

ANALYSIS OF ORIGINAL BILL

Franchise Tax Board

Author: Correa, et al. Analyst: Kristina E. North Bill Number: AB 137
Related Bills: See Legislative History Telephone: 845-6978 Introduced Date: January 16, 2003
Attorney: Patrick Kusiak Sponsor: _____

SUBJECT: California Fund for Senior Citizens

SUMMARY

This bill would remove the repeal date and the minimum contribution amount requirement from California Fund for Senior Citizens.

PURPOSE OF THE BILL

According to the author's office, the purpose of this bill is to provide a permanent source of income for the California Fund for Senior Citizens.

EFFECTIVE/OPERATIVE DATE

This bill would become effective January 1, 2004, and would apply to tax returns filed on or after that date.

POSITION

Pending.

ANALYSIS

FEDERAL/STATE LAW

Current federal tax law provides a true checkoff to direct \$3 of a taxpayer's tax liability to the presidential election fund. Designation of the \$3 amount does not affect a taxpayer's tax liability or refund amount.

Current state tax law allows taxpayers to make contributions of their own funds (not tax liability) on their tax returns to the 11 voluntary contribution funds listed on the state tax return. Each fund provides for the reimbursement of the Franchise Tax Board's (FTB's) and the Controller's actual costs to administer the fund.

Except for the California Seniors Special Fund, which has no sunset date, the voluntary contribution funds have various sunset dates. Attachment I shows the specific sunset dates for each voluntary contribution fund and indicates that all funds, except the California Seniors Special Fund must meet a minimum contribution test (as indexed, if required) to remain on the return. Attachment II is a chart indicating the number and dollar amount of contributions to the funds for multiple fiscal years.

Board Position:

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_____ N _____ OUA _____ PENDING

Department Director
Gerald H. Goldberg

Date
02/05/03

THIS BILL

This bill would remove the repeal date from the California Fund for Senior Citizens. As a result, the fund would remain on the personal income tax return indefinitely.

This bill also would remove the \$250,000 minimum contribution amount requirement.

IMPLEMENTATION CONSIDERATIONS

Implementing this bill would not significantly impact the department's programs and operations.

LEGISLATIVE HISTORY

AB 132 (Chavez, 2003) would extend the repeal date to January 1, 2010. This bill is currently in the Assembly Revenue and Taxation Committee.

SB 1082 (Vasconcellos, 2001) would have made changes to the minimum contributions amount requirement for the California Fund for Senior Citizens. This bill failed passage from the Assembly Revenue and Taxation Committee.

AB 1697 (Commission on Aging, et al., Stats. 1999, Ch. 228) extended the repeal date to January 1, 2005, and specified that for taxable years beginning January 1, 2001, the California Fund for Senior Citizens would be required to meet the minimum contribution amount.

PROGRAM BACKGROUND

Eleven voluntary contribution funds appeared on the 2002 California personal income tax returns. Total contributions to these funds have varied from approximately \$3.4 million in 1989/1990 to approximately \$3.9 in 2001/2002. The number of individuals contributing (first tabulated in 1993) remains fairly constant at approximately 140,000, or slightly less than 1% of all taxpayers. For fiscal year 2001/2002, the California Fund for Senior Citizens received \$273,073 from 36,317 personal income tax returns.

OTHER STATES' INFORMATION

Illinois, Massachusetts, Michigan, Minnesota, and New York laws do not provide a voluntary contribution fund comparable to the voluntary contribution fund allowed by this bill. The laws of these states were reviewed because their tax laws are similar to California's income tax laws.

FISCAL IMPACT

This bill would not significantly impact the department's costs.

ECONOMIC IMPACT

Revenue Estimate

If the minimum level of contributions is achieved each year, as adjusted for inflation (approximately \$270,000 in 2001/2002), potential revenue losses would be very minor, on the order of \$16,000 annually beginning with the 2003/2004 fiscal year. The loss would result from itemized deductions for the contributions.

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 2001/2002 with an average of \$280,000 per individual designated fund.

Assuming contributions equal or exceed the minimum contribution threshold, as adjusted for inflation, and all contributors itemize deductions, the annual revenue loss would be on the order of \$16,000 by applying an average marginal tax rate of 6%.

POLICY CONCERNS

A repeal date and a minimum contribution amount are generally required to give the Legislature the opportunity to review the effectiveness of a voluntary contribution fund on the state income tax return. This bill would eliminate the Legislature's opportunity to review the effectiveness of the fund.

In addition, space on the state income tax return is limited. Generally, a new fund cannot be added until another is removed. Since this fund would remain on the state income tax return indefinitely, this fund would be treated differently than other similarly situated funds. Although another seniors fund, the California Seniors Special Fund, is currently on the return indefinitely, it is unlike the rest of the voluntary contribution funds. Contribution designations to the California Seniors Special Fund may only be made by those individuals who may claim the senior exemption credit on their tax return and their contribution may not exceed the amount of the credit.

LEGISLATIVE STAFF CONTACT

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