

ANALYSIS OF AMENDED BILL

Franchise Tax Board

Author: Simitian Analyst: Kristina E. North Bill Number: SB 898

Related Bills: See Legislative History Telephone: 845-6978 Amended Date: September 6, 2007

Attorney: Douglas Powers Sponsor: _____

SUBJECT: State Children's Trust Fund and Fish and Game Preservation Fund/Extend Repeal Date to January 1, 2013

SUMMARY

This bill would extend the repeal dates of both the State Children's Trust Fund and the Fish and Game Preservation Fund from January 1, 2008, to January 1, 2013.

SUMMARY OF AMENDMENTS

The September 6, 2007, amendments would delete and replace provisions that would have reduced the volume of debris in California marine waters with language that would extend the repeal dates for the State Children's Trust Fund and the Fish and Game Preservation Fund.

This is the department's first analysis of this bill.

PURPOSE OF THE BILL

According to the author's office, the purpose of this bill is to continue to provide additional sources of funding for: (1) innovative child abuse and neglect prevention and intervention programs and (2) the support of programs for endangered and rare animals, native plant species, and those species which may be candidates for determination as endangered or rare.

EFFECTIVE/OPERATIVE DATE

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

POSITION

Pending.

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).

Board Position:

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Department Director

Date

Selvi Stanislaus

9/06/07

With the following exceptions, VCFs remain on the return until they are either repealed or fail to meet their minimum contribution amount.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 1 of that calendar year.

THIS BILL

This bill would extend the operation of the State Children's Trust Fund and the Fish and Game Preservation Fund from January 1, 2008, to January 1, 2013. As a result of the bill's amendments, unless the State Children's Trust Fund or the Fish and Game Preservation Fund failed to meet its respective minimum contribution amount, each of these VCFs would last appear on the 2012 income tax return filed in 2013.

IMPLEMENTATION CONSIDERATIONS

Implementing this bill would not significantly impact the department.

LEGISLATIVE HISTORY

State Children's Trust Fund

AB 2036 (Liu, Stats. 2002, Ch. 647) extended the State Children's Trust Fund repeal date from January 1, 2002, to January 1, 2008.

AB 1033 (Frusetta, Stats. 1997, Ch. 630) extended the State Children's Trust Fund repeal date from January 1, 1997, to January 1, 2002.

SB 831 (Mello, Stats. 1991, Ch. 480) extended the State Children’s Trust Fund repeal date from January 1, 1992, to January 1, 1997.

AB 53 (Klehs, Stats, 1987, Ch. 1138) extended the State Children’s Trust Fund repeal date from January 1, 1987, to January 1, 1992.

AB 607 (Vicencia, Stats. 1983, Ch. 1982) established the State Children’s Trust Fund.

Fish and Game Preservation Fund

AB 2783 (Strom-Martin, Stats. 2002, Ch. 594) extended the Fish and Game Preservation Fund repeal date from January 1, 2002 , to January 1, 2008.

SB 183 (Thompson, Stats. 1997, Ch. 240) extended the Fish and Game Preservation Fund repeal date from January 1, 1997, to January 1, 2002.

SB 831 (Mello, Stats. 1991, Ch. 480) extended the Fish and Game Preservation Fund repeal date from January 1, 1992, to January 1, 1997.

AB 53 (Klehs, Stats, 1987, Ch. 1138) extended the Fish and Game Preservation Fund repeal date from January 1, 1987, to January 1, 1992.

AB 1058 (Campbell, Stats. 1983, Ch. 1058) established the Fish and Game Preservation Fund.

PROGRAM BACKGROUND

State Children’s Trust Fund

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

2000	2001	2002	2003	2004	2005	2006
\$488,678	\$585,584	\$667,367	\$674,783	\$679,899	\$581,772	\$562,286

The State Children’s Trust Fund has already exceeded the minimum contribution amount necessary to appear on the 2007 return.

Fish and Game Preservation Fund

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

2000	2001	2002	2003	2004	2005	2006
\$569,316	\$627,732	\$704,409	\$673,981	\$643,616	\$624,264	\$555,062

The Fish and Game Preservation 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 data and assumptions discussed below, the Personal Income Tax revenue loss from this bill would be as follows:

Estimated Revenue Impact of SB 898 Effective On Or After January 1, 2008		
2007/08	2008/09	2009/10
No impact	-\$150,000	-\$150,000

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

Revenue Discussion

It is assumed that each fund would meet or exceed the minimum level contribution of \$250,000 each year these funds are on the return and that an itemized deduction is allowed and claimed for each contribution.

In 2006 (the latest year available), total contributions for the Children's Fund was \$562,286; for the Fish and Game Preservation Fund, the amount was \$555,062. By applying an average marginal tax rate of 6%, it is estimated that potential revenue losses total \$33,700 for the Children's Fund ($\$562,286 \times 6\% = \$33,700$) and \$33,300 for the Fish and Game Fund ($\$555,062 \times 6\% = \$33,300$), totaling \$67,000 for this bill.

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 contributions in the taxable year following the contributions. For example, contributions indicated on the 2007 tax return would be claimed as an itemized deduction in the 2008 tax year, which is typically filed in early 2009.

LEGISLATIVE STAFF CONTACT

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