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AB-111 Personal Income Tax Law: exclusion: student loan debt: discharge of fees: higher education emergency grants. (2023-2024)

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Date Published: 05/15/2023 09:00 PM

Assembly Bill No. 111

CHAPTER 5

An act to amend Section 17144.8 of, and to add and repeal Sections 17131.21 and 17131.22 of, the Revenue and Taxation Code, relating to taxation, and making an appropriation therefor, to take effect immediately, bill related to the budget.

[Approved by Governor May 15, 2023. Filed with Secretary of State May 15, 2023.]

LEGISLATIVE COUNSEL'S DIGEST

AB 111, Committee on Budget. Personal Income Tax Law: exclusion: student loan debt: discharge of fees: higher education emergency grants.

(1) The Personal Income Tax Law, in modified conformity with federal income tax law, generally defines "gross income" as income from whatever source derived, except as specifically excluded, and provides various exclusions from gross income. Existing law authorizes the Chancellor of the California Community Colleges to discharge unpaid fees due or owed by a student to a community college district.

This bill would exclude from an individual's gross income, for taxable years beginning on or after January 1, 2022, and before January 1, 2027, any amount relating to the discharge of unpaid fees due or owed by a student pursuant to that law.

(2) Existing federal law authorizes various specified higher education emergency grants to support students and higher education institutions with expenses and financial needs related to the COVID-19 pandemic.

This bill would, for taxable years beginning on or after January 1, 2020, and before January 1, 2028, exclude from an individual's gross income specified higher education emergency grants received by a student in postsecondary education, as specified.

(3) Existing federal law excludes from gross income the amount of certain student loans discharged, in whole or in part, after December 31, 2020, and before January 1, 2026.

This bill would, for taxable years beginning on or after January 1, 2021, and before January 1, 2026, exclude from an individual's gross income the amount of certain student loans discharged, in whole or in part, after December 31, 2020, and before January 1, 2026, in conformity with that federal law.

(4) This bill would appropriate \$20,000 from the General Fund to the Franchise Tax Board for the purpose of administering the provisions of this bill.

(5) Existing law requires any bill authorizing a new tax expenditure to contain, among other things, specific goals, purposes, and objectives that the tax expenditure will achieve, detailed performance indicators, and data collection requirements.

The bill would also include additional information required for any bill authorizing a new tax expenditure.

This bill would make findings and declarations related to a gift of public funds.

This bill would declare that it is to take effect immediately as a bill providing for appropriations related to the Budget Bill.

Vote: majority Appropriation: yes Fiscal Committee: yes Local Program: no

THE PEOPLE OF THE STATE OF CALIFORNIA DO ENACT AS FOLLOWS:

SECTION 1. Section 17131.21 is added to the Revenue and Taxation Code, to read:

17131.21. (a) For taxable years beginning on or after January 1, 2022, and before January 1, 2027, gross income does not include any amount relating to the discharge of any unpaid fees due or owed by a student to a community college which was discharged pursuant to subparagraph (G) of paragraph (3) of subdivision (a) of Section 32527 of the Education Code.

(b) (1) For the purposes of complying with Section 41, the Legislature finds and declares that the purpose of the exclusion allowed by this section is to provide financial relief to community college students affected by the adverse impacts of the economic disruptions and hardships resulting from the COVID-19 emergency.

(2) The performance indicators used to determine whether the exclusion is achieving its stated purpose are the number of students that had fees discharged pursuant to subparagraph (G) of paragraph (3) of subdivision (a) of Section 32527 of the Education Code, and the total dollar value of those fees discharged.

(3) The report required to be submitted by the Chancellor's Office of the California Community Colleges to the Legislature, as required by paragraph (5) of subdivision (a) of Section 32527 of the Education Code, shall constitute reporting for the purpose of complying with Section 41.

(c) This section shall remain in effect only until December 1, 2027, and as of that date is repealed.

SEC. 2. Section 17131.22 is added to the Revenue and Taxation Code, to read:

17131.22. (a) For taxable years beginning on or after January 1, 2020, and before January 1, 2028, gross income does not include amounts of certain emergency financial aid grants received by a student in postsecondary education pursuant to, or described in, any of the following:

(1) Section 3504 or 18004 of the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) (Public Law 116-136).

(2) Section 314 of Division M or Section 277 of Division N of the Consolidated Appropriations Act, 2021 (Public Law 116-260).

(3) Section 2003 of the American Rescue Plan Act of 2021 (Public Law 117-2).

(b) (1) For purposes of complying with Section 41, as it pertains to this section, the Legislature finds and declares as follows:

(A) The specific goal, purpose, and objective of the exclusion is to provide financial relief to recipients of specified pandemic relief funds.

(B) The performance indicators for the Legislature to use in determining if the exclusion has achieved this goal shall be the number of taxpayers excluding specified pandemic relief from income based on this section, and the total dollar value of income so excluded.

(2) The Legislative Analyst's Office shall, no later than November 1, 2028, submit a report to the Legislature, in accordance with Section 9795 of the Government Code, that estimates the number of taxpayers with specified pandemic relief excluded from income, and estimates the total dollar value of the specified pandemic relief received, to the extent data is available.

(c) This section shall remain in effect only until December 1, 2028, and as of that date is repealed.

SEC. 3. Section 17144.8 of the Revenue and Taxation Code is amended to read:

17144.8. (a) Section 108(f)(5) of the Internal Revenue Code, relating to discharges on account of death or disability, as added by Section 11031(a) of the federal Tax Cuts and Jobs Act (Public Law 115-97), shall apply except as otherwise provided.

(b) Section 108(f)(5)(A) of the Internal Revenue Code, as added by Section 11031(a) of the federal Tax Cuts and Jobs Act (Public Law 115-97), is modified by substituting the phrase "after December 31, 2018," in lieu of the phrase "after December 31, 2017, and before January 1, 2026."

(c) (1) For taxable years beginning on or after January 1, 2021, and before January 1, 2026, the amendments made by Section 9675(a) of the American Rescue Plan Act of 2021 (Public Law 117-2) to Section 108(f)(5) of the Internal Revenue Code, relating to the special rule for discharges in 2021 through 2025, shall apply.

(2) (A) For purposes of complying with Section 41, as it pertains to this subdivision, the Legislature funds and declares as follows:

(i) The specific goal, purpose, and objective of the exclusion is to provide financial relief to taxpayers with discharges of student loan debt.

(ii) The performance indicators for the Legislature to use in determining if the exclusion has achieved this goal shall be the number of taxpayers excluding discharge of indebtedness income based on this subdivision, and the total dollar value of income so excluded.

(B) The Legislative Analyst's Office shall, no later than October 1, 2026, submit a report to the Legislature, in accordance with Section 9795 of the Government Code, that estimates the number of taxpayers with discharged student loan debt excluded from income, and estimates the total dollar value of the debt discharged, to the extent data is available.

SEC. 4. The sum of twenty thousand dollars (\$20,000) is hereby appropriated from the General Fund to the Franchise Tax Board for the purpose of administering the student loan forgiveness program and student emergency assistance provisions of Section 17144.8 of the Revenue and Taxation Code as amended by this act, and Sections 17131.21 and 17131.22 of the Revenue and Taxation Code as added by this act.

SEC. 5. The Legislature hereby finds and declares that the exclusions authorized by Section 17131.21 of the Revenue and Taxation Code, as added by this act, and by Section 17144.8 of the Revenue and Taxation Code, as amended by this act, serve the public purpose of lessening the tax burden on individuals who have their student loans or student tuition and service fees discharged and does not constitute a gift of public funds within the meaning of Section 6 of Article XVI of the California Constitution.

SEC. 6. This act is a bill providing for appropriations related to the Budget Bill within the meaning of subdivision (e) of Section 12 of Article IV of the California Constitution, has been identified as related to the budget in the Budget Bill, and shall take effect immediately.