

BILL ANALYSIS

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Department, Board Or Commission Franchise Tax Board	Author Battin	Bill Number SB 41
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SUBJECT

California Fallen Firefighters Assistance Tax Clarification Act Of 2006/ Payments By Charitable Organizations To Certain Firefighters Treated As Exempt Payments

SUMMARY

This bill would allow certain charitable organizations that distribute payments to the family members of firefighters killed in the Esperanza fire by deeming such payments as made in furtherance of the charitable purpose of those organizations.

PURPOSE OF BILL

The purpose of this bill is to allow certain charitable organizations to distribute funds to the families of the five firefighters killed in the 2006 Esperanza fire without risking loss of California tax-exempt status.

EFFECTIVE/OPERATIVE DATE

As a tax levy, this bill would be effective immediately upon enactment and, by its terms, operative for payments distributed by a charitable organization to a family member of a firefighter killed in the Esperanza fire on or after October 26, 2006, and before June 1, 2007.

ANALYSIS

FEDERAL

In uncodified law, the Fallen Firefighters Assistance Tax Clarification Act of 2006 (PL 109-445) provides that, for purposes of the Internal Revenue Code, payments made on behalf of any firefighter who died as the result of the October 2006 Esperanza Incident fire in Southern California to any family member of such firefighter by certain tax-exempt organizations are to be treated as related to the purpose or function constituting the basis for such organization's exemption. Payments are to be made in good faith using a reasonable and objective formula that is consistently applied. That provision allows tax-exempt organizations to disperse funds to these families without loss of their federal tax-exempt status.

THIS BILL

This bill would add an uncodified provision to the Revenue and Taxation Code that would allow payments made by certain tax-exempt organizations to the family members of any firefighter who died as a result of the October 2006 Esperanza Incident fire to be treated as payments made in furtherance of the charitable purpose of that organization in order to prevent the loss of that organization's California tax-exempt status. This bill specifically states that the provision would apply to any payments made on or after October 26, 2006, and before June 1, 2007.

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IMPLEMENTATION CONSIDERATIONS

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

LEGISLATIVE HISTORY

AB 108 (Benoit, et al., 2007/2008) is identical to this bill. AB 108 is currently in the Senate Rules Committee.

FISCAL IMPACT

This bill would not significantly impact the department's costs.

ECONOMIC IMPACT

The estimated revenue impact is as follows:

Revenue Analysis for SB 41, as amended 01/29/2007 Effective Immediately Upon Enactment (\$ in Millions)			
Fiscal Year	2006-07	2007-08	2008-09
Tax Exemption	a/	\$0	\$0

a/ Insignificant revenue loss of under \$150,000.

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

Revenue Discussion

This bill targets charities that would otherwise lose California tax-exempt status as a result of the dispersal of funds to private individuals. Allowing these entities to retain their California tax-exempt status would result in an insignificant revenue loss. This analysis assumes affected entities' exempt status would be revoked for just one year and would be reinstated thereafter.

VOTES

Assembly Floor – Ayes: 74; Noes: 0
Senate Floor – Ayes: 36; Noes: 0
Concurrence – Ayes: 39; Noes: 0

LEGISLATIVE STAFF CONTACT

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