Franchise Tax Board

SUMMARY ANALYSIS OF AMENDED BILL

Author:	Stone, et al.	Analyst:	Funmi Obatolu	Bill Number:	SB 1416
Related Bills:	See Prior Analysis	Telephone:	845-5845	Amended Date:	April 27, 2016 & May 23, 2016
		Attorney:	Bruce Langston	Sponsor:	

SUBJECT: Revive the Salton Sea Fund

SUMMARY

Under the Personal Income Tax Law, this bill would establish the Revive the Salton Sea Fund and allow a taxpayer to make a voluntary contribution on the state personal income tax return.

This analysis only addresses the provisions of the bill that impact the department's programs and operations.

RECOMMENDATION

No position.

SUMMARY OF AMENDMENTS

The April 27, 2016, amendments added specific operative and repeal dates, minimum contribution requirements, and modified the distribution of contributions to the Revive the Salton Sea Fund as discussed in this analysis. These amendments resolved all the policy considerations discussed in the department's analysis of the bill as amended March 28, 2016.

The May 23, 2016, amendments added two coauthors and made a technical change.

Except for the "This Bill" and "Policy Concerns" sections, the remainder of the department's analysis of the bill as amended on March 28, 2016, still applies. The "Fiscal Impact" and "Economic Impact," sections have been restated for convenience and the "Support/Opposition" section has been updated to reflect current information.

THIS BILL

This bill would establish the Revive the Salton Sea Fund and would allow taxpayers to designate their own funds (not tax liability) for contribution to this 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 specify that if payments and credits reported on the return do not exceed the taxpayer's liability, the taxpayer's return would be treated as if no designation had been made.

This bill would require the Franchise Tax Board (FTB) to revise the return to include a designation space for the Revive the Salton Sea Fund after another voluntary contribution fund is removed or as soon as space is available. This designation could be added to the 2016 tax return filed on or after January 1, 2017. In addition, this bill would require the return's instructions to include information that the contribution may be in the amount of one dollar or more and that the contribution would be used to fund all of the following:

- Programs to create statewide public awareness and grassroots support for the restoration of the Salton Sea.
- Programs to engage the public through promotion and education about the Salton Sea.
- Current and future projects identified as necessary for restoration and maintenance of the Salton Sea, including projects identified by the Salton Sea Authority.

This bill would allow a charitable contribution deduction on the state income tax return for the year in which a voluntary contribution to this fund is made.

This bill would allow the voluntary contribution designation to remain on the tax return for up to five years, subject to estimated contributions meeting or exceeding the minimum contribution amount, as specified.

For the second calendar year the Revive the Salton Sea Fund is on the return, this bill would require contributions to the Revive the Salton Sea Fund to meet the $250,000 minimum contribution amount. The FTB would be required to estimate by September 1 of each calendar year after the first calendar year the Revive the Salton Sea Fund appears on the return whether contributions made under this bill would be less than $250,000 (as indexed for inflation).

Beginning with the third calendar year after the fund appears on the return, the FTB would be required to adjust the minimum contribution amount by September 1 of that calendar year. The minimum contribution amount would be adjusted according to the change in the California Consumer Price Index.

The law authorizing designations for the Revive the Salton Sea Fund would be inoperative as of January 1 of that calendar year and repealed as of December 1 of that year if the estimated contributions are less than the minimum contribution amount.

The FTB would be required to notify the Controller of the amount to be transferred to the Revive the Salton Sea Fund. Upon appropriation by the Legislature, all amounts transferred to the fund would be allocated in the following order:

- To the FTB and the Controller for reimbursement of costs incurred in administering the Revive the Salton Sea Fund.
- To the Natural Resources Agency for distribution of grants to provide funds or supplement funding of state, county, and local agencies, nonprofit organizations, and to be used to fund activities necessary for the restoration and maintenance of the Salton Sea, and, for the development of a mechanism to provide ongoing public awareness of and promote additional charitable contributions to the Revive the Salton Sea Fund, as specified.

The bill would specify that no money in the Revive the Salton Sea Fund would be used to supplant State General Fund money.

FISCAL IMPACT

The Revive the Salton Sea Fund would reimburse all costs incurred by the FTB, therefore, this bill would not impact the department's costs.

ECONOMIC IMPACT

This bill would result in the following revenue loss:

Estimated Revenue Impact of SB 1416 As Amended on May 23, 2016 Assumed Enactment After June 30, 2016		
2016-17	2017-18	2018-19
-$0	- $8,000	- $8,000

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

Revenue Discussion

This bill would add the Revive the Salton Sea Fund to the voluntary contribution funds listed on the state's personal income tax return. The estimate assumes the fund would meet the estimated minimum contribution each year.

Approximately 56 percent of taxpayers who contribute to voluntary contribution funds itemize their deductions. It is estimated the average tax rate for these taxpayers is six percent, resulting in an estimated revenue loss of approximately $8,000 annually.

Contributions would be made in 2017 when the 2016 return is filed. Subsequently, the deduction for such contributions would be claimed on the 2017 return filed by April 15, 2018; therefore, the revenue impact would not occur until fiscal year 2017-18.

SUPPORT/OPPOSITION[1]

Support: None provided.

Opposition: None provided.

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[1] Senate Floor Analysis dated May 25, 2016