

ANALYSIS OF AMENDED BILL

Franchise Tax Board

Author: Huffman et al. Analyst: Brian Werking Bill Number: AB 1589

Related Bills: None Telephone: 845-5103 Amended Date: April 30, 2012

Attorney: Patrick Kusiak Sponsor: _____

SUBJECT: Purchase Parks Pass On The Individual Return/Miscellaneous Deduction For Parks Pass Purchases

SUMMARY

This bill would allow individual taxpayers to purchase parks passes on the tax return.

This bill would also make changes to the Public Resources Code and the Vehicle Code relating to state parks. These changes do not affect the department and are not discussed in this analysis.

RECOMMENDATION

No position.

Summary of Amendments

The April 30, 2012, amendments would recast the provisions related to the California State Parks Protection Fund and the purchase of an annual California park day use access pass (Parks Pass) on the individual tax return. Specifically, the amendments would allow an individual taxpayer to purchase one or more Parks Passes on the tax return and would allow a miscellaneous itemized deduction in an amount equal to the amount paid to purchase a single Parks Pass.

As a result of the amendments, the department's analysis of the bill as introduced February 6, 2012, and amended March 1 and April 9, 2012, no longer applies.

REASON FOR THE BILL

The language of the bill indicates that its purpose is to provide new revenue for the parks system through the offering of Parks Passes on personal income tax returns as part of the long-term goal of adequately funding and maintaining California's state park system.

EFFECTIVE/OPERATIVE DATE

As an urgency measure, this bill would be effective upon enactment. The Parks Pass purchase designation would first appear on the 2012 personal income tax return and would last appear on the 2017 tax return. The provisions allowing a miscellaneous itemized deduction for the purchase of a Parks Pass would be specifically operative for taxable years beginning on or after January 1, 2013, and before January 1, 2018.

Board Position:			
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Executive Officer	Date
Selvi Stanislaus	05/04/12

ANALYSIS

FEDERAL/STATE LAW

Federal and state law does not allow an individual to purchase parks passes or other items on the individual's tax returns.

Existing federal and state laws allow individuals to deduct certain expenses, such as medical expenses, charitable contributions, interest, and taxes, as itemized deductions. Certain other expenses for the production of income and certain employee business expenses are considered miscellaneous itemized deductions and only the portion that exceeds 2 percent of adjusted gross income may be deducted. Also, itemized deductions may be further limited for high-income taxpayers.

THIS BILL

This bill would allow an individual taxpayer to designate a purchase of one or more Parks Passes on the individual's personal income tax return for taxable years beginning on or after January 1, 2012, and before January 1, 2018. If the amount available to a taxpayer through payments and credits, after being applied to income tax, use tax, and voluntary contributions, is less than the total price of the designated number of Parks Passes, the designation shall be reduced until the amount available to a taxpayer would satisfy the purchase designation. If the amount available to a taxpayer is less than the price of one Parks Pass, the return shall be treated as though no designation was made.

An individual taxpayer that purchases a Parks Pass on the income tax return would receive a state parks day use access pass that entitles the taxpayer to unlimited day use access to California state parks, and would be valid for the calendar year beginning on January 1 of the calendar immediately following the calendar year that the Parks Pass is purchased.

The price of the Parks Pass would be determined by the Department of Parks and Recreation (DPR) annually, and reported to the FTB to update the individual personal income tax forms and instruction booklets to reflect the price of Parks Passes.

A miscellaneous itemized deduction may be claimed by an individual taxpayer for the taxable year that one or more Parks Passes were purchased, in an amount equal to the amount paid for a single parks pass. As a miscellaneous deduction, the portion of the amount paid for a Parks Pass combined with the aggregate of all other allowable miscellaneous deductions for the taxable year that exceeds 2 percent of adjusted gross income may be deducted for taxable years on or after January 1, 2013, and before January 1, 2018.

The FTB would be required to provide the DPR necessary information, including the names and addresses of individual taxpayers who purchased Parks Passes on their returns, so that the DPR may contact purchasers and implement a procedure to distribute the Parks Passes.

FTB would be reimbursed for their costs to implement this bill.

IMPLEMENTATION CONSIDERATIONS

Programming and form changes could be accomplished during the annual update.

OTHER STATES' INFORMATION

Florida, Illinois, Massachusetts, Michigan, Minnesota, and New York laws do not allow a taxpayer to purchase items on his or her tax return. The laws of these states were reviewed because their tax laws are similar to California's income tax laws.

Maine allows taxpayers to designate to purchase a parks pass on a separate schedule on their individual tax returns.

The laws of these states were reviewed because their tax laws are similar to California's income tax laws.

FISCAL IMPACT

This bill would require form and instruction changes, as well as modifications to our internal systems. As a result, this bill would impact the department's printing, processing, storage, programming, and testing costs. As the bill continues to move through the legislative process, costs will be identified.

ECONOMIC IMPACT

Revenue Estimate

This bill would result in the following revenue losses:

Estimated Revenue Impact of AB 1589* Creating a California State Park Enterprise Fund For Contributions Made After January 1, 2012 Enactment Assumed After June 30, 2012		
2012-13	2013-14	2014-15
\$0	-\$50,000	-\$60,000

This analysis does not account for changes in employment, personal income, or gross state product that could result from this bill.

SUPPORT/OPPOSITION

Support: Born Free USA, California State Park Foundation, California Travel Association, Family Winemakers of California, Humane Society of the United States, Mendocino County Board of Supervisors, Paw Pac, Sierra Club California, and Trust for Public Lands.¹

Opposition: None provided.

ARGUMENTS

Proponents: Some taxpayers may argue that this bill would provide additional funding for state parks during a time in which DPR has been required to close, partially close, or reduce services at selected parks to achieve required budget reductions.

Opponents: Some taxpayers may argue that the addition line item allowing the purchase of a Parks Pass on the tax return would make the return a cumbersome document, and confuse taxpayers by adding the additional purpose of selling parks passes to the tax return.

POLICY CONCERNS

Current law does not allow an individual to purchase something from a state agency on the personal income tax return. This bill could establish a precedent for the inclusion of a variety of other non-tax related items on the tax return, thereby complicating tax administration for non-tax reasons.

This bill would also create differences between federal and California tax law by allowing a taxpayer to deduct the cost of a parks pass that is purchased on his or her tax return as a miscellaneous itemized deduction, thereby increasing the complexity of California tax return preparation.

LEGISLATIVE STAFF CONTACT

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¹ As provided in the Assembly Committee on Water, Parks and Wildlife analysis of the bill as amended March 1, 2012, at <http://www.leginfo.ca.gov/pub/11-12/bill/asm/ab_1551-1600/ab_1589_cfa_20120319_135215_asm_comm.html> [as of May 1, 2012].