

Franchise Tax Board

ANALYSIS OF ORIGINAL BILL

Author: Liu Analyst: Dawn Hadid Bill Number: SB 116

Related Bills: See Legislative History Telephone: 845-3391 Introduced Date: January 16, 2013

Attorney: Patrick Kusiak Sponsor:

SUBJECT: Emergency Food for Families Fund/Extend Repeal Date to January 1, 2019

SUMMARY

This bill would extend the repeal date of the Emergency Food for Families Fund (Fund) from January 1, 2014, to January 1, 2019.

RECOMMENDATION

No position.

REASON FOR THE BILL

The reason for the bill is to encourage additional contributions toward the Emergency Food Assistance Program that helps local food banks provide food for California families in need.

EFFECTIVE/OPERATIVE DATE

This bill would be effective and operative on January 1, 2014, and would allow the Fund to remain on tax returns filed on or after that date through the 2018 taxable year if the minimum contribution amount is met.

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 funds (not tax liability) on their 2012 state personal income tax return to the Fund.

Taxpayers contributing to the Fund are allowed to take an itemized deduction on their federal and state income tax returns for the year in which the contribution is made.

Table with Board Position (S, SA, N, NA, O, OUA, NP, NAR) and Executive Officer (Selvi Stanislaus) and Date (03/04/13).

The Fund remains on the income tax return until it is repealed or fails to meet its minimum contribution amount. The current repeal date for the Fund is January 1, 2014 and the minimum contribution amount for the 2012 calendar year is \$347,554. The minimum contribution amount is adjusted annually for inflation, based on the percentage change in the California Consumer Price Index.

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 tax 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 latest repeal date of the Fund from January 1, 2014, to January 1, 2019. If the Fund satisfies the minimum contribution amount for each calendar year through 2018, it would last appear on the personal income tax returns filed for the 2018 taxable year.

Additionally, this bill would change the date that the FTB would be required to begin making the annual determinations regarding the Fund from September 1, 2006, to September 1, 2014.

IMPLEMENTATION CONSIDERATIONS

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

TECHNICAL CONSIDERATIONS

Subdivision (b) needs to be amended where the year "2014" appears, as it should be "2006" to maintain administrative continuity over the entire life of the Fund. On page 1, line 7, strikeout "2014" and insert "2006".

LEGISLATIVE HISTORY

SB 1101 (Cedillo, Chapter 203, Statutes of 2008) changed the name of the designation from "Emergency Food Assistance Program" to "Emergency Food for Families" and extended the repeal date of the Fund from January 1, 2009, to January 1, 2014.

SB 1249 (Alquist, Chapter 645, Statutes of 2006) changed the application of the minimum contribution amount for this fund and 11 others.

SB 43 (Cedillo, Chapter 317, Statutes of 2003) extended the repeal date of the Emergency Food Assistance Program Fund to January 1, 2009.

AB 2366 (Cedillo, Chapter 818, Statutes of 1998) established the Emergency Food Assistance Program Fund allowing individuals to make voluntary contribution designations on their personal income tax returns.

PROGRAM BACKGROUND

The Emergency Food for Families Fund first appeared on the 1998 return. Since 2008, the fund has received the following total annual contributions:

2008	2009	2010	2011	2012
\$438,582	\$592,733	\$487,333	\$598,157	\$551,515

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 on their personal income tax return to the Hunger Relief Fund.

Massachusetts, Michigan, Minnesota, and New York 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 SB 116 Emergency Food for Families Fund/Extend Repeal Date To January 1, 2019 For Contributions Made on 2014-2018 Returns Enactment Assumed After June 30, 2013		
2014-15	2015-16	2016-17
N/A	-\$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/OPPOSITION¹

Support: California Association of Food Banks.

Opposition: None on file.

ARGUMENTS

Proponents: Some would argue that this Fund provides substantial contributions for food bank purchases and its retained existence on the tax return will continue to provide much needed funding for food banks.

Opponents: Some may argue that taxpayers who are inclined to contribute to this cause can do so through other voluntary methods and the continuation of the Fund's existence on the tax return increases the perception of the tax return as a more cumbersome document.

LEGISLATIVE STAFF CONTACT

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¹ As provided by the Senate Member Carol Liu's Senate Bill 116 Fact Sheet as of January 24, 2013.