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## SENATE COMMITTEE ON APPROPRIATIONS

Senator Anthony Portantino, Chair  
2021 - 2022 Regular Session

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**SB 610 (Grove) - Personal income tax: credit: virtual learning costs: dependent of the taxpayer**

**Version:** April 5, 2021

**Urgency:** No

**Hearing Date:** May 17, 2021

**Policy Vote:** GOV. & F. 5 - 0

**Mandate:** No

**Consultant:** Robert Ingenito

**Bill Summary:** SB 610 would create a tax credit equal to 50 percent of qualified virtual learning costs (up to \$2,250) for each qualified dependent.

**Fiscal Impact:** The Franchise Tax Board (FTB) indicates that this bill would result in General Fund revenue losses of \$340 million in 2021-22, \$410 million in 2022-23, and \$440 million in 2023-24. FTB's implementation costs have yet to be determined.

**Background:** Tax expenditure programs (TEPs) are special tax provisions that reduce the amount of revenues the "basic" tax system would otherwise generate in order to provide (1) benefits to certain groups of taxpayers, and/or (2) incentives to encourage certain types of behavior and activities, such as charitable giving. Specifically, current law provides for, among other things, various income and corporation tax credits and deductions, as well as exemptions from the sales and use tax. The Department of Finance is required to publish a list of TEPs (currently totaling several hundred), which currently total \$75 billion annually. Two common types of TEPs are tax deductions and tax credits. Unlike tax deductions, which reduce the amount of earnings subject to tax, credits reduce (dollar for dollar) the amount of taxes owed.

In March 2020, California schools closed their doors to in-person learning as COVID-19 began to spread across the state. School districts and parents had to adapt quickly to a virtual learning format for school aged children. A 2020 back-to-school survey from Deloitte indicates that 38 percent of shoppers indicated high financial concern over the ability to pay school-related expenses due to virtual learning. Some of the biggest financial impacts to parents come from technology and additional school supplies. The same study by Deloitte noted that only 43 percent of parents felt their children were ready for the next grade and 51 percent of parent increased spending on virtual learning tools to help their children keep up.

**Proposed Law:** This bill would allow a Personal Income Tax credit equal to 50 percent of the amount paid or incurred by a qualified taxpayer during the taxable year for qualified costs, as defined, related to virtual learning for qualified dependents, not to exceed \$2,250 for each qualified dependent for any taxable year. The credit would be allowed for taxable years 2021 through 2025, and allows an unused credit to be carried over for up to seven years. The measure only would allow the credit (1) for virtual learning costs incurred for an elementary or secondary school student, and (2) for taxpayers with adjusted gross income below specified thresholds in the taxable year in which they claim the credit: (1) \$75,000 for individuals, and (2) \$150,000 for spouses filing a joint return, heads of household, and surviving spouses.

**Related Legislation:**

- AB 219 (Villapudua) would provide a refundable tax credit to qualified taxpayers, as specified, equal to the sales tax collected during the first week of August for purchases of back-to-school items, not to exceed \$2,500 per taxable year, per household. The bill is currently pending in the Assembly Revenue and Taxation Committee.
- AB 250 (Choi) would allow qualified teachers a credit of up to \$200 for the purchase of instructional materials and classroom supplies. AB 250 is currently in the committee process. The bill is currently pending in the Assembly Revenue and Taxation Committee.
- AB 742 (Calderon) would modify provisions of the School Supplies for Homeless Children Fund. The bill is currently pending referral in the Senate Rules Committee.

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