

CALIFORNIA EDUCATIONAL FACILITIES AUTHORITY
(“CEFA” or the “Authority”)

College Access Tax Credit Fund

2014 Taxable Year – Update

January 29, 2015

Background

Senate Bill 798 (the “bill” or “Act”), codified under Revenue and Taxation Code sections 17053.86 and 23686, was signed into law by the Governor on September 16, 2014 and became effective immediately as an urgency statute. The bill authorizes a College Access Tax Credit (“tax credit”) for taxable years beginning on or after January 1, 2014, and before January 1, 2017, based on a percentage of the taxpayer's contribution to the College Access Tax Credit Fund (the “Fund”). CEFA is required to allocate and certify the tax credit, among other duties. The maximum aggregate amount of tax credits that can be allocated and certified by CEFA each calendar year (2014, 2015, and 2016) is \$500 million in addition to the amount of any unallocated and uncertified tax credits in the previous calendar year. At the October 30, 2014 meeting, the Authority approved Resolution No. 2014-02 to adopt the College Access Tax Credit Allocation and Certification Regulations, which established procedures and forms necessary for CEFA to perform the duties set forth in the Act.

Update

CEFA accepted tax credit applications for taxable year 2014 from November 3, 2014 to January 2, 2015. As of January 22, 2014, 346 taxpayers applied and were certified for approximately \$3.7 million in tax credits (\$6.2 million in contributions to the Fund).

| | Reservations and Contributions | | Tax Credit Allocations | | Total-60%+S Corp |
|---------------------------------|--------------------------------|---------------------|------------------------|-------------------|---------------------|
| | Reservations | Contributions | (by Dollars) | | |
| | (by Count) | (by Dollars) | 60% | S Corp | |
| Proposed [Reservations Issued]: | 453 | \$7,661,149.00 | \$4,596,689.00 | \$57,820.00 | \$4,654,509.00 |
| Actual [Reservations Paid]: | 346 | \$6,166,189.00 | \$3,699,713.00 | \$31,820.00 | \$3,731,533.00 |
| Adjustments*: | | \$88,800.00 | \$53,280.00 | \$0.00 | \$53,280.00 |
| Expired: | 63 | \$805,660.00 | \$483,396.00 | \$20,000.00 | \$503,396.00 |
| Canceled: | 1 | \$35,000.00 | \$21,000.00 | \$0.00 | \$21,000.00 |
| Est. Outstanding: | 43 | \$565,500.00 | \$339,300.00 | \$6,000.00 | \$345,300.00 |

* Taxpayer remitted less/more of reserved contribution; most cases, it was less

The option of paying the contribution by credit/debit cards was not available to taxpayers for taxable year 2014. To provide taxpayers this option of payment for taxable years 2015 and 2016, CEFA staff researched the estimated costs associated with accepting credit/debit cards. Based on the actual amount of contributions made for taxable year 2014 (\$6.2 million), the average fee CEFA would pay per transaction would be \$721.

| <u>Total Transactions</u> | <u>Total Contributions</u> | <u>Average Transaction</u> | <u>Average Fees</u> | <u>Cost Per Transaction</u> | <u>Total Cost</u> |
|---------------------------|----------------------------|----------------------------|---------------------|-----------------------------|-------------------|
| 346 | \$6,166,189.00 | \$17,821.36 | 4.05% | \$721.77 | \$249,732.42 |

Currently, all costs CEFA incurs to carry out its responsibilities under the Act are paid from the CEFA Fund balances. Costs include staff time, electronic fund transfer fees, and supplies. For taxable year 2014 (3 months adjusted), electronic fund transfer fees and supplies totaled approximately \$2,728. Projected costs for taxable years 2015 and 2016 are approximately \$12,000 and \$13,000, respectively. These costs do not include staff wages and benefits.

In preparation for the upcoming taxable year 2015, CEFA staff is reviewing its processes and forms for the purposes of streamlining and efficiency. The Authority will begin accepting applications for taxable year 2015 on March 2, 2015.