

ANALYSIS OF ORIGINAL BILL

Author: Monning, et al. Analyst: Narinder Dosanjh Bill Number: SB 17
 See Legislative
 Related Bills: History Telephone: 845-5275 Introduced Date: December 1, 2014
 Attorney: Bruce Langston Sponsor _____

SUBJECT:	California Sea Otter Fund/Extend Repeal Date to January 1, 2021
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SUMMARY

This bill would extend the repeal date for the California Sea Otter Fund.

RECOMMENDATION

No position.

REASON FOR THE BILL

The reason for this bill is to continue to provide crucial funding to help scientists examine and understand causes of sea otter mortality, identify key factors limiting population growth and recovery, and work cooperatively and collaboratively with stakeholders to help mitigate and prevent environmental degradation and pollution of the near-shore marine ecosystem.

EFFECTIVE/OPERATIVE DATE

This bill would be effective and operative January 1, 2016, and would allow the California Sea Otter Fund to remain on personal income tax returns filed for taxable years 2016 through 2020, subject to contributions meeting the annual minimum contribution amount.

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 California Sea Otter Fund, listed on the 2014 state personal income tax return. Each fund provides for the reimbursement of the Franchise Tax Board's (FTB's) and the Controller’s actual costs to administer the fund.

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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Generally, funds remain on the tax return until repealed or the fund fails to meet its minimum contribution amount. The California Sea Otter Fund is currently set to repeal on January 1, 2016, and is subject to a minimum contribution amount. The minimum contribution amount for this fund for the 2014 calendar year is \$277,666 and will be adjusted annually for inflation. The annual inflation adjustment is based on the percentage change in the California Consumer Price Index.

FTB is required to determine by September 1 of each year whether estimated contributions to the funds 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, 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 repeal date for the California Sea Otter Fund from January 1, 2016, to January 1, 2021. This fund would last appear on the 2020 tax return if this fund continues to meet the minimum contribution amount through the 2020 Calendar year.

IMPLEMENTATION CONSIDERATIONS

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

LEGISLATIVE HISTORY

AB 971 (Monning, Chapter 209, Statutes of 2011) reenacted the California Sea Otter Fund and extended the fund's repeal date from January 1, 2011, to January 1, 2016.

AB 2485 (Jones/Laird, Chapter 296, Statutes of 2006) established the California Sea Otter Fund for taxpayers to designate a contribution on the personal income tax return.

PROGRAM BACKGROUND

The California Sea Otter Fund first appeared on the 2007 return, and is subject to a minimum contribution amount that is adjusted annually for inflation. The following are the total annual contributions to this fund for the past three years:

2011	2012	2013
\$359,699	\$351,037	\$307,544

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 does not have a personal income tax but allows contribution designations on the state's motor vehicle registration and renewal forms.

Illinois allows taxpayers to designate personal funds to the Wildlife Preservation Fund on the state personal income tax return.

Massachusetts allows taxpayers to designate personal funds to the Endangered Wildlife Conservation fund on the state personal income tax return.

Michigan allows for taxpayer contribution designations on the personal income tax return; however, it does not provide a voluntary contribution comparable to the one discussed in this bill.

Minnesota allows taxpayers to designate personal funds to the Nongame Wildlife Fund on the state personal income tax return.

New York allows taxpayers to designate personal funds to the Return a Gift to Wildlife Fund on the state personal income tax return.

FISCAL IMPACT

This bill would not significantly impact the department's costs.

ECONOMIC IMPACT

Revenue Estimate:

Estimated Revenue Impact of SB 17 As Introduced December 1, 2014 Assumed Enactment After June 30, 2015 (\$ in Dollars)			
2015-16	2016-17	2017-18	2018-19
N/A	- \$9,000	- \$9,000	- \$9,000

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 extend the repeal date for the California Sea Otter fund. This estimate assumes that the fund will meet the minimum contribution amount each year.

In 2014, the minimum contribution amount for this fund was \$277,666. Approximately 56 percent of taxpayers who contribute to the voluntary contribution fund itemize their deductions. It is estimated the average tax rate for these taxpayers is six percent, resulting in an estimated revenue loss of approximately \$9,000 annually.

Contributions would be made in 2016 when the 2015 return is filed. Subsequently, the deduction for such contributions would be claimed on the 2016 return filed by April 15, 2017; therefore, the revenue impact would not occur until fiscal year 2016-17.

SUPPORT/OPPOSITION

Support: Friends of the Sea Otters (sponsor).

Opposition: None Provided.

ARGUMENTS

Proponents: Supporters may argue that this bill is necessary because there is a lack of other dedicated state funding sources available to examine and understand sea otter life cycle and environment.

Opponents: Some may argue that taxpayers who are inclined to contribute to these causes can do so through other voluntary methods and including funds on the tax return makes the return a cumbersome document.

LEGISLATIVE STAFF CONTACT

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