

Franchise Tax Board

ANALYSIS OF ORIGINAL BILL

Author: Parra Analyst: Jennifer Bettencourt Bill Number: AB 2217

Related Bills: None Telephone: 845-5163 Introduced Date: February 20, 2008

Attorney: Patrick Kusiak Sponsor:

SUBJECT: Exempt From Government Code Section 16374, Requirement To Revert To General Fund If Not Paid Within 2 years

SUMMARY

This bill would exclude money that is designated to a voluntary contribution fund from reverting to the General Fund.

PURPOSE OF THE BILL

According to the author’s staff, the purpose of this bill is to require that a voluntary contribution fund would continue to receive awards until the fund in trust with the Treasury is exhausted, rather than revert to the General Fund.

EFFECTIVE/OPERATIVE DATE

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

POSITION

Pending.

ANALYSIS

STATE LAW

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

General VCF provisions¹ require the following:

- Each fund must be included on the income tax return through the taxable year immediately preceding the year of repeal for that VCF.
• Contribution amounts made prior to a fund’s repeal must continue to be transferred and disbursed accordingly.

¹ R&TC Section 18871

Table with Board Position (S, SA, N, NA, O, OUA, NP, NAR, PENDING) and Department Director (Selvi Stanislaus) and Date (3/17/08).

- If the designee is unspecified, the contribution amount would be transferred to the General Fund after reimbursing costs incurred by the Franchise Tax Board.
- 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 equally among the designated funds.

Current state law requires the Treasurer to hold money that has been deposited in trust by any state agency because it has remained unclaimed, or the claimant cannot be found for a period of up to two years. If the money is not paid within that time, the amount deposited will revert to the General Fund.

THIS BILL

This bill would exempt money that is designated to a voluntary contribution fund from reverting to the General Fund if not paid within two years.

IMPLEMENTATION CONSIDERATIONS

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

OTHER STATES' INFORMATION

A review of *Illinois, Massachusetts, Michigan, Minnesota, and New York* laws found that while each state requires the State Treasurer or Controller to allocate voluntary contribution funds as prescribed by each state's law, it is unclear whether these states place a timeframe on paying the money.

The laws of these states were reviewed because their tax laws are similar to California's income tax laws.

FISCAL IMPACT

No departmental costs are associated with this bill.

ECONOMIC IMPACT

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

LEGISLATIVE STAFF CONTACT

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