

ANALYSIS OF ORIGINAL BILL

Franchise Tax Board

Author: Benoit, et al. Analyst: Victoria Favorito Bill Number: AB 108
Related Bills: _____ Telephone: 845-3825 Introduced Date: January 4, 2007
Attorney: Patrick Kusiak Sponsor: _____

SUBJECT: California Fallen Firefighters Assistance Tax Clarification Act Of 2006/Payment By Charitable Organizations To Certain Firefighters Treated As Exempt Payments

SUMMARY

This bill would allow certain charitable organizations to distribute payments to the family members of firefighters killed in the Esperanza fire to be treated as payments in furtherance of the charitable purpose of those organizations.

PURPOSE OF THE BILL

The purpose of this bill is to allow certain charitable organizations to distribute funds to the families of the five firefighters killed in the 2006 Esperanza fire without risking loss of tax-exempt status.

EFFECTIVE/OPERATIVE DATE

As a tax levy, this bill would be effective immediately upon enactment and, by its terms, operative with respect to payments made on or after October 26, 2006.

POSITION

Pending.

ANALYSIS

FEDERAL

In uncodified law, the Fallen Firefighters Assistance Tax Clarification Act of 2006 (PL 109-445) provides that for purposes of the Internal Revenue Code (IRC), payments made on behalf of any firefighter who died as the result of the October 2006 Esperanza Incident fire in southern California to any family member of such firefighter by certain tax-exempt organizations are to be treated as related to the purpose or function constituting the basis for such organization's exemption. Payments are to be made in good faith using a reasonable and objective formula that is consistently applied. That provision allows tax-exempt organizations to disperse funds to these families without loss of tax-exempt status.

Board Position:

_____ S _____ NA _____ NP
_____ SA _____ O _____ NAR
_____ N _____ OUA x PENDING

Department Director

Date

Selvi Stanislaus

1/19/07

THIS BILL

Modeled after the new federal law, this bill would add a new section to the Revenue and Taxation Code that would allow payments made by certain tax-exempt organizations to the family members of any firefighter who died as a result of the October 2006 Esperanza Incident fire to be treated as payments made in furtherance of the charitable purpose of that organization in order to prevent the loss of that organization's tax-exempt status.

IMPLEMENTATION CONSIDERATIONS

Unlike the federal law, which limits its scope to payments made before June 1, 2007, this bill does not contain a limitation. Consequently, payments made after June 1, 2007, that result in the loss of exempt status for federal purposes would not result in the loss of exempt status for California purposes.

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

TECHNICAL CONSIDERATIONS

The attached amendments are provided in order to correct technical grammatical errors that otherwise would change the intended meaning of the bill.

FISCAL IMPACT

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

ECONOMIC IMPACT

Revenue Estimate

The estimated revenue impact is as follows:

Revenue Analysis for AB 108 (\$ in Millions)			
Fiscal Year	2006-07	2007-08	2008-09
Tax Exemption	a/	\$0	\$0

a/ Insignificant revenue loss of under \$150,000.

This analysis does not consider any possible changes in employment, personal income, or gross state product that could result from this bill.

Revenue Discussion

This bill targets charities that would otherwise lose California tax-exempt status as a result of the dispersal of funds to private individuals. Allowing these entities to retain tax-exempt status would result in an insignificant revenue loss. This analysis assumes affected entities' exempt status would be revoked for just one year and would be reinstated thereafter.

LEGISLATIVE STAFF CONTACT

Victoria Favorito
Franchise Tax Board
845-3825
victoria.favorito@ftb.ca.gov

Brian Putler
Franchise Tax Board
845-6333
brian.putler@ftb.ca.gov

Analyst	Victoria Favorito
Telephone #	916-845-3825
Attorney	Pat Kusiak

FRANCHISE TAX BOARD'S
PROPOSED AMENDMENTS TO AB 108
As Introduced January 4, 2007

AMENDMENT 1

Page 2, line 9, strikeout "California," and insert:

California

AMENDMENT 2

Page 2, line 15, strikeout "are" and insert:

is

AMENDMENT 3

Page 2, line 23, strikeout "California," and insert:

California