BILL ANALYSIS

Analyst: Kristina E. North
Work Phone: 845-6978

Department, Board, Or Commission	Author	Bill Number
Franchise Tax Board	**Huffman**	**AB 28**

SUBJECT

California Breast Cancer Research Fund/Extend Repeal Date to January 1, 2013

SUMMARY

This bill would extend the sunset date of the California Breast Cancer Research Fund from January 1, 2008, to January 1, 2013.

PURPOSE OF BILL

According to the author's office, the purpose of this bill is to continue to provide an additional source of funding research for the cause, cure, and prevention of breast cancer.

EFFECTIVE/OPERATIVE DATE

This bill would be effective and operative beginning on or after January 1, 2008.

ANALYSIS

STATE LAW

Current state tax law allows taxpayers to make contributions of their own funds (not tax liability) on their tax returns to any of the 14 voluntary contribution funds (VCFs) listed on the state personal income tax return (return).

With the following exceptions, VCFs remain on the return until they are either repealed or fail to meet their minimum contribution amount.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 generally meet a minimum contribution amount of $250,000 in the second calendar year after a fund appears on the return.
- Except for the California Fund For Senior Citizens, each of the remaining VCF minimum contribution amounts is adjusted annually for inflation.

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 required for the VCF to remain on the return for the following calendar year, and
2. Whether estimated contributions to the VCF will be less than the minimum contribution amount for that 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FTB estimates that a VCF will fail to meet or exceed the minimum contribution amount for a calendar year, that VCF is repealed effective January 1st of that calendar year.

THIS BILL

This bill would extend the operation of the California Breast Cancer Research Fund from January 1, 2008, to January 1, 2013. Thus, this VCF would last appear on the 2012 income tax return filed in 2013, unless it fails to meet the minimum contribution amount.

IMPLEMENTATION CONSIDERATIONS

Implementing this bill would not significantly impact the department.

LEGISLATIVE HISTORY

SB 1365 (Speier, Stats. 2002, Ch. 484) extended the California Breast Cancer Research Fund repeal date from January 1, 2003, to January 1, 2008.

SB 602 (Alpert, Stats. 1997, Ch. 337) extended the California Breast Cancer Research Fund repeal date from January 1, 1998, to January 1, 2003.

AB 2562 (Speier, Stats. 1992, Ch. 780) established the California Breast Cancer Research Fund.

PROGRAM BACKGROUND

Since 2000, the fund has received the following total annual contributions:

2000	2001	2002	2003	2004	2005	2006
$508,642	$623,991	$736,040	$646,664	$697,750	$636,319	$578,140

The California Breast Cancer Research Fund has already exceeded the minimum contribution amount necessary to appear on the 2007 return.

FISCAL IMPACT

This bill would not impact the department's costs.

ECONOMIC IMPACT

Revenue Estimate

Based on the discussion below, the revenue loss from this bill is as follows:

Estimated Revenue Impact of AB 28 Effective Tax Years Beginning On or After January 1, 2008 Assumed Enactment Date After June 30, 2007		
2007/2008	2008/2009	2009/2010
No impact	a\	a\

a\ losses less than $150,000

Any possible changes in employment, personal income, or gross state product that might result from this bill are not taken into account.

Revenue Discussion

It is assumed that this fund will meet or exceed a minimum level contribution of $250,000 each year this fund is on the return and that an itemized deduction is allowed and claimed for each contribution. By applying an average marginal tax rate of 6%, it is estimated that potential revenue losses total $15,000 ($250,000 x 6% = $15,000). The revenue impact starts with the taxable year the itemized deduction is claimed on the tax return. The loss would be attributable to itemized deductions claimed for the contributions in the taxable year following the contributions.

VOTES

Assembly Floor – Ayes: 71, Noes: 0
Senate Floor – Ayes: 37, Noes: 1

LEGISLATIVE STAFF CONTACT

Kristina E. North
Franchise Tax Board
845-6978
Kristina.North@ftb.ca.gov

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