

ANALYSIS OF ORIGINAL BILL

Franchise Tax Board

Author: Nunez Analyst: Kristina E. North Bill Number: AB 483

Related Bills: See Legislative History Telephone: 845-6978 Introduced Date: February 16, 2005

Attorney: Patrick Kusiak Sponsor: _____

SUBJECT: California Firefighter's Memorial Fund & California Peace Officer Memorial Foundation/Extend Repeal Dates to January 1, 2011

SUMMARY

This bill would extend the sunset dates of the California Firefighters' Memorial Fund and the California Peace Officer Memorial Foundation from January 1, 2006, to January 1, 2011.

PURPOSE OF THE BILL

According to the author's office, the purpose of this bill is to allow the California Firefighters' Memorial Fund and the California Peace Officer Memorial Foundation to continue receiving taxpayer contributions via the personal income tax return.

EFFECTIVE/OPERATIVE DATE

This bill would be effective and operative beginning on or after January 1, 2006.

POSITION

Pending.

ANALYSIS

FEDERAL/STATE LAW

Current federal tax law allows each taxpayer 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 a taxpayer to make contributions of their own funds, not tax liability, to any combination of the 13 voluntary contribution funds listed on the state tax return.

Franchise Tax Board (FTB) and the Controller are reimbursed by each fund for 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. The attachment shows both the specific sunset dates for each voluntary contribution fund and the minimum contribution amount each fund must meet to remain on the return. The initial minimum contribution amount is \$250,000, which is indexed annually for each fund.

Board Position:

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Department Director

Date

Gerald H. Goldberg

3/15/05

THIS BILL

This bill would extend the operation of the Firefighters' Memorial Fund and the California Peace Officer Memorial Foundation from January 1, 2006, to January 1, 2011. Thus, these funds would last appear on the 2010 income tax returns that are filed in 2011. This bill also would change the date the fund would have to meet the \$250,000 minimum contribution amount from 2001 to 2005, if the repeal date was specifically deleted.

IMPLEMENTATION CONSIDERATIONS

Implementing this bill would not significantly impact the department.

LEGISLATIVE HISTORY

SB 2175 (Burton, Stats. 2000, Ch. 854) specified that the \$250,000 minimum contribution limitation would apply to the California Peace Officer Memorial Foundation and to the California Firefighters' Memorial Fund *only* if the repeal date is deleted for each fund.

SB 246 (Solis, Stats. 1999, Ch. 988) extended the repeal date for the California Firefighters' Memorial Fund to January 1, 2006.

AB 1523 (Areias, et al., Stats. 1993, Ch. 1223) established the California Firefighters' Memorial Trust Fund for taxpayer designation on the personal income tax return.

PROGRAM BACKGROUND

Thirteen voluntary contribution funds appeared on the 2004 California personal income tax returns. Total contributions to these funds have varied from approximately \$3.4 million in 1989/1990 to approximately \$4 million in 2003/2004. The number of individuals contributing, first tabulated in 1993, remains fairly constant at approximately 140,000, or slightly less than 1% of all taxpayers.

OTHER STATES' INFORMATION

Illinois, Massachusetts, Michigan, Minnesota, and New York allow for taxpayer contribution designations on the personal income tax returns. *Florida* does not have a personal income tax but allows contribution designations on the state's motor vehicle registration and renewal forms. None of these states provide a voluntary contribution comparable to the two funds that would be extended by this bill.

FISCAL IMPACT

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

ECONOMIC IMPACT

Revenue Estimate

Based on the discussion below, the revenue loss from this bill is as follows:

Estimated Revenue Impact of 483		
Effective Tax Years Beginning On or After January 1, 2006		
Assumed Enactment Date After June 30, 2005		
2005/2006	2006/2007	2007/2008
No impact	a \	a \

a/ losses less than \$150,000

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

Revenue Discussion

For this estimate it is assumed that the minimum level contribution of \$250,000 is achieved each year that each of these funds is placed on the return and that an itemized deduction is allowed and claimed for each contribution. By applying an average marginal tax rate of 6%, it is estimated that potential revenue losses total \$30,000 ($\$250,000 \times 6\% = \$15,000 \times 2 \text{ funds} = \$30,000$). The revenue impact starts with the taxable year the itemized deduction is claimed on the tax return. The loss would be attributable to itemized deductions claimed for the contributions in the taxable year following the contributions.

LEGISLATIVE STAFF CONTACT

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