

AMENDED IN SENATE MAY 3, 2017

SENATE BILL

No. 807

Introduced by Senators Stern and Galgiani
(Coauthor: Senator Allen)
(Coauthors: Assembly Members Limón and Santiago)

February 17, 2017

An act to add and repeal Sections 17053 and 17153 of the Revenue and Taxation Code, relating to taxation, to take effect immediately, tax levy.

LEGISLATIVE COUNSEL'S DIGEST

SB 807, as amended, Stern. Personal income taxes: credit: exclusion: Teacher Recruitment and Retention Act of 2017.

The Personal Income Tax Law allows various credits against the taxes imposed by that law.

This bill, for taxable years beginning on or after January 1, 2017, and before January 1, 2027, would allow a credit under the Personal Income Tax Law in an amount equal to *50%* of the costs paid or incurred by a qualified taxpayer, as defined to include specified teachers, to earn a clear *teaching* credential, as specified.

The Personal Income Tax Law, in 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.

This bill would provide an exclusion from gross income for *50%* of qualified income received on or after January 1, 2017, and before January 1, 2027, by an eligible teacher, as defined, for specified educational work.

This bill would state the intent of the Legislature to enact legislation with respect to calculations for minimum amounts of funding for school districts and community colleges.

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. (a) This act shall be known and may be cited as
2 the Teacher Recruitment and Retention Act of 2017.

3 (b) Pursuant to subdivision (a) of Section 41 of the Revenue
4 and Taxation Code, the Legislature finds and declares all of the
5 following:

6 (1) Research demonstrates the most important in-school factor
7 affecting pupil achievement is the classroom teacher. Pupils with
8 effective teachers are more likely to earn higher salaries, attend
9 college, and save more for retirement and are less likely to be
10 teenage parents.

11 (2) Over 30 percent of new teachers in California leave the
12 profession in the first five years. According to the California State
13 Teachers’ Retirement System, teachers leave the profession at a
14 rate six times greater than other public employees, and 50 percent
15 faster than first responders.

16 (3) The shortage of teachers in California is reaching critical
17 levels in a number of teaching disciplines and geographic areas of
18 the state and is projected to get worse with the oncoming wave of
19 baby boomer retirements.

20 (4) Aspiring teachers in California often report the path for
21 completing requirements for a preliminary credential, induction,
22 and clearing a credential is uneven and costly. Some teachers face
23 unexpected mandatory paycheck deductions and program closures
24 for training required to clear a credential and legally teach in
25 California, making it unnecessarily difficult to remain in teaching.

26 (5) Teacher shortages affect turnover within and across districts;
27 and, on average, high teacher turnover rates have a negative impact
28 on pupil achievement, and the effect is more pronounced in
29 high-minority, high-poverty schools.

30 (6) The Teacher Recruitment and Retention Act of 2017
31 structurally addresses the current and growing shortage of teachers

1 in schools and districts across the state by addressing challenges
2 of entering the field of teaching, supporting novice teachers, and
3 incentivizing effective teachers to remain in the classroom,
4 recognizing the significance of their contribution to the children
5 and the people of the State of California.

6 SEC. 2. Section 17053 is added to the Revenue and Taxation
7 Code, to read:

8 17053. (a) For each taxable year beginning on or after January
9 1, 2017, and before January 1, 2027, there shall be allowed to a
10 qualified taxpayer a credit against the “net tax,” as defined in
11 Section 17039, ~~that is imposed on qualified income~~ in an amount
12 equal to 50 percent of the qualified costs paid or incurred during
13 the taxable year to earn a clear teaching credential.

14 (b) For purposes of this section:

15 (1) *“Clear teaching credential” means a credential that signifies*
16 *that all education, experience, and program requirements have*
17 *been met to teach in a California public school beyond five years,*
18 *including a general education clear credential or an education*
19 *specialist instruction clear credential authorized pursuant to*
20 *Article 4 (commencing with Section 44250) of Chapter 2 of Part*
21 *25 of Division 3 of Title 2 of the Education Code.*

22 (2) *“Educational assessment vendor” means a vendor approved*
23 *by the Commission on Teacher Credentialing to administer*
24 *assessments developed or approved by the commission, including*
25 *the National Board for Professional Teaching Standards.*

26 (3) *“Local education agency” means a public school employer*
27 *who charges a fee for participation in a required program of*
28 *beginning teacher induction or a Commission on Teacher*
29 *Credentialing approved sponsor of a program of beginning teacher*
30 *induction.*

31 (4)

32 (4) *“Qualified costs” ~~include those~~ means unreimbursed costs*
33 *paid or incurred by the qualified taxpayer to a local education*
34 *agency, regionally accredited institution of higher education, or*
35 *educational assessment vendor for any of the following:*

36 ~~(A) Participation in a program of beginning teacher support~~
37 ~~assessment.~~

38 (A) *Program enrollment fees directly related to the completion*
39 *of a second-tier teaching credential in a program approved by the*
40 *Commission on Teacher Credentialing to earn a clear teaching*

1 *credential pursuant to Article 4 (commencing with Section 44250)*
2 *of Chapter 2 of Part 25 of Division 3 of Title 2 of the Education*
3 *Code, including general education and education specialist*
4 *induction programs.*

5 (B) ~~Tuition~~ *Program enrollment fees for a master’s degree*
6 *leading to a clear teaching credential. credential to the extent an*
7 *approved induction program is verified as unavailable by the*
8 *qualified taxpayer’s employer, and the program is approved by*
9 *the Commission on Teacher Credentialing.*

10 (C) ~~Certification~~ *Fees for certification assessments, including*
11 *performance assessments. assessments required by the Commission*
12 *on Teacher Credentialing, to complete requirements of programs*
13 *described in subparagraph (A) or (B).*

14 (D) *Tuition for years four and five in an integrated program of*
15 *professional preparation, as described in Section 44259.1 of the*
16 *Education Code.*

17 (2) ~~“Qualified income” means any income received by the~~
18 ~~qualified taxpayer from a teaching position in which at least 50~~
19 ~~percent of the work time is spent instructing pupils.~~

20 (3)

21 (5) ~~“Qualified taxpayer” means a taxpayer~~ *an individual who*
22 *is a teacher of record in a kindergarten through grade 12 regionally*
23 *accredited California school. school prior to their sixth school*
24 *year of employment as a teacher of record. A taxpayer does not*
25 *need to have a clear teaching credential or a full-time position as*
26 *a teacher of record to be a “qualified taxpayer” for purposes of the*
27 *credit allowed by this section.*

28 (6) ~~“Regionally accredited institution of higher education”~~
29 ~~means a college or university that has been approved by the~~
30 ~~Commission on Teacher Credentialing to provide a program of~~
31 ~~beginning teacher induction.~~

32 (7) ~~“Teacher of record” means a teacher who has been assigned~~
33 ~~the responsibility for specified pupils’ learning in a grade, subject,~~
34 ~~or course as reflected on the school’s official record of attendance.~~

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

39 (d) (1) *The Franchise Tax Board may issue any regulations*
40 *necessary or appropriate to implement the purposes of this section*

1 and may, in its discretion, consult with the Commission on Teacher
2 Credentialing and the State Board of Education. The Commission
3 on Teacher Credentialing and the State Board of Education shall
4 not issue any regulations with regard to this section without
5 consultation with the Franchise Tax Board. *section.*

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

11 (e) This section shall remain in effect only until December 1,
12 2027, and as of that date is repealed.

13 SEC. 3. Section 17153 is added to the Revenue and Taxation
14 Code, to read:

15 17153. (a) Gross income does not include 50 percent of any
16 qualified income received on or after January 1, 2017, and before
17 January 1, 2027, by an eligible teacher.

18 (b) For purposes of this section:

19 (1) “Eligible teacher” is a ~~taxpayer~~ *an individual* who meets all
20 of the following requirements:

21 (A) Is a teacher of record in a ~~California~~ *qualified high-poverty*
22 *public school* teaching any of the grades kindergarten through 12th
23 ~~grade, and grades 1 to 12, inclusive.~~

24 (B) Holds a ~~California clear teaching credential.~~ *credential,*
25 *including a general education or education specialist instruction*
26 *clear teaching credential.*

27 (C) ~~For the first year in which the~~ *The* exclusion allowed by
28 this section ~~applies, is in at least~~ *commences in* the sixth school
29 year, as described by Section 37200 of the Education Code, ~~as in~~
30 *which the eligible teacher is* a teacher of record in a California
31 ~~school.~~ *school, and for the next four consecutive school years*
32 *teaching at a qualified high-poverty public school in California.*

33 (2) (A) “Qualified high-poverty public school” means a public
34 school in California that enrolls pupils in kindergarten or in any
35 of grades 1 to 12, inclusive, and meets at least one of the following
36 criteria:

37 (i) Meets the minimum identified student percentage to be
38 eligible to receive the free federal reimbursement rate for all
39 reimbursable school breakfasts and lunches served pursuant to

1 *the community eligibility provision in Section 1759a of Title 42 of*
2 *the United States Code.*

3 *(ii) Enrolled 62.5 percent or more pupils in the prior school*
4 *year who were eligible for federal free or reduced priced meals.*

5 *(iii) For a first-year school not operational in the prior school*
6 *year, at least 62.5 percent of current school year enrollment meets*
7 *the eligibility requirements for federal free or reduced price meals.*

8 *(B) The State Department of Education shall provide a list of*
9 *qualified high-poverty public schools to the Franchise Tax Board,*
10 *upon request.*

11 *(C) It is the intent of the Legislature that the data used to*
12 *determine eligibility pursuant to subparagraph (A) shall be from*
13 *existing data sources, including, but not limited to, data submitted*
14 *by sponsors to the Nutrition Services Division of the State*
15 *Department of Education in compliance with the annual*
16 *notification and publication requirements for the community*
17 *eligibility provision, as required by the United States Department*
18 *of Agriculture for the Verification Summary Report (FNS 742),*
19 *and data collected by the State Department of Education for*
20 *purposes of determining the percentage of enrolled pupils of*
21 *kindergarten and grades 1 to 12, inclusive, eligible for free or*
22 *reduced price meals, as reported by the State Department of*
23 *Education and certified through the annual Fall 1 data submission*
24 *to the California Longitudinal Pupil Achievement Data System.*

25 ~~(2)~~

26 *(3) “Qualified income” means ~~any income received by wages~~*
27 *subject to withholding under Division 6 (commencing with Section*
28 *13000) of the Unemployment Insurance Code paid by a school*
29 *district to an eligible teacher ~~from a teaching position in which~~*
30 *where at least 50 percent of the ~~work~~ teacher’s time is spent*
31 *instructing ~~pupils~~: pupils in a qualified high-poverty public school.*

32 *(4) “Teacher of record” means a teacher who has been assigned*
33 *the responsibility for specified pupils’ learning in a grade, subject,*
34 *or course as reflected on the school’s official record of attendance.*

35 *(c) (1) The Franchise Tax Board may issue any regulations*
36 *necessary or appropriate to implement the purposes of this section*
37 *and may, in its discretion, consult with the Commission on Teacher*
38 *Credentialing and the State Board of Education. ~~The Commission~~*
39 *~~on Teacher Credentialing and the State Board of Education shall~~*

1 ~~not issue any regulations with regard to this section without~~
2 ~~consultation with the Franchise Tax Board.~~

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

8 (d) This section shall remain in effect only until December 1,
9 2027, and as of that date is repealed.

10 *SEC. 4. It is the intent of the Legislature to enact legislation*
11 *that would do both of the following:*

12 *(a) Provide for no reduction, including no incidental one-time*
13 *reduction, in the Proposition 98 minimum guarantee to school*
14 *districts and community college districts due to implementation*
15 *of this act, the Teacher Recruitment and Retention Act of 2017.*

16 *(b) Provide, for each fiscal year, calculations to determine*
17 *moneys to be applied to the state as required under subdivision*
18 *(b) of Section 8 of Article XVI of the California Constitution be*
19 *made as if this act were not in effect.*

20 ~~SEC. 4.~~

21 *SEC. 5. This act provides for a tax levy within the meaning of*
22 *Article IV of the California Constitution and shall go into*
23 *immediate effect.*