

BILL ANALYSIS

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Department, Board, Or Commission	Author	Bill Number
Franchise Tax Board	Hayashi	AB 658

SUBJECT

Voluntary Contribution Fund Designation/California Police Activities League Fund

SUMMARY

This bill would allow taxpayers to make voluntary contributions to the California Police Activities League (CALPAL) Fund on their state personal income tax returns.

PURPOSE OF BILL

According to the author's office, the purpose of this bill would be to provide a funding source for local CALPAL chapters to better assist the communities in which they serve.

EFFECTIVE/OPERATIVE DATE

Assuming enactment in 2010, this bill would be effective on January 1, 2011, and operative as of that date. As such, this fund could first appear on the 2010 personal income tax return filed in 2011.

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 personal income tax returns to any of the 15 voluntary contribution funds (VCF) listed on the 2009 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With the following exceptions, VCFs remain on the return until they are either repealed or fail to meet their minimum contribution amount: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 and the California Military Family Relief Fund, each of the remaining VCF minimum contribution amounts is adjusted annually for inflation.

Brian Putler, FTB Contact Person (916) 845-6333 (Office)	Executive Officer Selvi Stanislaus	Date 08/18/10
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The annual inflation adjustment is based on the percentage change in the California Consumer Price Index. The 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.

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

THIS BILL

This bill would establish the CALPAL 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 return for the taxable year and, once made, are irrevocable.

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 would be 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 beginning the third calendar year). The law authorizing designations for this fund would be repealed if contributions made under this bill would be less than the minimum contribution amount.

This bill would require the CALPAL Fund designation to be added to the queue as a contingent voluntary contribution designation. This bill would allow the voluntary contribution designation to remain on the personal income tax return for five years unless a later enacted statute deletes or extends that date.

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 CALPAL to allocate the moneys collected by voluntary contributions to the CALPAL's various local area chapters. The allocation would be based on a table published annually by the FTB that would show the contributions to the CALPAL fund by zip code. The table is currently available on the FTB's public Web site under the voluntary contribution pages.

This bill specifies that if three or fewer taxpayers from one zip code donate to the CALPAL Fund, the FTB would be unable to report these donations on the table showing contributions by zip code because they are less than the minimum threshold for federal reporting requirements for security and disclosure. Any funds donated by three or fewer taxpayers in one zip code would be allocated to the CALPAL to fund statewide CALPAL activities.

This bill would require the Controller to transfer money designated for this fund by taxpayers from the Personal Income Tax Fund to the CALPAL.

IMPLEMENTATION CONSIDERATIONS

Implementing this bill would require some changes to existing tax forms and instructions and information systems, which could be accomplished during the normal annual update.

LEGISLATIVE HISTORY

AB 1049 (Torrico, 2009/2010) would have created a VCF designation on the personal income tax return for taxpayers to contribute to the Safely Surrendered Babies Fund. This bill was vetoed on October 12, 2009, by Governor Arnold Schwarzenegger. Please see Appendix A for the veto message.

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. AB 1088 is on the Senate Floor.

AB 1983 (Torrico, 2009/2010) would create a VCF designation on the personal income tax return for taxpayers to contribute to the Safely Surrendered Babies Fund. AB 1983 is on the Senate Floor.

AB 2017 (Hall, 2009/2010) would allow taxpayers to make voluntary contributions to the California YMCA Youth and Government Fund on their state personal income tax returns. AB 2017 is on the Senate Floor.

SB 1076 (Price, 2009/2010) would allow taxpayers to make voluntary contributions to the Arts Council Fund on their state personal income tax returns. SB 1076 is on the Senate Floor.

OTHER STATES' INFORMATION

The states surveyed include *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 allows taxpayers to make a voluntary contribution to the Illinois Veterans' Home Fund on the state tax return.

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 proposed by 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 658 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%).

Appointments

None.

Support/Opposition

Support:

Alameda County Deputy Sheriffs' Activities League, Inc. (Sponsor)
California Police Activities League,
Industry Sheriff's Youth Activities League,
Hollywood PAL,
Rancho Cordova PAL,
Antioch PAL,
Los Angeles Police Department,
Visalia PAL,
South Lake Tahoe PAL, and
Various other local PALs and police departments too numerous to list here.

Opposition:

None on File

VOTES

Assembly Floor – Ayes: 65, Noes: 1

Senate Floor – Ayes: 30, Noes: 2

Concurrence – Ayes: 74, Noes: 1

LEGISLATIVE STAFF CONTACT

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Appendix A

BILL NUMBER: AB 1049
VETOED DATE: 10/12/2009

To the Members of the California State Assembly:

I am returning Assembly Bill 1049 without my signature.

I have reviewed the merits of this bill. After careful and deliberative consideration, I do not believe it is necessary to sign this bill at this time.

Sincerely,

Arnold Schwarzenegger