

Franchise Tax Board

ANALYSIS OF ORIGINAL BILL

Author: Hall Analyst: Matthew Cooling Bill Number: AB 2017
Related Bills: See Legislative History Telephone: 845-5983 Introduced Date: February 17, 2010
Attorney: Patrick Kusiak Sponsor: _____

SUBJECT: California YMCA Youth and Government Fund

SUMMARY

This bill would allow taxpayers to make voluntary contributions to the California YMCA Youth and Government Fund on their state personal income tax returns.

This analysis will not address the bill's additions to the Welfare and Institutions Code, as they do not impact the department or state income tax revenue.

PURPOSE OF BILL

According to the author's office, the purpose of this bill is to provide funding so that California's youth may have an opportunity to learn about the legislative process and to promote a lifetime of civic engagement and participation.

EFFECTIVE/OPERATIVE DATE

This bill would be effective and operative beginning on or after January 1, 2011. As such, the fund could first appear on 2010 personal income tax returns filed on or after January 1, 2011.

POSITION

Pending.

ANALYSIS

FEDERAL/STATE LAW

Current federal tax law provides a check off to direct \$3 of a taxpayer's tax liability to the presidential election fund. Designation of the \$3 amount does not affect a taxpayer's tax liability or refund amount.

Current state tax law allows taxpayers to make contributions of their own funds (not tax liability) on their personal income tax returns to the 15 voluntary contribution funds (VCFs) listed on the state tax return. Each fund provides for the reimbursement of the Franchise Tax Board's (FTB's) and the Controller's actual costs to administer the fund.

Board Position:	Department Director	Date
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_____ X PENDING	Selvi Stanislaus	04/07/10

Except for the California Seniors Special Fund, which has no sunset date, the voluntary contribution funds have various sunset dates. Generally, the initial minimum contribution amount is \$250,000, which is indexed annually for each fund.

Current state law provides that if the number of contingent voluntary contribution designations¹ that are eligible to be added to the return is greater than the number of designations removed, then the voluntary contribution designations will be queued and added to the return in order of the date of enactment.

THIS BILL

This bill would establish the California YMCA Youth and Government Fund and would allow taxpayers to designate their own funds (not tax liability) for contribution to the fund on their personal income tax 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 initial personal income tax return for the taxable year and, once made, are irrevocable.

This bill would require the FTB to revise the personal income tax return to include a designation space for the fund beginning with the first taxable year that another voluntary contribution fund is removed. This designation could be added to the 2010 tax return filed on or after January 1, 2011.

For the second taxable year the fund is on the return, this bill would require the fund to meet the \$250,000 minimum contribution test. The FTB is required to estimate by September 1 of any calendar year after the first taxable year the fund appears on tax returns that contributions made under this bill will be less than \$250,000 (as indexed for inflation). The law authorizing designations for this fund would be repealed if contributions made under this bill will be less than the minimum contribution amount.

This bill would allow the voluntary contribution designation to remain on the tax return for five years unless a later enacted statute deletes or extends that date.

Beginning with the third calendar year after the fund appears on the personal income tax return, the FTB would adjust the minimum contribution amount for the fund by September 1, of that year. The minimum contribution amount would adjust according to the California Consumer Price Index (also known as CCPI), as specified.

This bill would specify that if payments and credits reported on the return do not exceed the taxpayer's liability, then the taxpayer's return shall be treated as if no designation has been made. If no designee is specified, a designated contribution amount would be transferred to the General Fund.

¹ A contingent voluntary contribution designation is a voluntary contribution designation that contains specific language stating that it may not be added to the return until another voluntary contribution designation is removed from the return.

This bill would require the Controller to transfer money designated for this fund by taxpayers from the Personal Income Tax Fund to the California YMCA Youth and Government Fund. Upon appropriation by the Legislature, money would be transferred from this fund to the State Controller's Office and the FTB for reimbursement of the costs associated with administering this fund. The remaining funds would be transferred to the California Youth and Government Program within the Legislature. These funds would be used to support the California Youth and Government Program according to its bylaws.

LEGISLATIVE HISTORY

AB 658 (Hayashi, 2009/2010) would create a VCF designation on the personal income tax return for taxpayers to contribute to the California Police Activities League (CALPAL) Fund for each of the local CALPAL chapters. This bill has been referred to the Senate Revenue and Taxation committee.

AB 1088 (Fletcher, 2009/2010) would create a VCF designation on the personal income tax return for taxpayers to contribute to the Morale, Welfare, and Recreation Fund for each of the veterans' homes, as provided. This bill is in the Senate Veterans Affairs Committee.

AB 1983 (Torriconi, 2009/2010) would allow taxpayers to make voluntary contributions to the Safely Surrendered Baby Fund on their state personal income tax returns. This bill is pending assignment to a committee in the Assembly.

SB 516 (DeSaulnier, 2009/2010) would create a VCF designation on the personal income tax return for taxpayers to contribute to the California Fund for Youth. This bill has been held in the Assembly Revenue and Taxation Committee.

SB 1076 (Price, 2009/2010) would create a VCF designation on the personal income tax return for taxpayers to contribute to the Arts Council Fund. This bill has been referred to the Senate Revenue and Taxation Committee.

PROGRAM BACKGROUND

Fifteen voluntary contribution funds appeared on the 2009 California personal income tax returns. Total contributions to these funds have varied from approximately \$3.4 million in 1989/1990 to approximately \$4 million in 2009/2010. The number of individuals contributing (first tabulated in 1993) has increased to approximately 400,000, or slightly more than 2 percent of all taxpayers.

OTHER STATES' INFORMATION

The states surveyed include *Florida, Illinois, Massachusetts, Michigan, Minnesota, and New York*. These states were selected due to their similarities to California's economy, business entity types, and tax laws.

Florida does not have a personal income tax but allows contribution designations on the state's motor vehicle registration and renewal forms.

Illinois, Massachusetts, Michigan, Minnesota, and New York allow for taxpayer contribution designations on the personal income tax returns; however, none of these states provide a voluntary contribution comparable to the one discussed in this bill.

FISCAL IMPACT

This bill would not impact the department's costs.

ECONOMIC IMPACT

Revenue Estimate

This bill would result in the following revenue losses:

Estimated Revenue Impact of AB 2017 Effective On or After January 1, 2011 Enactment Assumed After June 30, 2010		
2009-10	2010-11	2011-12
No Impact	No Impact	-\$15,000

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

If an itemized deduction is claimed for every dollar contributed to the fund and affected taxpayers have an average marginal tax rate of 6 percent, the estimated revenue loss of this bill would be approximately \$15,000 annually (\$250,000 x 6%).

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