

**SUMMARY ANALYSIS OF AMENDED BILL**

Author: Steinberg Analyst: Jennifer Bettencourt Bill Number: SB 1502  
 Related Bills: See Prior Analysis Telephone: 845-5163 Amended Date: April 3, 2008  
 Attorney: Patrick Kusiak Sponsor: \_\_\_\_\_

**SUBJECT:** Lou Gehrig's Disease Research Fund

- DEPARTMENT AMENDMENTS ACCEPTED. Amendments reflect suggestions of previous analysis of bill as introduced February 21, 2008.
- AMENDMENTS IMPACT REVENUE. A new revenue estimate is provided.
- AMENDMENTS DID NOT RESOLVE THE DEPARTMENTS CONCERNS stated in the previous analysis of bill as introduced/amended \_\_\_\_\_.
- FURTHER AMENDMENTS NECESSARY.
- DEPARTMENT POSITION CHANGED TO \_\_\_\_\_.
- REMAINDER OF PREVIOUS ANALYSIS OF BILL AS INTRODUCED February 21, 2008, STILL APPLIES.
- OTHER – See comments below.

**SUMMARY**

This bill would add the Lou Gehrig's Disease Research Fund (Fund) to the personal income tax (PIT) return as a voluntary contribution fund.

**SUMMARY OF AMENDMENTS**

The April 3, 2008, amendments would increase the required minimum contribution amount from \$200,000 to \$250,000 and would require the amount to be adjusted for inflation beginning with the third calendar year the Fund is on the return. The amendments would also change the name of the Fund and affirmatively establish the Fund within the State Treasury.

As a result of the amendments, the "Technical Considerations," and "Policy Concerns" as stated in the department's analysis of this bill as introduced February 21, 2008, have been resolved. An additional "Technical Consideration" has been identified and amendments are provided to address the concern. Except for the "This Bill", "Technical Consideration", and "Economic Impact" discussions included below, the remainder of the department's analysis of the bill as introduced February 21, 2008, still applies.

Board Position:	Asst. Legislative Director	Date
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<input checked="" type="checkbox"/> PENDING	Patrice Gau-Johnson	4/8/08

## **Summary of Suggested Amendments**

Amendment 1 has been provided to make the language of this bill consistent with existing voluntary contribution fund language.

## **ANALYSIS**

### **THIS BILL**

This bill would establish the Lou Gehrig's Disease Research Fund (Fund), and add it to the PIT return as a voluntary contribution fund. Taxpayers would be able to designate their own funds, not tax liability, for contribution to the Fund on their PIT returns in full dollar amounts of \$1 or more. Each signatory on a joint return may make the contributions individually. The designations for any taxable year must be made on the original return for the taxable year and, once made, are irrevocable. A deduction, subject to the itemized deduction rules applicable to individuals, would be allowed for a contribution made pursuant to this bill.

This bill would specify that if the taxpayer's payments and credits reported on the PIT return fail to exceed the tax liability, the designation on the return would be treated as if no designation has been made.

This bill would require the Franchise Tax Board (FTB) to revise the tax return to include a designation space for the Fund and states legislative intent to include the Fund beginning with the 2008 tax return.

Beginning with contributions made in 2010, this bill would require the Fund to meet a minimum contribution amount for each calendar year. The "minimum contribution amount for a calendar year" is defined as \$250,000 for contributions made in 2010 or an amount adjusted for inflation for contributions made in subsequent years. The law authorizing designations to this fund would be repealed if contributions made under this bill fail to meet the minimum contribution amount.

Beginning with the 2011 calendar year, FTB would be required to adjust the minimum contribution amount as indexed for inflation by September 1 of each calendar year.

If the Fund first appeared on the 2008 PIT return, it would remain on the PIT return until January 1, 2013, in this case the 2012 PIT return, unless a later enacted statute deletes or extends that date, and provided that it meets the annual minimum contribution requirement.

By September 1, 2009, and by September 1 of each subsequent calendar year that the Fund appears on the tax return, this bill would require FTB to determine if the amount of contributions estimated to be received during the current calendar year will equal or exceed the minimum contribution amount required for that calendar year. FTB would estimate the amount of contributions to be received during a calendar year using the actual amounts received and an estimate of the contributions that will be received by the end of that calendar year.

This bill would require the State Controller to transfer money designated for the Fund by taxpayers from the PIT Fund to the Lou Gehrig's Disease Research Fund. Upon appropriation by the Legislature, the monies from this fund would be allocated as follows:

1. FTB and the Controller for reimbursement of costs incurred in administering the Fund.
2. The State Department of Public Health to provide grants to research the prevention, cure, screening, and treatment of ALS.

### TECHNICAL CONSIDERATIONS

This bill should require FTB to determine the required minimum contribution amount to remain on the PIT return for the next year, and notify the Fund of that amount. Amendment 1 has been provided to resolve this concern.

### **ECONOMIC IMPACT**

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

Revised Revenue Impact of SB 1502 Effective On or After January 1, 2009 Enactment Assumed After June 30, 2008			
Fiscal Year	2008-2009	2009-2010	2010-2011
Revenue Loss	N/A	-\$150,000	-\$150,000

Estimates assume the fund is officially designated for returns starting with the 2008 tax year and the minimum level of contributions (\$250,000) is achieved each year. 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 the Lou Gehrig's Disease Research Fund and the subsequent itemized deduction of such charitable contribution.

For this estimate, the following assumptions are made:

1. The Fund would be added to the 2008 return,
2. The minimum contribution amount (\$250,000) would be achieved each year, and
3. An itemized deduction would be allowed and claimed for each contribution.

By applying an average marginal tax rate of 6%, the estimated revenue loss of this bill would be \$15,000 annually ( $\$250,000 \times 6\% = \$15,000$ ). Because contributions reported on the 2008 tax return are actually made during the 2009 calendar year, the revenue impact would not occur until fiscal year 2009-2010.

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FRANCHISE TAX BOARD'S  
PROPOSED AMENDMENTS TO AB 1502  
As Amended April 3, 2008

AMENDMENT 1

Page 7, strikeout lines 22 - 30, and insert:

(b) (1) By September 1, 2009, and by September 1 of each subsequent calendar year that the Lou Gehrig's Disease Research Fund appears on the tax return, the Franchise Tax Board shall do all of the following:

(A) Determine the minimum contribution amount required to be received during the next calendar year for the fund to appear on the tax return for the taxable year that includes that next calendar year.

(B) Provide written notification to the State Department of Public Health of the amount determined in subparagraph (A).

(C) Determine whether the amount of contributions estimated to be received during the calendar year will equal or exceed the minimum contribution amount determined by the Franchise Tax Board for the calendar year pursuant to subparagraph (A). The Franchise Tax Board shall estimate the amount of contributions to be received by using the actual amounts received and an estimate of the contributions that will be received by the end of that calendar year.