Franchise Tax Board

ANALYSIS OF ORIGINAL BILL

Author:	Morrell	Analyst:	Michelle Chan	Bill Number:	AB 2012
Related Bills:	See Legislative History	Telephone:	845-6805	Introduced Date:	February 20, 2014
		Attorney:	Bruce Langston	Sponsor:	

SUBJECT: California Fund for Senior Citizens/Eliminate Minimum Contributions

SUMMARY

Under the Revenue and Taxation Code, this bill would eliminate the minimum contribution amount requirement for the California Fund for Senior Citizens voluntary contribution (Senior Citizens Fund).

RECOMMENDATION

No position.

REASON FOR THE BILL

The reason for this bill is to preserve the primary source of income for the California Senior Legislature, which is funded by the Senior Citizens Fund.

EFFECTIVE/OPERATIVE DATE

This bill would be effective and operative January 1, 2015, and would apply to tax returns filed on or after that date.

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 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 Senior Citizens Fund, listed on the 2013 state personal income tax return (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.

Board Position:			Executive Officer	Date
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The funds remain on the return until repealed or the fund fails to meet its minimum contribution amount. The Senior Citizens Fund is currently set to repeal on January 1, 2020, and the minimum contribution amount is fixed at $250,000.

The Franchise Tax Board (FTB) is required to determine by September 1 of each year whether estimated contributions to the fund will be less than $250,000 for that calendar year. If the FTB estimates that contributions to the fund will fail to meet or exceed the $250,000 threshold for a calendar year, the fund is repealed effective for taxable years beginning on or after January 1 of that calendar year.

THIS BILL

This bill would eliminate the $250,000 minimum contribution requirement for the Senior Citizens Fund, thus allowing the fund to remain on the return without meeting a minimum contribution threshold.

Additionally, the FTB would no longer be required to (1) determine whether estimated contributions to the fund will be less than $250,000 for the calendar year and (2) notify the California Senior Legislature of the determination that the estimated contributions fail to meet the minimum contribution amount.

IMPLEMENTATION CONSIDERATIONS

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

LEGISLATIVE HISTORY

AB 1833 (Garcia, 2013/2014) is identical to this bill. AB 1833 is currently in the Assembly Revenue & Taxation Committee.

AB 247 (Wagner, Chapter 670, Statutes of 2013) extended the repeal date of the Senior Citizens Fund from January 1, 2015, to January 1, 2020.

SB 91 (Correa, Chapter 29, Statutes of 2009) extended the repeal date of the Senior Citizens Fund from January 1, 2010, to January 1, 2015.

SB 1249 (Alquist, Chapter 645, Statutes of 2006) among other things, eliminated the annual adjustment of the minimum contribution amount requirement for the Senior Citizens Fund and required the FTB to provide written notification to all funds that fail to meet the minimum contribution amount.

AB 1697 (Commission on Aging, et al., Chapter 228, Statutes of 1999) extended the repeal date of the Senior Citizens Fund from January 1, 2000, to January 1, 2005, and specified that for taxable years beginning January 1, 2001, the fund would be required to meet the minimum contribution amount ($250,000).

PROGRAM BACKGROUND

The Senior Citizens Fund first appeared on the 1983 return, and is subject to a fixed $250,000 minimum contribution requirement. The following are the total annual contributions for the past three years:

2011	2012	2013
$308,763	$272,742	$234,247[1]

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 allows residents to designate contributions to Senior Vision Services when applying or renewing a driver's license or identification card.

Illinois, *Massachusetts*, *Michigan, Minnesota and New York* allow for 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 not significantly impact the department's costs.

ECONOMIC IMPACT

This bill would not impact the state's income tax revenue.

SUPPORT/OPPOSITION

Support: None provided.

Opposition: None provided.

ARGUMENTS

Proponents: Some may argue that eliminating the minimum contribution requirement would allow the Senior Citizens Fund to remain on the tax return and preserve the primary source of income for the California Senior Legislature to continue their advocacy on behalf of the state's senior citizens.

[1] Although the fund failed to meet it's minimum contribution amount, it remained on the return because the FTB estimated that the fund would reach the $250,000 minimum contribution requirement prior to the end of the 2013 calendar year.

Opponents: Some may argue that the Senior Citizens Fund should be removed from the tax return if it fails to meet the minimum contribution requirement, to allow the opportunity for other charitable organizations to be placed on the tax return.

POLICY CONCERNS

This bill would eliminate the $250,000 minimum contribution requirement for the Senior Citizens Fund. Generally, each voluntary contribution fund in its second year on the tax return must meet an initial minimum contribution requirement of $250,000. Eliminating the minimum contribution requirement causes inequity between this fund and other recently-enacted funds, and dilutes the efficacy of the minimum contribution requirement.

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