

ANALYSIS OF ORIGINAL BILL

Franchise Tax Board

Author: Yamada Analyst: Matthew Cooling Bill Number: AB 292
Related Bills: See Legislative History Telephone: 845-5983 Introduced Date: February 13, 2009
Attorney: Patrick Kusiak Sponsor: _____

SUBJECT: California Alzheimer's Disease And Related Disorders Research Fund/Extend Repeal Date to January 1, 2015

SUMMARY

This bill would extend the repeal date of the Alzheimer's Disease and Related Disorders Research Fund from January 1, 2010, to January 1, 2015.

PURPOSE OF THE BILL

According to the author's office, the purpose of this bill is to continue to provide funding for the conduct of research regarding the cause, prevention, diagnosis, cure, and treatment of Alzheimer's disease and related disorders.

EFFECTIVE/OPERATIVE DATE

This bill would be effective and operative beginning on or after January 1, 2010.

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 Campaign 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 tax returns to any of the 15 voluntary contribution funds (VCF) listed on the 2008 state personal income tax return (return).

Board Position:

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Department Director

Date

Selvi Stanislaus

03/23/09

With the following exceptions, VCFs remain on the return until they are either repealed or fail to meet their minimum contribution amount: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 Memorial Foundation Fund, each VCF must meet an initial minimum contribution amount of \$250,000.
- 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 California Alzheimer's Disease and Related Research Fund from January 1, 2010, to January 1, 2015. Thus, this fund would last appear on personal income tax returns filed for the 2014 taxable year.

This bill would also update legislative findings related to statistical information about Alzheimer's and other dementia related diseases, including the number of people affected and the cost of caring for people afflicted by these diseases.

This bill would require money transferred to the California Alzheimer's Disease and Related Disorders Research Fund to be allocated to the appropriate state department as established by the Secretary of California Health and Human Services. Currently, funds are allocated to the appropriate state department as established by the Secretary of the Health and Welfare Agency.

IMPLEMENTATION CONSIDERATIONS

The implementation of this bill would not significantly impact this department.

TECHNICAL CONSIDERATIONS

Amendment 1 has been provided to correct a technical error related to the date on which FTB must make certain determinations and notifications for this fund.

LEGISLATIVE HISTORY

AB 292 (Yamada, 2009/2010) would extend the expiration date of the Alzheimer's Disease and Related Disorders Research Fund from January 1, 2010, to January 1, 2015. This bill is currently set for hearing in the Assembly Revenue and Taxation Committee.

SB 91 (Correa, 2009/2010) would extend the expiration date of the California Fund for Senior Citizens from January 1, 2010, to January 1, 2015. This bill has been referred to the Senate Revenue and Taxation Committee.

AB 1088 (Fletcher, 2009/2010) would allow taxpayers to designate personal funds to the Morale, Welfare, and Recreation Fund for each of the veterans' homes, as provided. This bill is currently in the Assembly.

SB 516 (DeSaulnier, 2009/2010) would allow taxpayers to designate personal funds to the California Fund for Youth and establish the California Youth Legislature. This bill has been referred to the Senate Revenue and Taxation Committee.

PROGRAM BACKGROUND

The California Alzheimer's Disease and Related Disorders Research Fund first appeared on the 1987 personal income tax return. The minimum contribution amount for this fund each calendar year is \$250,000, indexed for inflation since calendar year 2000. In the past three calendar years, the fund has received the following total annual contributions:

2006	2007	2008
\$465,871	\$485,401	\$505,510

The minimum contribution adjusts for inflation, so the California Alzheimer's Disease and Related Disorders Research Fund needs to receive \$328,357 to remain on the 2009 return filed in 2010.

OTHER STATES' INFORMATION

Illinois allows taxpayers to designate personal funds to the Alzheimer's Disease Research Fund on the state personal income tax return.

New York allows taxpayers to designate whole dollar amounts from personal funds to the Alzheimer's Disease Assistance Fund on the state personal income tax return.

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

The laws of these states were reviewed because their tax laws are similar to California's income tax laws.

FISCAL IMPACT

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

ECONOMIC IMPACT

Revenue Estimate

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

Estimated Revenue Impact of AB 292 Effective On or After January 1, 2010 Enactment Assumed After June 30, 2009		
2009-10	2010-11	2011-12
No Impact	-\$20,000	-\$20,000

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 is determined by the amount of contributions to the California Alzheimer's Disease and Related Disorders Research Fund, and the subsequent claim of such charitable contributions as itemized deductions. This analysis assumes this fund is officially designated for personal income tax returns starting with the tax year 2010, contributions are claimed when the return is filed in the following year, and the minimum level of contributions (\$328,000) is achieved each year.

If an itemized deduction is claimed for every dollar contributed to the fund and affected taxpayers have an average marginal tax rate of 6%, the estimated revenue loss of this bill is approximately \$20,000 annually ($\$328,000 \times 6\% \approx \$20,000$).

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FRANCHISE TAX BOARD'S
PROPOSED AMENDMENTS TO AB 292
As Introduced February 13, 2009

AMENDMENT 1

On page 3, line 31, strikeout "2010" an insert:

2006