

SUMMARY ANALYSIS OF AMENDED BILL

Franchise Tax Board

Author: Machado Analyst: Kristina E. North Bill Number: SB 1162

Related Bills: See Prior Analysis Telephone: 845-6978 Amended Date: June 28, 2004

Attorney: Patrick Kusiak Sponsor: _____

SUBJECT: California Military Family Relief Fund

DEPARTMENT AMENDMENTS ACCEPTED. Amendments reflect suggestions of previous analysis of bill as introduced/amended _____.

AMENDMENTS IMPACT REVENUE. A new revenue estimate is provided.

AMENDMENTS DID NOT RESOLVE THE DEPARTMENT'S CONCERNS stated in the previous analysis of bill as introduced/amended _____.

FURTHER AMENDMENTS NECESSARY.

DEPARTMENT POSITION CHANGED TO _____.

REMAINDER OF PREVIOUS ANALYSIS OF BILL AS AMENDED MAY 3, 2004, STILL APPLIES.

OTHER - See comments below.

SUMMARY

This bill would establish the California Military Family Relief Fund for taxpayer contribution designation on the personal income tax return and by other means.

SUMMARY OF AMENDMENTS

The June 28, 2004, amendments removed the requirement for the designation to appear on the 2004 state income tax return, added queuing language, and made a nonsubstantive, technical change.

A new effective/operative date, a new position, and a revised revenue estimate are included below. The remainder of the department's analysis of the bill as amended May 3, 2004, still applies.

EFFECTIVE/OPERATIVE DATE

This bill would be effective January 1, 2005, and would apply to returns filed for taxable years beginning with the first taxable year another voluntary contribution designation is removed from the tax return and a voluntary contribution designation for this fund is added. The designation for this fund would remain on the tax return for a total of five years.

POSITION

Support.

On June 10, 2004, the Franchise Tax Board voted 2-0 to support this bill, as amended May 3, 2004.

Board Position:

S _____ NA _____ NP
_____ SA _____ O _____ NAR
_____ N _____ OUA _____ PENDING

Legislative Director

Date

Brian Putler

7/8/04

ECONOMIC IMPACT

Revised Revenue Estimate

Assuming that the fund is placed on the 2005 return filed in 2006, that the minimum level of contributions (\$250,000) is achieved each year this fund is on the return, and that an itemized deduction is allowed and claimed for each contribution, potential revenue losses would be very minor. The revenue loss would be on the order of \$15,000 annually beginning with the taxable year the itemized deduction is claimed on the tax return (2006/2007 FY). The loss would be attributable to itemized deductions claimed for the contributions in the taxable year following the contributions.

SB 1162 As Amended June 28, 2004 Revenue Impact ** (\$)			
Fiscal Year	2004/2005	2005/2006	2006/2007
Revenue Loss	\$0	\$0	-\$15,000

* Italics indicate the changes from the original revenue estimate.

**This estimate has been rounded.

Any possible changes in employment, personal income, or gross state product that might result from this measure are not taken into account.

Revenue Discussion

According to departmental data, the total amount of existing voluntary contributions to all funds was nearly \$4 million for fiscal year 2002/2003 with an average of \$280,000 per individual designated fund.

Assuming contributions equal or exceed the minimum contribution threshold and all contributors itemize deductions, the annual revenue loss would be on the order of \$15,000 by applying an average marginal tax rate of 6% ($\$250,000 \times 6\% = \$15,000$).

LEGISLATIVE STAFF CONTACT

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