

BILL ANALYSIS

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Department, Board, Or Commission	Author	Bill Number
Franchise Tax Board	Cook	AB 563

SUBJECT

California Military Family Relief Fund

SUMMARY

This bill would make changes to the California Military Family Relief Fund related to the allocation of the funds and revise the minimum contribution amount required to remain on the personal income tax return, as specified.

PURPOSE OF BILL

It appears that the purpose of this bill would be to continue to provide support and relief to California military families through the use of the California Military Family Relief Fund.

EFFECTIVE/OPERATIVE DATE

As an urgency measure, this bill would be effective upon enactment and would specifically apply to contributions received during the 2009 calendar year.

ANALYSIS

FEDERAL/STATE LAW

Current federal tax law provides a true 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).

With the following exceptions, VCFs remain on the return until they are either repealed or fail to meet their minimum contribution amount: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.

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The annual inflation adjustment is based on the percentage change in the CCPI. 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 do the following:

- Remove the provision requiring the minimum contribution amount to be indexed according to the CCPI for the 2009 calendar year,
- Allow the California Military Family Relief Fund to remain on the return for the 2009 taxable year filed in 2010, and
- Reestablish the indexing requirement for 2010 calendar year and would set the minimum contribution amount at \$283,628 less the 1.5 percent deflation factor, or approximately \$279,374 [$\$283,628 \times (1 - 1.5\%)$].¹

Provided the Fund meets the annual minimum contribution amount, it would last appear on personal income tax returns filed for the 2014 taxable year, filed in 2015.

In addition, this bill would make the following changes to the California Military Family Relief Fund's allocation procedures that do not impact the department's programs, operations, or state income tax revenues:

- Include members of the California National Guard as eligible to receive grants from this fund,
- Remove the transferring schedule of money from the California Military Family Relief Fund,
- Grant the authority to establish eligibility criteria for the grants to the state Military Department,
- Remove the requirement to develop a Memorandum of Agreement to ensure the objective administration of these grants, and
- Establish additional requirements that must be satisfied in order to receive a grant.

¹ Under current law, the 2009 minimum contribution amount for the California Military Family Relief Fund is \$283,628. The 2010 minimum contribution would be the 2009 amount multiplied by the 2009 CCPI if the fund were to remain on the 2009 personal income tax return.

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 was enrolled and sent to the Office of the Governor on August 26, 2009.

AB 1049 (Torrice, 2009/2010) would create a VCF designation on the personal income tax return for taxpayers to contribute to the Safely Surrender Babies Fund. This bill was enrolled and sent to the Office of the Governor on September 8, 2009.

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 being held in the Assembly Veterans Affairs Committee.

SB 91 (Correa/Alquist, Stats. 2009, Ch. 29) extends the expiration date of the California Fund for Senior Citizens from January 1, 2010, to January 1, 2015, and was enacted on August 6, 2009.

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

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.

Illinois, Massachusetts, and Michigan allow taxpayers to designate personal funds to the Military Family Relief Fund on the state personal income tax return.

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.

Florida does not have personal income tax. Residents in this state can make voluntary contributions on the application for a driver's license or identification card.

FISCAL IMPACT

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

ECONOMIC IMPACT

Revenue Estimate

This bill would result in the following revenue losses:

Estimated Revenue Impact of AB 563 Effective For Contributions Made On Or After January 1, 2009 Enactment Assumed After June 30, 2009			
California Military Family Relief Fund	2009-10	2010-11	2011-12
	-\$20,000	-\$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 would be determined by the amount of contributions to the California Military Family Relief Fund and the subsequent reporting of charitable contribution on tax returns.

Assuming that the minimum level of contributions (\$250,000) would be achieved each year, that the fund would remain on the 2009 return filed in 2010, and that an itemized deduction would be reported and allowed for each contribution, the revenue loss would be \$15,625 annually (\$250,000 x 6.25% marginal tax rate) beginning with the taxable year that the itemized deduction would be claimed on the tax return (2009/2010 FY). The loss would be attributable to itemized deductions claimed for the contributions in the taxable year following the contributions.

Support/Opposition

According to the Senate Floor Analysis on August 19, 2009, no support or opposition has been received.

VOTES

Assembly Floor – Ayes: 78, Noes: 0
Senate Floor – Ayes: 40, Noes: 0
Concurrence – Ayes: 78, Noes: 0

LEGISLATIVE STAFF CONTACT

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