

**SUMMARY ANALYSIS OF AMENDED BILL**Author: Campbell/Maldonado Analyst: John Pavalasky Bill Number: SB 50Related Bills: See Prior Analysis Telephone: 845-4335 Amended Date: February 7, 2005Attorney: Patrick Kusiak Sponsor: \_\_\_\_\_**SUBJECT:** Charitable Contribution Deduction/Cash Contributions Made In January 2005, For Victims Of The December 26, 2004, Indian Ocean Tsunami Treated As Made During 2004 Taxable Year

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 DEPARTMENTS 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 INTRODUCED January 10, 2005, STILL APPLIES. OTHER – See comments below.**SUMMARY**

This bill would accelerate the income tax benefits for charitable cash contributions made for the relief of victims of the Indian Ocean tsunami.

**SUMMARY OF AMENDMENTS**

The February 7, 2005, amendments would allow corporations, in addition to individuals, to elect to deduct eligible contributions on 2004 state tax returns.

Except for a revised discussion under THIS BILL and a revised Revenue Estimate, the remainder of the analysis of the bill as introduced January 10, 2005, still applies and is not repeated.

**POSITION**

Pending.

**ANALYSIS**THIS BILL

This bill would conform state law to PL 109-1 by allowing individual and corporate taxpayers that made contributions in January 2005 to tsunami-relief efforts the option of deducting those contributions on the 2004 state tax return.

Board Position:

_____ S	_____ NA	_____ NP
_____ SA	_____ O	_____ NAR
_____ N	_____ OUA	<input checked="" type="checkbox"/> PENDING

Department Director

Date

Jana Howard for Brian Putler

2/14/05

## ECONOMIC IMPACT

### Revenue Estimate

Based on data and assumptions discussed below, the Personal Income Tax (PIT) and Corporation Tax (CT) revenue gain/loss from this bill is as follows:

Estimated Revenue Impact of SB 50 (\$ Millions)		
2004-05	2005-06	2006-07
Minor Loss	Minor Gain	Not applicable

Minor means a gain or loss of less than \$500,000.

### Revenue Discussion

Due to limited data available on California contributions, the above estimate is based on the California pro-ration of the federal estimate for PL 109-1. The California share of the federal estimate is approximately \$400,000 (\$11 million times 3.8% pro-ration, rounded). Assuming that  $\frac{3}{4}$  of the contributions are individuals and not businesses, the PIT impact is approximately \$300,000 (rounded). The CT impact is approximately \$100,000 (\$400,000 minus \$300,000).

Since the tax deduction would be accelerated into the 2004-05 fiscal year, there is a minor revenue loss for that year, and an offsetting minor revenue gain in 2005-06.

## LEGISLATIVE STAFF CONTACT

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