

# ANALYSIS OF AMENDED BILL

Franchise Tax Board

Author: Kehoe Analyst: Matthew Cooling Bill Number: SB 1152

Related Bills: See Legislative History Telephone: 845-5983 Amended Date: April 5, 2010

Attorney: Patrick Kusiak Sponsor: \_\_\_\_\_

**SUBJECT:** California Blood Banks Designated Area Emergency Operations Fund

## SUMMARY

This bill would allow taxpayers to make voluntary contributions to the California Blood Banks Designated Area Emergency Operations Fund on their state personal income tax returns.

## SUMMARY OF AMENDMENTS

The April 5, 2010, amendments added language that would revise the Personal Income Tax Laws (PITL) to establish a new voluntary contribution fund (VCF) designation on the state personal income tax return. The amendments removed provisions that would have made non-substantive changes related to the meaning of "fiduciaries."

This is the department's first analysis of the bill.

## PURPOSE OF THE BILL

According to the author's office, the purpose of this bill is to provide additional funding to blood banks operating as Area Emergency Operation Centers so they can provide necessary services during emergencies.

## EFFECTIVE/OPERATIVE DATE

Assuming enactment before October 1, 2010, this bill would be effective and operative beginning on or after January 1, 2011. As such, the fund could first appear on 2010 personal income tax returns filed on or after January 1, 2011.

## 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 election fund. Designation of the \$3 amount does not affect a taxpayer's tax liability or refund amount.

Board Position:

\_\_\_\_\_ S      \_\_\_\_\_ NA      \_\_\_\_\_ NP  
\_\_\_\_\_ SA      \_\_\_\_\_ O      \_\_\_\_\_ NAR  
\_\_\_\_\_ N      \_\_\_\_\_ OUA        X   PENDING

Department Director

Date

Selvi Stanislaus

05/18/10

Current state tax law allows taxpayers to make contributions of their own funds (not tax liability) on their personal income tax returns to the 15 VCFs listed on the state tax return. Each fund provides for the reimbursement of the Franchise Tax Board's (FTB's) and the Controller's actual costs to administer the fund.

Except for the California Seniors Special Fund, which has no sunset date, the voluntary contribution funds have various sunset dates. Generally, the initial minimum contribution amount is \$250,000, which is indexed annually for each fund.

Current state law provides that if the number of contingent voluntary contribution designations<sup>1</sup> that are eligible to be added to the return is greater than the number of designations removed, then the voluntary contribution designations will be queued and added to the return in order of the date of enactment.

### THIS BILL

This bill would establish the California Blood Banks Designated Area Emergency Operations Fund and would allow individuals 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 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 would 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 would 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), as specified.

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<sup>1</sup> 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 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.

This bill would require the Controller to transfer money designated for this fund by taxpayers from the Personal Income Tax Fund to the California Blood Banks Designated Area Emergency Operations 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 and to the California Emergency Management Agency for allocation to the blood banks designated as Area Emergency Operation Centers.

### 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 658 (Hayashi, et al., 2009/2010) would create a VCF designation on the personal income tax return for taxpayers to contribute to the California Police Activities League Fund. AB 658 is currently waiting to be heard in the Senate Revenue and Taxation Committee.

AB 1008 (Block, 2009/2010) would create a VCF designation on the personal income tax return for taxpayers to contribute to the California National Guard Education Assistance Fund. This bill has been referred to the Senate Rules Committee.

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 waiting to be heard in the Senate Revenue and Taxation Committee.

AB 1983 (Torriconi, 2009/2010) would create a VCF designation on the personal income tax return for taxpayers to contribute to the Safely Surrender Babies Fund. AB 1983 has been referred to the Senate Rules Committee.

AB 2017 (Hall, 2009/2010) would create a VCF designation on the personal income tax return for taxpayers to contribute to the YMCA Youth and Government Fund. AB 2017 is waiting to be heard in the Assembly Appropriations Committee.

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

SB 1076 (Price, 2009/2010) would create a VCF designation on the personal income tax return for taxpayers to contribute to the Arts Council Fund. SB 1076 has been sent to third reading on the Senate Floor.

## 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.

*Florida* does not have a personal income tax but allows contribution designations on the state's motor vehicle registration and renewal forms.

*Illinois, 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 discussed in 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 SB 1152 Effective On or After January 1, 2011 Assumed Enactment on 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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