

## BILL ANALYSIS

Department, Board, Or Commission	Author	Bill Number
<b>Franchise Tax Board</b>	<b>Yamada &amp; Grove, et al.</b>	<b>AB 394</b>

### SUBJECT

California Alzheimer's Disease and Related Disorders Research Fund/Extend Repeal Date to December 1, 2020

### SUMMARY

Under the Revenue and Taxation Code, this bill would extend the repeal date of the California Alzheimer's Disease and Related Disorders Research Fund voluntary contribution (Fund) from January 1, 2015, to December 1, 2020.

### REASON FOR THE BILL

The reason for the bill is to continue support of the research that can develop the medical advances necessary to treat and cure Alzheimer's Disease.

### EFFECTIVE/OPERATIVE DATE

This bill would be effective and operative on January 1, 2014, and would allow the Fund to remain on tax returns for taxable years 2015 through 2019, subject to contributions meeting the annual minimum contribution amount.

### 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 18 voluntary contribution funds, including the Fund, listed on the 2012 state personal income tax return (return).

Taxpayers contributing to the Fund are allowed specifically 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.

The Fund remains on the return until it is repealed or fails to meet its minimum contribution amount. The Fund's current repeal date is January 1, 2015, and the minimum contribution amount for the 2012 calendar year is \$335,154. The minimum contribution amount is adjusted annually for inflation, based on the percentage change in the California Consumer Price Index.

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The Franchise Tax Board (FTB) is required to make the following two determinations for the Fund by September 1 of each year:

1. The minimum contribution amount for the following calendar year required for the Fund to remain on the return for the subsequent year, and
2. Whether estimated contributions to the Fund will be less than the minimum contribution amount for that calendar year.

If the FTB estimates that the Fund will fail to meet or exceed the minimum contribution amount 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 extend the Fund's latest repeal date from January 1, 2015, to December 1, 2020, allowing the Fund to remain on the return through the 2019 taxable year subject to contributions meeting the minimum contribution amount for each calendar year.

Additionally, this bill states that if contributions to the Fund fail to meet the minimum contribution amount for a calendar year, the Fund would become inoperative as of the taxable year beginning on or after January 1 of that calendar year and repealed as of December 1 of that same year.

### **LEGISLATIVE HISTORY**

AB 292 (Yamada, Chapter 232, Statutes of 2009) extended the repeal date of the Fund's voluntary contribution designation from January 1, 2010, to January 1, 2015.

SB 1249 (Alquist, Chapter 645, Statutes of 2006) among other things, changed the application of the minimum contribution amount for this Fund.

AB 1799 (Mullin, Chapter 370, Statutes of 2004) extended the repeal date of the Fund's voluntary contribution designation from January 1, 2005, to January 1, 2010.

AB 160 (Alquist, Chapter 315, Statutes of 1999) extended the repeal date of the Fund's voluntary contribution designation from January 1, 2000, to January 1, 2005.

SB 1447 (Mello, Chapter 494, Statutes of 1996) extended the repeal date of the Fund's voluntary contribution designation from January 1, 1997, to January 1, 2000.

SB 214 (Mello, Chapter 944, Statutes of 1987) established the Fund allowing individuals to make voluntary contribution designations on their personal income tax returns from January 1, 1987, to January 1, 1999.

**PROGRAM BACKGROUND**

The Fund first appeared on the 1987 return. Since 2009, the Fund has received the following contributions:

2009	2010	2011	2012
\$501,544	\$426,417	\$462,357	\$466,485

**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* allows taxpayers to designate personal funds to the Alzheimer’s Disease Research Fund on the state personal income tax return.

*New York* allows taxpayers to designate personal funds to the Alzheimer’s Disease Fund on the state personal income tax return.

*Massachusetts, Michigan, and Minnesota* allow for taxpayer contribution designations on the personal income tax returns; 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**

Revenue Estimate

Estimated Revenue Impact of AB 394 California Enactment Assumed After June 30, 2013		
2015-16	2016-17	2017-18
\$0	- \$10,000	- \$10,000

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

**SUPPORT/OPPOSITION<sup>1</sup>**

Support: Alzheimer's Association (Sponsor), AARP, California Assisted Living Association, California Association for Health Services at Home, California Association of Area Agencies on Aging, , California Commission on Aging, Leading Age California, California Association for Health Services at Home (CASA), The University of California, California Long Term Care Ombudsman Association, On Lock Senior Health Services.

Opposition: Department of Finance.

**VOTES**

Assembly Floor	04/22/13	Y: 78	N: 0
Senate Floor	08/26/13	Y: 39	N: 0

**LEGISLATIVE STAFF CONTACT**

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<sup>1</sup> As noted in the Senate Floor analysis of AB 394 dated August 14, 2013.