

BILL ANALYSIS

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Department, Board, Or Commission	Author	Bill Number
Franchise Tax Board	Arambula	AB 1812

SUBJECT

California Firefighters Memorial Fund and California Peace Officer Memorial Foundation Fund/Extend Repeal Date to January 1, 2016

SUMMARY

This bill would extend the repeal date for the California Firefighters' Memorial Fund and the California Peace Officer Memorial Foundation Fund from January 1, 2011, to January 1, 2016.

PURPOSE OF BILL

According to the author's office, the purpose of this bill is to continue the help to fund local programs.

EFFECTIVE/OPERATIVE DATE

This bill would become effective January 1, 2009, and would apply as of that date.

ANALYSIS

STATE LAW

Current state tax law allows taxpayers to make contributions of their own funds (not tax liability) on their personal income tax (PIT) returns to any of the 11 voluntary contribution funds (VCFs) listed on the return.

With the following exceptions, VCFs remain on the PIT return until they are either repealed or fail to meet their minimum contribution amount.

- Except for the California Seniors Special Fund, which has no sunset date, each VCF has a specific sunset date.
- Except for the California Seniors Special Fund, the California Firefighters Memorial Fund, and the California Peace Officer Foundation Memorial Fund, each VCF must meet an initial minimum contribution amount of \$250,000.
- Except for the California Fund for Senior Citizens, the required minimum contribution amount is adjusted annually for inflation for each VCF.

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The annual inflation adjustment is based on the percentage change in the California Consumer Price Index. The Franchise Tax Board (FTB) is required to make the following two determinations for each VCF by September 1 of each calendar year:

1. The minimum contribution amount for the next calendar year for the VCF to remain on the PIT return for that calendar year, and
2. Whether estimated contributions to the VCF during the current calendar year will be less than the minimum contribution amount for that calendar year.

FTB is also required to notify certain specified funds in writing of the minimum contribution amount required for the next calendar year.

If FTB estimates that a VCF will fail to meet or exceed the minimum contribution amount for a calendar year, that VCF is repealed effective January 1 of that calendar year.

General voluntary contribution provisions specify the following for all VCFs:

- Any contribution amounts designated prior to a fund's repeal must continue to be transferred and disbursed to that voluntary contribution fund.
- If the designee is unspecified, the contribution amount is transferred to the General Fund after reimbursing costs incurred by the FTB.
- If an individual designates contributions to more than one fund, and the actual amount available is less than the total amount contributed, the contribution would be allocated on a pro rata basis to the designated funds.

The general provisions also provide a formal queuing process for adding new contingent¹ voluntary contribution funds to the tax return. Upon enactment, new contingent funds are added to the tax return when an existing fund is removed or when FTB determines space exists on the income tax return.

THIS BILL

This bill would extend the repeal date for the California Firefighters' Memorial Fund and the California Peace Officer Memorial Foundation Fund from January 1, 2011, to January 1, 2016. These funds would last appear on the 2015 tax return.

IMPLEMENTATION CONSIDERATIONS

Implementing this bill would not impact department operations or programs.

¹ A contingent voluntary contribution designation is a voluntary contribution fund that includes language that the fund may not be added to the personal income tax return until another voluntary contribution fund is removed.

LEGISLATIVE HISTORY

AB 1935 (Fuller, 2008) would add the California Ovarian Cancer Research Fund for taxpayers to designate a contribution on the PIT return. AB 1935 has been referred to the Senate Appropriations Committee.

AB 2291 (Mendoza, 2008) would add the Low Cost Spay-Neuter Fund for taxpayers to designate a contribution on the PIT return. AB 2291 has been referred to the Senate Appropriations Committee.

AB 2518 (Torrico, 2008) would add the Northern California Cancer Research Fund for taxpayers to designate a contribution on the PIT return. AB 2518 has been referred to the Senate Appropriations Committee.

SB 1502 (Steinberg, 2008) would add the ALS/Lou Gehrig's Disease Research Fund for taxpayers to designate a contribution on the PIT return. SB 1502 has been referred to the Assembly Appropriations Committee.

SB 1249 (Alquist, Stats. 2006, Ch. 645) added general provisions for all existing VCFs by changing the application of the minimum contribution amounts for specified funds and the related requirements for FTB to calculate the required minimum contribution amounts and notify funds of such amounts.

PROGRAM BACKGROUND

Eleven voluntary contribution funds appeared on the 2007 California PIT returns. Total contributions to these funds have varied from approximately \$3.4 million for the 1989 taxable year to approximately \$4.2 million² for the 2006 taxable year.

The California Firefighters' Memorial Fund first appeared on the 1993 return, and is not subject to a minimum contribution amount. This fund has received approximately \$2.5 million in contributions since 1993. The following are the total annual contributions for the past three years:

California Firefighters' Memorial Fund Contributions		
2005	2006	2007
\$187,132	\$202,927	\$213,236

² Amount contributed through December 27, 2007.

The California Peace Officer’s Memorial Foundation Fund first appeared on the 1999 return and is not subject to a minimum contribution amount. This fund has received approximately \$1.5 million in contributions since 1999. The following are the total annual contributions for the past three years:

California Peace Officer’s Memorial Foundation Fund Contributions		
2005	2006	2007
\$183,269	\$180,395	\$166,602

OTHER STATES’ INFORMATION

Illinois, Massachusetts, Michigan, Minnesota, and New York allow for taxpayers to designate charitable contributions on the PIT return.

None of these states provide a voluntary contribution provision comparable to the one proposed 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

Based on data and assumptions discussed below, the PIT revenue loss from this bill would be as follows:

Estimated Revenue Impact of AB 1812 Effective On or After January 1, 2009 Enactment Assumed After June 30, 2008			
	2011-12	2012-13	2013-14
CA Firefighters’ Memorial Fund	0	-<\$150,000	-<\$150,000
CA Peace Officer Memorial Foundation Fund	0	-<\$150,000	-<\$150,000

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

Revenue Discussion

The revenue impact of this bill would be determined by the amount of contributions to each Fund and the subsequent itemized deduction of such charitable contributions. In 2006, \$180,395 was contributed to the California Peace Officer Memorial Foundation Fund, and \$202,927 was contributed to the California Firefighters’ Memorial Fund.

Applying projected Consumer Price Index growth rates to the 2006 amounts result in estimated contributions of \$216,619 for Peace Officer Fund and \$243,676 for the Firefighter's Fund. By applying an average marginal tax rate of 6%, the revenue impact would be approximately \$13,000 for the Peace Officer Fund ($\$216,619 \times 6\%$), and approximately \$14,600 ($\$243,676 \times 6\%$) for the Firefighters' Fund, insignificant impacts of less than \$150,000.

The change in revenue impact for extending the repeal date would be seen beginning in the 2012-13 fiscal year.

APPOINTMENTS

None.

Support/Opposition

Support: American State, County, and Municipal Employees
California Professional Firefighters
Peace Officers Research Association

Opposition: None on File

VOTES

Assembly Floor – Ayes: 78 , Noes: 0

Senate Floor – Ayes: 38, Noes: 0

LEGISLATIVE STAFF CONTACT

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