

ANALYSIS OF ORIGINAL BILL

Franchise Tax Board

Author: Cedillo Analyst: Kristina E. North Bill Number: SB 43

Related Bills: See Legislative History Telephone: 845-6978 Introduced Date: January 7, 2003

Attorney: Patrick Kusiak Sponsor: _____

SUBJECT: Emergency Food Assistance Program Fund

SUMMARY

This bill would extend the Emergency Food Assistance Program Fund to January 1, 2009.

PURPOSE OF THE BILL

According to the author's office, the purpose of this bill is to continue to provide a mechanism for taxpayers to make charitable contributions to the Emergency Food Assistance Program.

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 check off 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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Department Director
Gerald H. Goldberg

Date
02/03/03

THIS BILL

This bill would extend the expiration date of the Emergency Food Assistance Program Fund from January 1, 2004, to January 1, 2009. Assuming the amount of contributions does not drop below the threshold, this fund would last appear on the 2008 individual income tax return.

IMPLEMENTATION CONSIDERATIONS

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

LEGISLATIVE HISTORY

AB 2366 (Cedillo; Ch. 818, Stats. 1998) established the Emergency Food Assistance Program Fund allowing individuals to make voluntary contribution designations on their personal income tax returns.

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 Emergency Food Assistance Program Fund received \$368,091 from 39,592 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 (\$250,000) is achieved each year, potential revenue losses would be very minor, on the order of \$15,000 annually beginning with the fiscal year commencing after the fund designation appears on filed tax returns (i.e., 2005/2006). 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 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%.

LEGISLATIVE STAFF CONTACT

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