

BILL ANALYSIS

Department, Board, Or Commission	Author	Bill Number
Franchise Tax Board	Rodriguez	AB 1561

SUBJECT

California Firefighters' Memorial Fund & California Peace Officer Memorial Foundation Fund/Extend Repeal Date to January 1, 2021

SUMMARY

Under the Revenue and Taxation Code, this bill would extend the repeal dates for the California Firefighters' Memorial Fund and the California Peace Officer Memorial Foundation Fund.

REASON FOR THE BILL

The reason for this bill is to ensure that the Foundations are able to continue to receive a critical source of funding for the Firefighters and Peace Officers' Memorials, while continuing to offer Californians an opportunity to honor the public safety officers who have made the ultimate sacrifice.

EFFECTIVE/OPERATIVE DATE

This bill would be effective and operative January 1, 2015, and would allow the California Firefighters' and California Peace Officers' Memorial Funds to remain on personal income tax returns filed for taxable years 2015 through 2020.

FEDERAL/STATE LAW

Current federal tax law provides a true check-off to direct \$3 of a taxpayer's tax liability to the Presidential Election 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 monies (not tax liability) on their tax returns to any of the 20 voluntary contribution funds, including the California Firefighters' and the California Peace Officers' Memorial Funds, listed on the 2013 state personal income tax return.

Taxpayers contributing to the funds are specifically allowed to deduct those contributions on their state income tax returns for the year in which the contribution is made. These contributions may satisfy the requirements under federal law for a charitable contribution deduction.

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Executive Officer

Date

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07/08/14

Generally, funds remain on the tax return until repealed or the fund fails to meet its minimum contribution amount. The California Firefighters and the California Peace Officers' Memorial

Funds are currently set to repeal on January 1, 2016, and are not subject to a minimum contribution amount as long as the repeal date is in effect. Absent legislation to extend the repeal date, these funds would last appear on the 2015 tax return filed in 2016.

THIS BILL

This bill would extend the repeal date for the California Firefighters' Memorial Fund and the California Peace Officer Memorial Foundation Fund from January 1, 2016, to January 1, 2021.

If this bill is enacted, these funds would last appear on the 2020 tax return.

LEGISLATIVE HISTORY

AB 1812 (Arambula, Chapter 160, Statutes of 2008) extended the repeal dates for the California Firefighters' Memorial Fund and the California Peace Officers' Memorial Foundation Fund from January 1, 2011, to January 1, 2016.

AB 483 (Nunez, Chapter 161, Statutes of 2005) extended the repeal dates for the California Firefighters' Memorial Fund and the California Peace Officers' Memorial Foundation Fund from January 1, 2006, to January 1, 2011.

SB 2175 (Burton, Chapter 854, Statutes of 2000) specified that the \$250,000 minimum contribution limitation would apply to the California Firefighters' Memorial Fund and the California Peace Officers' Memorial Foundation Fund *only* if the repeal date is deleted for each fund.

SB 246 (Solis, Chapter 988, Statutes of 1999) extended the repeal date for the California Firefighters' Memorial Fund to January 1, 2006.

SB 1230 (Burton, Chapter 215, Statutes of 1999) established the California Peace Officers' Memorial Foundation Fund as a voluntary contribution on the state personal income tax returns.

AB 1523 (Areias, et al., Chapter 1223, Statutes of 1993) established the California Firefighters' Memorial Fund as a voluntary contribution on the state personal income tax returns.

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. This state does not provide for voluntary contributions comparable to those discussed in this bill.

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

New York allows taxpayers to designate personal funds to the National September 11 Memorial & Museum at the World Trade Center (9/11 Memorial) Fund on their personal income tax returns.

FISCAL IMPACT

This bill would not significantly impact the department’s costs.

ECONOMIC IMPACT

Revenue Estimate

Estimated Revenue Impact of AB 1561 For Returns Filed On or After January 1, 2015		
2014-16	2016-17	2017-18
\$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.

Revenue Discussion

For purposes of this estimate, it is assumed that \$250,000 in contributions would be received for both funds each year. Further, it is estimated that two-thirds of the taxpayers that contribute to the funds will itemize. Using an average tax rate of six percent, it is estimated that this bill would result in a revenue loss of approximately \$10,000 annually ($\$250,000 \times .667 \times 6\%$) per fund.

Contributions would be made on the 2015 tax return that is filed in 2016. Subsequently, the deduction for those contributions would be claimed on the 2016 tax return filed in 2017. As a result, the revenue impact of this bill would occur beginning in fiscal year 2016-17.

APPOINTMENTS

None.

SUPPORT/OPPOSITION¹

Support: American Federation of State, County and Municipal Employees, AFL-CIO; Association for Los Angeles Deputy Sheriffs; California Association of Highway Patrolmen; California Fire Chiefs Association; California Narcotic Of-ficers Association; California Police Chiefs Association; California Professional Firefighters, State Council of the International Association of Fire Fighters;

¹ As noted in the Senate Governance and Finance Committee analysis dated June 5, 2014.

California State Sheriffs' Association; Fraternal Order of Police, California State Lodge; Long Beach Police Officers Association; Los Angeles County Professional Peace Officers Association; Los Angeles Police Protective League; Los Angeles Probation Officers' Union, AFSCME, Local 685; Peace Officers Research Association of California; Riverside Sheriffs' Association; Sacramento County Deputy Sheriff's Association; Santa Ana Police Officers Association; United EMS Workers Local 4911, AFSCME, AFL-CIO.

Opposition: None provided.

VOTES

	Date	Yes	No
Assembly Floor	04/24/14	75	0
Senate Floor	07/03/14	35	0

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