

ANALYSIS OF AMENDED BILL

Franchise Tax Board

Author: Bass, et al. Analyst: David Scott Bill Number: AB 347

Related Bills: See Legislative History Telephone: 845-5806 Amended Date: January 27, 2010

Attorney: Patrick Kusiak Sponsor: _____

SUBJECT: Charitable Contribution Deduction Haiti Earthquake

SUMMARY

This bill would, for a cash contribution made after January 11, 2010, and before March 1, 2010, for the relief of victims in areas affected by the earthquake in Haiti on January 12, 2010, authorize taxpayers to treat that contribution as if it were made on December 31, 2009.

SUMMARY OF AMENDMENTS

The January 27, 2010, amendments removed language that would have imposed a 25 percent penalty for failure to provide information requested during a sales and use tax examination or audit and added the provisions discussed in this analysis. This is the department's first analysis of this bill.

PURPOSE OF THE BILL

It appears that the purpose of the bill is to conform California law to the recently enacted federal law and to encourage contributions to assist Haiti by allowing the option of deducting the contribution on either the 2009 or 2010 state tax return.

EFFECTIVE/OPERATIVE DATE

As a tax levy, this bill would be effective immediately and would specifically apply to contributions made after January 11, 2010, and before March 1, 2010.

POSITION

Pending.

ANALYSIS

FEDERAL/STATE LAW

Generally under federal and state law, individual taxpayers who itemize deductions may deduct eligible charitable contributions from their income for the taxable year in which the contributions were made. Corporations are also allowed to deduct eligible charitable contributions from income for the taxable year in which the contributions are made.

Board Position:

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Department Director

Date

Selvi Stanislaus

02/04/10

Public Law (PL) 111-126 was enacted on January 22, 2010, to allow a taxpayer, whether an individual or a corporation, that makes a contribution after January 11, 2010, and before March 1, 2010, to Haiti earthquake relief efforts the option to treat the contribution as if it was made during 2009, and not in 2010.

THIS BILL

This bill would enact stand-alone state law to conform to PL 111-126 by allowing taxpayers that made contributions after January 11, 2010, and before March 1, 2010, to Haiti earthquake relief efforts the option of treating those contributions as if they were made on December 31, 2009, and not in 2010, thereby allowing taxpayers to accelerate the tax benefits of making a cash contribution to these victims.

LEGISLATIVE HISTORY

SB 50 (Campbell, Stats. 2005, Ch. 5) enacted similar provisions for contributions for relief of victims of the Indian Ocean tsunami.

FISCAL IMPACT

None.

ECONOMIC IMPACT

Revenue Estimate

Based on data and assumptions discussed below, conforming to this federal provision would result in the following revenue effects:

Estimated Revenue Impact of Conforming to PL 111-126 For Taxable Years Beginning On or After January 1, 2009 Enactment Assumed Before June 30, 2010			
Fiscal Year	2009-10	2010-11	2011-12
Cash Flow Effect	-\$80,000	\$80,000	\$0

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

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