

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

College Access Tax Credit Fund

2016 Taxable Year – Update

February 23, 2017

Background

The College Access Tax Credit Fund (“CATCF” or the “Fund”) was enacted with the passing of Senate Bill 798 in 2014 and amended by Senate Bill 81 in 2015 (collectively, the “Act”). CATCF allows individuals and businesses to claim a tax credit equal to a certain percentage of cash contributions made to the Fund in the 2014-2017 tax years. The Fund is designed to support the moneys currently available to provide Cal Grants to low-income college students. CEFA administers the program and is responsible for allocating and certifying the tax credits for individuals and businesses and providing a copy of the certifications to the Franchise Tax Board in each year as well as the Department of Insurance for the 2017 taxable 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.

The maximum aggregate amount of tax credits that can be allocated and certified each calendar year is \$500 million in addition to the amount of any unallocated and uncertified tax credits in the previous year.

Contributions to the Fund

For the 2014 taxable year, CEFA allocated and certified nearly \$3.8 million in tax credits (60% of contributions) for 355 taxpayers.

The 2015 taxable year began with approximately \$996 million in available credits. CEFA accepted tax credit applications from July 1, 2015 through January 4, 2016. CEFA allocated and certified nearly \$8.2 million in tax credits (55% of contributions) for 328 taxpayers.

CEFA began accepting applications for the 2016 taxable year on March 2, 2016 through January 3, 2017, and began with approximately \$1.4 billion in available tax credits. CEFA allocated and certified nearly \$5.4 million in tax credits (50% of contributions) for 213 taxpayers.

	Reservations	Contributions	Tax Credits
2014			
PROPOSED	453	\$ 7,661,149	\$ 4,654,509
ACTUAL	355	\$ 6,199,289	\$ 3,751,393
2015			
PROPOSED	400	\$ 15,180,620	\$ 8,999,172
ACTUAL	328	\$ 13,806,740	\$ 8,231,253
2016			
PROPOSED	256	\$ 11,264,443	\$ 6,078,139
ACTUAL	213	\$ 9,857,903	\$ 5,369,369

For the 2014 taxable year, taxpayers were limited to submitting their contribution via bank wire, business check, or cashier's check/money order. In December 2015, CEFA was able to begin accepting online contribution payments via an automatic clearing house (ACH) portal on the CEFA website. The ACH Online Payment was made available in response to taxpayer's requests for an online payment option. CEFA contracted with Bank of America, N.A. to provide the payment portal and corresponding banking services. Online payment options have proved to be successful for the program with 61% of the 2016 taxpayers utilizing the online payment system. The table below reflects the payment choices of taxpayers to date:

	Bank Wire	Business Check/ Money Order	ACH Online
2014			
# of taxpayers	179	176	n/a
\$	\$4,281,801	\$1,917,488	n/a
2015			
# of taxpayers	60	114	154
\$	\$4,007,531	\$1,566,100	\$8,233,109
2016			
# of taxpayers	27	54	132
\$	\$5,757,000	\$811,633	\$3,289,270

Also attached are the charts summarizing the 2014-16 contributions.

The application period for the 2017 taxable year is currently scheduled to begin on March 2, 2017 and end on December 31, 2017. CATCF will be able to allocate and certify tax credits in an amount equal to \$500 million. In preparation for the 2017 taxable year, CEFA staff is reviewing its processes and forms for the purposes of making the tax credit available to insurance companies for annual tax on gross premiums. Revisions are necessary to the CATC forms to incorporate required data specific to insurance companies. Therefore, the CATC Regulations must be amended to update the forms and change the application period to begin on April 3, 2017. CEFA will also collaborate with the California Student Aid Commission and the California Department of Insurance to continue to explore marketing avenues.