BILL ANALYSIS

Department, Board, Or Commission	Author	Bill Number
Franchise Tax Board	**Senate Gov. & Finance**	**SB 1476**

SUBJECT

Voluntary Contribution Designation Revision

SUMMARY

This bill would add general requirements for new or extended voluntary contribution funds.

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

REASON FOR THE BILL

The reason for this bill is to increase transparency in the administration of the voluntary contribution funds.

EFFECTIVE/OPERATIVE DATE

This bill would be effective on January 1, 2017, and specifically operative with respect to new voluntary tax contributions, including an extension of any existing voluntary tax contribution, that take effect on or after January 2, 2017.

STATE LAW

Current state tax law allows taxpayers to make contributions of their own monies (not tax liability) on their tax returns to any of the 19 voluntary contribution funds listed on the 2015 state personal income tax return. Each fund provides for the reimbursement of the Franchise Tax Board's (FTB) and the State Controller's Office (Controller's) actual costs to administer the fund.

With the following exceptions, funds remain on the return until they are either repealed or fail to meet their minimum contribution amount:

- The California Seniors Special Fund has no sunset date.
- The California Seniors Special Fund, the California Firefighters Memorial Fund, and the California Peace Officer Memorial Foundation Fund have no annual minimum contribution amount.
- The California Fund for Senior Citizens' minimum contribution amount is fixed at $250,000.

Additionally, with the exception of the four funds listed above, each fund's minimum contribution amount is adjusted annually for inflation based on the percentage change in the California Consumer Price Index.

The FTB is required to make the following determinations for each fund by September 1 of each calendar year:

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

If the FTB estimates that contributions to a fund will fail to meet or exceed the minimum contribution amount for a calendar year, that fund is repealed effective January 1 of that calendar year.

General Provisions

Current state law specifies that all of the following general provisions[1] apply to the administration of the voluntary contribution funds:

- Unless otherwise specifically required by law, each voluntary contribution fund is included on the forms of the return through the taxable year immediately preceding the year of its repeal.
- A contribution made during the year a fund is repealed is treated based on the law in effect immediately prior to its repeal.
- If no designee for a contribution is specified, the contribution amount is transferred to the General Fund.
- If the amount available on the return for a designation to a voluntary contribution fund is less than the total amount designated by the taxpayer to the fund, the available amount is allocated on a pro-rata basis.
- If the number of contingent voluntary contribution funds that are eligible to be added to the return is greater than the number of funds removed, the voluntary contribution fund may be queued and added to the return in the order of the date of enactment.
- If the FTB determines that space is available on the return, the FTB may add one or more voluntary contribution funds to the return, regardless of the number of funds removed.

In addition, the general provisions provide the following:

The Legislature finds and declares that it is important to inform taxpayers that they may make voluntary contributions to certain funds or programs, as provided on the state income tax return. The Legislature further finds and declares that many taxpayers remain unaware of the voluntary contribution check-offs on the state income tax return. Therefore, it is the intent of

[1] Revenue and Taxation Code Section 18871.

the Legislature to encourage all persons who prepare state income tax returns to inform their clients in writing, prior to the completion of any tax return, that they may make a contribution to any voluntary contribution check-off on the state income tax return if they so choose.[2]

Notwithstanding any other provision of law, the FTB may design tax returns to provide for the designation of contributions to specified funds on a separate schedule which would be attached to the primary return form.[3]

THIS BILL

This bill would add to the general provisions that any new voluntary tax contribution, including an extension of an existing voluntary tax contribution, include all of the following requirements:

- The words “voluntary tax contribution” as part of the name of the fund.
- The administering agency’s Internet Web site would report the process for awarding money, the amount of money spent on administration, and an itemization of how program funds were awarded by the agency, including, but not limited to, information regarding recipients of funds. An “administering agency” would mean the state agency or other governmental entity, other than the FTB and the Controller, to which funds are allocated to accomplish the purposes of the voluntary contribution designation.
- In order to continue appearing on the tax return, a voluntary contribution fund must receive a minimum contribution of $250,000 for the second calendar year after its first appearance on the personal income tax return and each calendar year thereafter.
- The voluntary tax contribution fund remain in effect only until January 1 of the seventh calendar year following the first appearance of the contribution on the personal income tax return, and be repealed as of December 1 of that year.
- Contributions made pursuant to the voluntary tax contribution would be continuously appropriated from the fund to the administering agency to be spent as prescribed in the bill in which the voluntary tax contribution is enacted.

LEGISLATIVE HISTORY

SB 1207 (Wolk, 2013/2014) would have modified the current voluntary contribution designation process by establishing the California Voluntary Contributions Program and authorizing the Office of California Volunteers to administer the program. SB 1207 failed to pass out of the Assembly Appropriations Committee.

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.

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[2] Revenue and Taxation Code Section 18872.
[3] Revenue and Taxation Code Section 18542.

Illinois, Massachusetts, Michigan, Minnesota, and *New York* allow for taxpayer contribution designations on the personal income tax return. *Florida* does not have a personal income tax but allows contribution designations on the state's motor vehicle registration and renewal forms.

FISCAL IMPACT

This bill would not impact the department's costs.

ECONOMIC IMPACT

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

APPOINTMENTS

None.

SUPPORT/OPPOSITION[4]

Support: American Cancer Society Cancer Action Network, Asian & Pacific Islander American Health Forum, Breast Cancer Action, Breast Cancer Fund, K to College, University of California, West Fresno Family Resource Center, Two individuals.

Opposition: None provided.

VOTES

	Date	Yes	No
Concurrence	08/25/16	39	0
Assembly Floor	08/15/16	78	0
Senate Floor	04/28/16	37	0

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[4] As noted on Assemble Committee on Revenue and Taxation Analysis dated June 13, 2016.