax credit is also allowed under
21 this part.

22 (e) A penalty of 10 percent shall be imposed on
23 withdrawals for any amounts that do not constitute
24 qualified higher education expenses, as defined by
25 Section 69980 of the Education Code.

26 (f) The Scholarshare Investment Board shall report to
27 the Franchise Tax Board regarding (1) the amount of
28 annual contributions made on behalf of a beneficiary and
29 (2) the point in time where the amount of contributions
30 made for a beneficiary have reached the maximum level
31 of contributions as defined by the Scholarshare
32 Investment Board.

33 (g) The Franchise Tax Board shall report annually, to
34 the extent data is available, on the utilization of the
35 deduction allowed by this section.

36 (h) This section shall remain in effect only until
37 December 1, 2005, and as of that date, is repealed.

38 SEC. 2. Section 24342 is added to the Revenue and
39 Taxation Code, to read:

1 ~~24342. (a) For any income year beginning on or after~~
2 ~~January 1, 2000, and before January 1, 2005, there shall be~~
3 ~~allowed as a deduction an amount equal to 50 percent of~~
4 ~~the amount of any contribution during the income year~~
5 ~~by a qualified taxpayer to a Scholarshare trust, as defined~~
6 ~~by subdivision (i) of Section 69980 of the Education Code~~
7 ~~made on behalf of any qualified beneficiary.~~

8 ~~(b) The amount of the deduction allowed by this~~
9 ~~section shall not exceed one thousand two hundred~~
10 ~~dollars (\$1,200) per taxable year for each qualified~~
11 ~~beneficiary.~~

12 ~~(e) For purposes of this section:~~

13 ~~(1) "Qualified beneficiary" means an individual for~~
14 ~~whom a Scholarshare account has been established and~~
15 ~~who is eligible to be claimed as a "dependent" on the~~
16 ~~taxpayer's tax return.~~

17 ~~(2) "Qualified taxpayer" means an individual whose~~
18 ~~federal adjusted gross income for the taxable year is~~
19 ~~between forty thousand dollars (\$40,000) and fifty~~
20 ~~thousand dollars (\$50,000) and joint filers whose~~
21 ~~combined federal adjusted gross income for the taxable~~
22 ~~year is between eighty thousand dollars (\$80,000) and one~~
23 ~~hundred thousand (\$100,000).~~

24 ~~(d) No deduction shall be allowed by this section for~~
25 ~~any expenses for which a tax credit is also allowed under~~
26 ~~this part.~~

27 ~~(e) A penalty of 10 percent shall be imposed on~~
28 ~~withdrawals for any amounts that do not constitute~~
29 ~~qualified higher education expenses, as defined by~~
30 ~~Section 69980 of the Education Code.~~

31 ~~(f) The Scholarshare Investment Board shall report to~~
32 ~~the Franchise Tax Board regarding (1) the amount of~~
33 ~~annual contributions made on behalf of a beneficiary and~~
34 ~~(2) the point in time where the amount of contributions~~
35 ~~made for a beneficiary have reached the maximum level~~
36 ~~of contributions as defined by the Scholarshare~~
37 ~~Investment Board.~~

38 ~~(g) The Franchise Tax Board shall report annually, to~~
39 ~~the extent data is available, on the utilization of the~~
40 ~~deduction allowed by this section.~~



1 ~~(h) This section shall remain in effect only until~~
2 ~~December 1, 2005, and as of that date, is repealed.~~

3 ~~SEC. 3.~~

4 *SEC. 2.* This act provides for a tax levy within the
5 meaning of Article IV of the Constitution and shall go into
6 immediate effect.

7 _____

8 CORRECTIONS

9 Text — Page 2.

10 _____

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