

ANALYSIS OF ORIGINAL BILL

Franchise Tax Board

Author: Machado Analyst: Kristina E. North Bill Number: SB 1002

Related Bills: See Legislative History Telephone: 845-6978 Introduced Date: February 22, 2005

Attorney: Patrick Kusiak Sponsor: CA Military Department

SUBJECT: California Military Relief Fund/Appropriation of \$250,000 To The Military Department For Funding Financial Aid Grants

SUMMARY

This bill would appropriate \$250,000 from the California Military Family Relief Fund to the Military Department.

PURPOSE OF THE BILL

According to the author's office, the purpose of this bill is to appropriate money immediately to the Military Department for financial aid grants to California National Guard family members.

EFFECTIVE/OPERATIVE DATE

This bill is an urgency statute and would become effective and operative immediately upon enactment.

POSITION

Pending.

ANALYSIS

STATE LAW

Current state tax law allows taxpayers to make contributions of their own funds (not tax liability) on their tax returns to the 13 voluntary contribution funds listed on the state tax return.

The California Military Family Relief Fund was established to provide funding to the California Military Department to provide financial aid grants to members of the California National Guard who are California residents called to active duty. The California Military Family Relief Fund was added to the 2004 personal income tax return filed in 2005 for taxpayer designation. This fund provides first for the reimbursement of actual costs to administer the fund to the Franchise Tax Board (FTB) and the State Controller's Office, and then provides the remainder of the moneys to the Military Department.

Uncodified law limits the reimbursement of the administrative costs related to voluntary contribution funds for FTB and the State Controllers' Office. FTB may be reimbursed from the fund up to 3% of the total amount contributed for the first year the fund is on the return and up to 2% for each year thereafter. The State Controllers' Office may be reimbursed from the fund up to 2% of the total amount contributed for the first year the fund is on the return and up to 1% for each year thereafter.

Board Position:

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Department Director

Date

Gerald H. Goldberg

3/24/05

THIS BILL

This bill would make a separate, one-time \$250,000 appropriation to the Military Department from the California Military Family Relief Fund for the 2004/2005 fiscal year. The appropriation would be for California National Guard families experiencing severe financial hardships. This bill also would make technical changes to the format of the appropriation language.

IMPLEMENTATION CONSIDERATIONS

If the amount of money in the fund is less than the \$250,000 appropriation, this bill could result in the non-reimbursement of actual costs to both the Franchise Tax Board and the State Controller's Office. As of the date of this analysis, the amount of moneys collected on personal income tax returns for this fund does not exceed \$100,000.

LEGISLATIVE HISTORY

SB 1162 (Machado, Stats. 2004, Ch. 546) established the California Military Family Relief Fund for taxpayer contribution designation on the personal income tax return.

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 taxpayers to designate moneys to voluntary contribution funds on the state's motor vehicle registration and renewal forms.

Except for *Illinois*, none of these states provide a voluntary contribution comparable to the one proposed by this bill. *Illinois* allows taxpayer to designate moneys on their personal income tax return to the Military Family Relief Fund to help the families of *Illinois* guard members and reservists defray expenses that become difficult to afford when a wage earner temporarily leaves civilian employment for active military duty.

FISCAL IMPACT

If taxpayers contributed a total of \$250,000 on their 2004 personal income tax returns filed in 2005, FTB could potentially lose \$7,500 in administrative costs ($\$250,000 \times 3\% = \$7,500$). The State Controller's Office could potentially lose \$5,000 in administrative costs ($\$250,000 \times 2\% = \$5,000$).

ECONOMIC IMPACT

This bill would not impact the state's income tax revenue.

LEGISLATIVE STAFF CONTACT

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