

Franchise Tax Board

**ANALYSIS OF ORIGINAL BILL**

Author: Correa and Alquist Analyst: Matthew Cooling Bill Number: SB 91  
Related Bills: See Legislative History Telephone: 845-5983 Introduced Date: January 20, 2009  
Attorney: Patrick Kusiak Sponsor: \_\_\_\_\_

**SUBJECT:** California Fund for Senior Citizens/Extend Repeal Date to January 1, 2015

**SUMMARY**

This bill would extend the sunset date of the California Fund for Senior Citizens 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 a mechanism for taxpayers to make voluntary contributions on their tax returns to the California Fund for Senior Citizens.

**EFFECTIVE/OPERATIVE DATE**

Assuming enactment in 2009, this bill would be effective on January 1, 2010, and operative as of that date.

**POSITION**

Pending.

**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).

Board Position:	Department Director	Date
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With the following exceptions, VCFs remain on the return until they are either repealed or fail to meet their minimum contribution amount: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 expiration of the California Fund for Senior Citizens from January 1, 2010, to January 1, 2015. Thus, this VCF would last appear on the 2014 return filed in 2015.

### IMPLEMENTATION CONSIDERATIONS

Implementing this bill would not significantly impact the department's programs and procedures.

### **LEGISLATIVE HISTORY**

SB 1249 (Alquist, Stats. 2006, Ch. 645) changed the California Fund for Senior Citizens minimum contribution amount to \$250,000 with no requirement to adjust for inflation in future years.

AB 137 (Correa, et al., Stats. 2003, Ch. 376) extended the repeal date from January 1, 2005, to January 1, 2010. It also added the provision that allows the Franchise Tax Board to calculate the minimum contribution amount using the indexed factor for inflation.

SB 1082 (Vasconcellos, 2001) would have made changes to the minimum contributions amount requirement for the California Fund for Senior Citizens. This bill failed passage from the Assembly Revenue and Taxation Committee.

AB 1697 (Commission on Aging & Long Term Care, Stats. 1999, Ch. 228) added a sunset date of January 1, 2005, and required that the California Fund for Senior Citizens meet the minimum contribution amount.

### PROGRAM BACKGROUND

The California Fund for Senior Citizens first appeared on the 1983 personal income tax return. The minimum contribution amount for each calendar year is \$250,000 for the California Fund for Senior Citizens. In the past four calendar years, the fund has received the following total annual contributions:

2005	2006	2007	2008
\$296,136	\$258,411	\$264,645	\$288,695

The minimum contribution amount does not adjust for inflation; therefore, the California Fund for Senior Citizens needs to receive \$250,000 to remain on the 2009 return filed in 2010.

### OTHER STATES' INFORMATION

*Illinois, Massachusetts, Michigan, Minnesota, and New York* laws allow taxpayers to make voluntary contributions on their personal income tax return. These states do not have a voluntary contribution fund comparable to the voluntary contribution fund allowed 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 Personal Income Tax revenue loss from this bill would be as follows:

Estimated Revenue Impact of SB 91 Effective On Or After January 1, 2009 Enactment Assumed After June 30, 2009		
2009-10	2011-12	2012-13
-\$15,000	-\$15,000	-\$15,000

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 Fund for Senior Citizens, and the subsequent claim of such charitable contributions as itemized deductions. This analysis assumes this fund is officially designated for returns starting with the tax year 2010 and the minimum level of contributions (\$250,000) is achieved each year.

If an itemized deduction is claimed for every dollar contributed to the fund and affected taxpayers have an average marginal personal income tax rate of 6%, the estimated revenue loss of this bill is \$15,000 annually ( $\$250,000 \times 6\% = \$15,000$ ).

### **LEGISLATIVE STAFF CONTACT**

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