

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 Dates: May 16 & 25, 2012
Attorney: Patrick Kusiak Sponsor: _____

SUBJECT: Parks Pass Purchase On The Individual Return/Charitable Contribution For Deposit In Excess Of Purchase

SUMMARY

This bill would do the following:

- Allow individual taxpayers to purchase annual California park day use access passes (Parks Passes) on the tax return by designating a portion of their refund for that purpose, and
- Allow under the Personal Income Tax Law a charitable contribution deduction for any amount deposited by a taxpayer into the California State Parks Protection Fund (Fund) in excess of the price of the parks passes received.

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 May 16, 2012, amendments would recast the provisions related to the Fund and the purchase of Parks Passes on the individual tax return. Specifically, the amendments would allow individual taxpayers to designate a portion of their income tax refunds to purchase one or more Parks Passes on the tax return and would provide that any amount contributed to the Fund in excess of the price of the Parks Passes received would be allowed as a charitable contribution deduction.

The May 25, 2012, amendments would make changes to the Public Resources Code relating to State Parks and changes to the Vehicle Code relating to state parks environmental license plate design. The amendments also add additional authors.

As a result of the amendments, the department's analysis of the bill as amended April 30, 2012, no longer applies.

Board Position:

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Executive Officer

Date

Selvi Stanislaus

06/18/12

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 2016 tax return. The provisions allowing a deduction for deposits into the Fund in excess of the price of the Parks Passes purchased on the return would be specifically operative for taxable years beginning on or after January 1, 2013, and before January 1, 2018. These provisions would all be repealed by their own terms on January 1, 2019.

ANALYSIS

FEDERAL/STATE LAW

Federal and state law does not allow an individual to purchase Parks Passes or other items on an individual's tax return.

Taxpayers that are individuals are allowed to take an itemized deduction on their federal and state income tax returns for the year in which a charitable contribution is made to the State.

THIS BILL

This bill would allow an individual taxpayer to designate that any portion of their refund be deposited in the Fund for the 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, 2017. If the amount designated, or the amount of the refund available to be deposited, is less than the price of a single Parks Pass, the return will be treated as if no designation was made.

An individual taxpayer that purchases one or more Parks Passes on the income tax return would receive one or more Parks Passes from the Department of Parks and Recreation (DPR), that entitles the taxpayer to unlimited day use access to California state parks, and would be valid for one calendar year beginning on the date of issuance.

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

The amount deposited into the Fund by a taxpayer that exceeds the price of the number of Parks Passes entitled to be received by a taxpayer through the purchase line-item on the tax return would be considered a charitable contribution that may be claimed as an itemized deduction by the taxpayer. The itemized deduction may be claimed for the taxable year in which the charitable contribution is made.

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

This bill would require the development, programming, and testing of system changes and additional printing and processing, which would require significant resources to accomplish.

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.

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FISCAL IMPACT

Staff estimates one-time costs of approximately \$617,000 in fiscal year 2012/2013 for additional printing, processing, and to develop, program, and test system changes in order to implement the deposit line item and to capture taxpayer information to produce a report for the DPR that this bill would require.

If this bill is enacted without appropriation language or a memorandum of understanding, the department would pursue a budget augmentation ("legislative budget change proposal") through the normal budgetary processes and if necessary, would redirect resources from other revenue producing activities to implement this bill. Redirection of resources could negatively impact existing revenue producing activities.

ECONOMIC IMPACT

Revenue Estimate

This bill would result in the following revenue losses:

Estimated Revenue Impact of AB 1589 Creating a California State Park Protection Fund For Deposits Made On or After January 1, 2013 Enactment Assumed After June 30, 2012		
2012-13	2013-14	2014-15
-\$0	-\$20,000	-\$20,000

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

SUPPORT/OPPOSITION¹

Support: Born Free USA, California League of Conservation Voters, California State Parks Foundation, California Travel Association, Family Winemakers of California, The Humane Society of the United States, Mendocino County Board of Supervisors, Sierra Club California, and Trust for Public Land.

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 additional 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

Allowing an individual to purchase something from a state agency on the personal income tax return is unprecedented. This bill could establish a new standard for the inclusion of a variety of other non-tax related items on the tax return, thereby complicating tax administration for non-tax reasons.

LEGISLATIVE STAFF CONTACT

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¹ As provided in the Assembly Committee on Revenue and Taxation's analysis of the bill as amended April 30, 2012, at < http://www.leginfo.ca.gov/pub/11-12/bill/asm/ab_1551-1600/ab_1589_cfa_20120504_121850_asm_comm.html> [as of June 13, 2012].