BILL ANALYSIS

Department, Board, Or Commission	Author	Bill Number/Version Date
Franchise Tax Board	**DeSaulnier**	**SB 803 (E-08/23/12)**

SUBJECT

California Youth Leadership Fund

SUMMARY

This bill would allow a taxpayer to make voluntary contributions to the California Youth Leadership Fund (Fund) on the state personal income tax return.

REASON FOR THE BILL

The reason for the bill is to promote youth civic engagement through meaningful opportunities to improve the quality of life for California's disconnected and disadvantaged youth.

EFFECTIVE/OPERATIVE DATE

This bill would be effective on January 1, 2013, and operative as of that date. If another fund is removed from the return or the Franchise Tax Board (FTB) determines there is space available on the return, the Fund could first appear on the 2012 personal income tax return filed on or after January 1, 2013.

ANALYSIS

FEDERAL/STATE LAW

Current federal tax law provides a 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 18 voluntary contribution funds (VCF) listed on the 2011 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With the following exceptions, VCFs remain on the return until they are either repealed or fail to meet their minimum contribution amount: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.

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- 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 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 the 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 designations[1] 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. If the FTB determines that space is available on the personal income tax return to accommodate additional voluntary contribution designations, the FTB may add one or more voluntary contribution designations to the return, regardless of the number of designations removed.

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

THIS BILL

This bill would establish the 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.

This bill would require the FTB to revise the 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 2012 tax return filed on or after January 1, 2013.

[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.

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 each 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). The law authorizing designations for this fund would be repealed if contributions made under this bill will 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 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 the CCPI).

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 the Fund by taxpayers from the Personal Income Tax Fund to the California Youth Leadership Fund. Upon appropriation by the Legislature, monies would be transferred from the Fund to the State Controller’s Office and the FTB for reimbursement of the costs associated with administering the Fund. The remaining monies would be allocated to the Department of Education to oversee the allocation of funds to the California Youth Leadership Project Committee. The California Youth Leadership Project Committee would be created by this bill to implement the California Youth Leadership Program that would provide scholarships to youth to participate in civic engagement programs.
A taxpayer would be able to deduct a contribution on the state tax return for the year in which the voluntary contribution is made.

LEGISLATIVE HISTORY

AB 233 (Hall, 2011/2012) would allow a taxpayer to make a voluntary contribution to the California YMCA Youth and Government Fund on the state personal income tax return. This bill is enrolled and was presented to the Governor on August 20, 2012.

AB 1589 (Huffman, et al., 2011/2012) would allow a taxpayer to contribute to the California State Parks Protection Fund on the personal income tax return, and would entitle the taxpayer to an annual California park day use access pass if the contribution is equal to or greater than the price of the parks pass. This bill has been order to a third reading in the Senate.

SB 1571(DeSaulnier, 2011/2012) would allow a taxpayer to make a voluntary contribution to the School Supplies for Homeless Children Fund on the state personal income tax return. This bill has been ordered to a third reading in the Assembly.

PROGRAM BACKGROUND

Eighteen voluntary contribution funds appear on the 2011 return. Total contributions to these funds have varied from approximately $3.2 million in 1990 to approximately $4 million in 2011.[2]

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, Massachusetts, Michigan, Minnesota, and New York allow taxpayer contribution designations on the personal income tax return; however, none of these states provide a voluntary contribution comparable to the one discussed in this bill.

FISCAL IMPACT

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

ECONOMIC IMPACT

Revenue Estimate

This bill would result in the following revenue losses:

Estimated Revenue Impact of SB 803 For Contributions Made On or After January 1, 2013 Enactment Assumed After June 30, 2012		
2012-13	2013-14	2014-15
N/A	-$20,000	-$20,000

This estimate does not consider the possible changes in employment, personal income, or gross state product that could result from this bill.

APPOINTMENTS

None.

[2] *Franchise Tax Board – Voluntary Contribution Fund Totals 1982 through 2011*, at <https://www.ftb.ca.gov/individuals/vcfsr/reports/VCF_totals.pdf> [as of July 17, 2012].

SUPPORT/OPPOSITION[3]

Support: Aspiranet, California Coalition for Youth, and State Superintendent of Public Instruction.

Opposition: California Right to Life Committee, Inc.

VOTES

Concurrence	08/23/12	Y: 24	N: 13
Assembly Floor	08/22/12	Y: 53	N: 26
Senate Floor	01/26/11	Y: 27	N: 11

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[3] As provided in the Assembly Revenue and Taxation Committee's analysis of the bill as amended June 25, 2012, at <http://www.leginfo.ca.gov/pub/11-12/bill/sen/sb_0801-0850/sb_803_cfa_20120629_140130_asm_comm.html> [as of July 22, 2012].