Franchise Tax Board

SUMMARY ANALYSIS OF AMENDED BILL

Author: Hall, et al. Analyst: Matthew Cooling Bill Number: AB 2017

Related Bills: See Prior Analysis Telephone: 845-5983 Amended Date: June 28, 2010

Attorney: Patrick Kusiak Sponsor: ______

SUBJECT: California Youth Leadership Fund

____ DEPARTMENT AMENDMENTS ACCEPTED. Amendments reflect suggestions of previous analysis of bill as introduced/amended ______.

____ 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 ______.

__X__ REMAINDER OF PREVIOUS ANALYSIS OF BILL AS INTRODUCED FEBRUARY 17, 2010, STILL APPLIES.

__X__ OTHER – See comments below.

SUMMARY

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

SUMMARY OF AMENDMENTS

The June 28, 2010, amendments did the following:

- Renamed the fund that would be established by this bill;
- Revised the amounts that would be allocated to the various nonprofit civic youth organizations, the California YMCA Youth and Government Program, and the Joint Committee on Rules of the California Legislature;
- Removed the provisions that would create the California Youth and Government Program that would also be established by SB 516 (DeSaulnier, 2009/2010);[1] and
- Provided that the bill would become operative only if SB 516 is enacted.

[1] The California Youth Legislature would be established under Chapter 4 of Division 2.5 of the Welfare and Institutions Code, which would be created by SB 516.

Board Position:			Asst. Legislative Director	Date
____ S	____ NA	____ NP		
____ SA	____ O	____ NAR	Patrice Gau-Johnson	06/30/10
____ N	____ OUA	__X__ PENDING		

As a result of the amendments, the “Effective/Operative Date” and “This Bill” discussions from the department’s analysis of the bill as introduced February 17, 2010, have been revised. Except for these discussions, the department’s analysis of the bill as introduced February 17, 2010, still applies. The “Economic Impact” discussion has been repeated for convenience.

EFFECTIVE/OPERATIVE DATE

[Assuming enactment on or before September 30, 2010, this bill would be effective beginning on or after January 1, 2011, except that this bill would only become operative if SB 516 (DeSaulnier, 2009/2010) is chaptered and becomes operative. If this occurs, the fund could first appear on 2010 personal income tax returns filed on or after January 1, 2011.

POSITION

Pending.

ANALYSIS

<u>THIS BILL</u>

This bill would establish the California Youth Leadership 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 Franchise Tax Board (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).

This bill states that if payments and credits reported on the return do not exceed the taxpayer's liability, then the taxpayer's return would 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.

This bill would require the Controller to transfer money designated for this fund by taxpayers from the Personal Income Tax Fund to the California Youth Leadership 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 then be allocated to provide an annual grant of $15,000 to each of the following nonprofit civic youth organizations:

- The African American Youth Leadership Project,
- The Asian Pacific Youth Leadership Project, and
- The Chicano Latino Youth Leadership Project.

If any additional funds remain, they shall be allocated in equal amounts to both the California YMCA Youth and Government Program for its ongoing youth activities and to the Joint Committee on Rules of the California Legislature to support the California Youth Legislature.

These funds would be used to support the California Youth and Government Program according to its bylaws.

This bill would become operative only if SB 516 is also enacted and becomes operative.

ECONOMIC IMPACT

<u>Revenue Estimate</u>

This bill would result in the following revenue losses:

Estimated Revenue Impact of AB 2017 Effective On or After January 1, 2011 Assumed Enactment September 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%).

LEGISLATIVE STAFF CONTACT

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