

BILL ANALYSIS

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Department, Board, Or Commission	Author	Bill Number
Franchise Tax Board	Cook	AB 3016

SUBJECT

California Military Family Relief Fund/Contributions Used To Provide Financial Aid Grants To Reserve Members of the U. S. Armed Forces And California Nation Guard/Extend Repeal Date To January 1, 2015

SUMMARY

This bill would extend the repeal date for the California Military Family Relief Fund. This bill would also make changes to the recipients of the financial aid grants and specify additional eligibility requirements.

PURPOSE OF BILL

According to the author's staff, the purpose of the bill is to continue providing a mechanism to make charitable contributions towards the California Military Family Relief Fund and expand it to include all reserve members of the Armed Forces who have been called to active duty.

EFFECTIVE/OPERATIVE DATE

This bill would become effective January 1, 2009, and would apply to tax returns filed on or after 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With the following exceptions, VCFs remain on the PIT return until they are either repealed or fail to meet their minimum contribution amount.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 sponsors of 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.

THIS BILL

This bill would extend the repeal date for the California Military Family Relief Fund from January 1, 2010, to January 1, 2015. Assuming the amount of contributions remain at or above the minimum contribution amount, this fund would last appear on the personal income tax return for the 2014 taxable year.

This bill would expand the recipient of financial aid grants from members of the California National Guard to all reserve members of the Armed Forces of the United States who are California residents. Requirements would be established to mandate how money contributed to the Fund would be distributed between the California National Guard and all reserve members of the Armed Forces of the United States.

This bill would provide additional qualifications and requirements to be met in order to receive a financial aid grant from the Fund.

LEGISLATIVE HISTORY

SB 1502 (Steinberg, 2008) would add the Amyotrophic Lateral Sclerosis (ALS) Research Fund to the personal income tax (PIT) return as a voluntary contribution fund. SB 1502 was referred to the Senate for concurrence.

AB 1812 (Arambula, Ch. 160, Stats. 2008) extends the repeal date on the California Firefighters Memorial Fund and the California Peace Officer Memorial Fund.

AB 1935 (Fuller, 2008) would add the California Ovarian Cancer Research Fund for taxpayers to designate a contribution on the PIT return. AB 1935 was sent to enrollment August 7, 2008.

AB 2291 (Mendoza, 2008) would add the Low Cost Spay-Neuter Fund for taxpayers to designate a contribution on the PIT return. AB 2291 was sent to enrollment on August 19, 2008.

AB 2518 (Torrico, 2008) would add the Northern California Cancer Research Fund for taxpayers to designate a contribution on the PIT return. AB 2518 is pending a Senate floor vote.

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 fund sponsors of such amounts.

SB 1162 (Machado, Stats. 2004, Ch 546) established the California Military Family Relief Fund for taxpayer contribution designation on the personal income tax return.

PROGRAM BACKGROUND

The California Military Family Relief Fund first appeared on the 2004 PIT return. The minimum contribution amount for calendar year 2006 was \$250,000. The minimum contribution amount is adjusted for each subsequent calendar year based on the California Consumer Price Index.

The Fund has received the following total annual contributions:

2005	2006 ¹	2007
\$282,106	\$243,977	\$260,878

The Fund needs to receive a minimum of \$270,122 from the 2007 tax returns filed in 2008 to remain on the return for the following taxable year.

OTHER STATES' INFORMATION

Illinois, Massachusetts, Michigan, Minnesota, and New York allow for taxpayers to make charitable contribution designations on the personal income tax returns.

Of these states, *Illinois, Massachusetts, and Michigan* provide a Military Family Relief Fund designation on their personal income tax returns.

Illinois and *Michigan* requires a minimum contribution amount of \$100,000 for certain funds, and have various repeal dates.

Massachusetts, Minnesota, and New York do not require a minimum contribution amount, and do not specify repeal dates.

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

¹ While actual contributions totaled less than \$250,000, the fund remained on the return because on September 1st FTB estimated that the fund would meet the minimum contribution amount.

FISCAL IMPACT

This bill would not impact the department's costs.

ECONOMIC IMPACT

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

Revenue Impact – AB 3016 as Introduced Effective Taxable Years On or After January 1, 2010 Assumed Enactment Date After June 30, 2008			
Fiscal Year	2009/10	2010/11	2011/12
Revenue Loss	N/A	-<\$150,000	-<\$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

The revenue impact of this bill is determined by the amount of contributions to the California Military Family Relief Fund and the subsequent claim of those charitable contributions as itemized deductions.

This estimate assumes the fund continues for returns filed on or after January 1, 2009. The minimum contribution amount required for the 2008 calendar year is \$270,122, which was met in June, 2008.

If an itemized deduction is claimed for every dollar contributed to the fund and affected taxpayers have an average marginal tax rate of 6%, the estimated revenue loss of this bill is approximately \$16,000 annually ($\$270,122 \times 6\% = \$16,207$). Because voluntary contributions would be made on the 2009 tax return filed during the 2010 calendar year, the revenue impact would not occur until fiscal year 2010/2011.

APPOINTMENTS

None.

Support/Opposition

Support: None on File

Opposition: None on File

VOTES

Assembly Floor – Ayes: 75, Noes: 0

Senate Floor – Ayes: 39, Noes: 0

Concurrence – Ayes: 78, Noes: 0

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