



California College Access Tax Credit Fund

Background

The clearest path to the American Dream is a college degree and educational attainment levels predict the overall economic performance of states and nations. However most students are spending too much time at part-time and full-time jobs to pay for school and living costs when they should be and want to be focused on their studies. Those who don't drop out due to costs are graduating with crippling debt. Allowing students to focus on their studies instead will help them stay enrolled and graduate and allow graduates to contribute to our local economies rather than focusing on loan-repayment.

Since 1969, the Cal Grant program has helped millions of low-income Californians afford to attend higher education. In addition to any tuition awards a student may receive, Cal Grant B access awards provide further aid to the lowest-income students to help pay for textbooks, transportation, and other costs associated with attending a college or university.

Despite being a crucial resource for these students, the value of the access award, and therefore effectiveness of the award in promoting college success, has decreased dramatically over time. For 2013-14, the Cal Grant B access award is \$1,473, just a quarter what the original award would be worth had it kept pace with inflation. Additionally, 57% of Cal Grant B access award recipients are underrepresented minority students, a disproportionate share of the student population at the state's public colleges.

California's New College Access Tax Credit Fund

California's New College Access Tax Credit Fund is intended to increase the Cal Grant B Access Award amount for California's lowest-income students to improve higher education graduation rates through \$500 Million in available tax credits, in the College Access Tax Credit Fund by leveraging federal tax deductions for charitable contributions. The College Access Tax Credit Fund will provide both individual and corporate taxpayers with a tax credit worth 60% of the amount donated in 2014-15, 55% in 2015-16 and 50% in 2016-17 - the College Access Tax Credit Fund program sunsets after three years in 2017.

How Does the Tax Credit Work?

For the first year, for every dollar donated to the Fund, the individual taxpayer or the corporate donor would receive 60-cents back from the state and the Fund would receive 40-cents plus interest. The taxpayer would also be able to take a donation deduction on their Federal Taxes. The taxpayer would get back on every dollar donated a total of 80 cents to over 95 cents depending on how they file.

Why Support the College Access Tax Credit Fund?

To satisfy their income tax liability. For most taxpayers both charitable donation and state taxes are deductible. So if you're increasing one you're decreasing the other and it's a wash. However, in CA we have a significant number of Federal Alternative Minimum Taxpayers (AMT). For them state and local taxes are not deductible, however charitable donations are deductible. So AMT taxpayers are better off taking advantage of this tax credit.

For the purposes of explanation, let's say they owe \$10,000 in taxes. They can extinguish that liability by making a \$10,000 in donation to the state for the purposes of increasing Cal Grants.

Outlay \$10,000

State income tax reduced by \$6,000

And the top marginal tax rate is 28%, so they reduce their federal income tax liability by \$2,800.

Then they're only out of pocket \$1,200 instead of \$10,000.

What is the Amount of the Proposed Cal Grant B Access Award Increase?

Students who meet all the Cal Grant income and asset eligibility requirements, and have at least a 2.0 GPA and apply by March 2 of the year they graduate from high school or the following year, or by September 2 for community college students, may receive a Cal Grant B, and other students can compete for one. For the 2011-12 academic year, the average income for the over 159,000 Cal Grant B recipients was \$16,640. The Cal Grant B access award currently provides up to \$1,648 for books and living expenses for students. With the College Access Tax Credit Fund a Cal Grant B Award could increase to as much as \$3,000 - \$5,000 in the 2015-16 academic year.

Signing Up:

California State Treasurer Tax Credit Application Form Link:

<http://www.treasurer.ca.gov/cefa/catc/index.asp>

More information:

San Francisco Chronicle Article Link:

<http://www.sfgate.com/business/networth/article/Huge-tax-break-for-donating-to-California-college-5800035.php>

Please contact **Patti Colston, Public Information Officer for the California Student Aid Commission** at 916-464-8043 for more information.

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