

## BILL ANALYSIS

Department, Board, Or Commission <b>Franchise Tax Board</b>	Author <b>Monning, et al.</b>	Bill Number <b>SB 17</b>
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### SUBJECT

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

### SUMMARY

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

### 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.

Generally, funds remain on the tax return until repealed or the fund fails to meet its minimum contribution amount.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. The annual inflation adjustment is based on the percentage change in the California Consumer Price Index.

### THIS BILL

This bill would extend the repeal date for the California Sea Otter Fund from January 1, 2016, to January 1, 2021. As a result, this fund would last appear on the 2020 tax return if the fund continues to meet the minimum contribution amount through the 2020 Calendar year.

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Date  
7/17/15

**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:

2012	2013	2014
\$351,037	\$307,544	\$304,005

**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 Assumed Enactment After September 30, 2015			
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.

**APPOINTMENTS**

None.

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

Support: Friends of the Sea Otters (sponsor), Defenders of Wildlife (Co-Sponsor), California Association of Professional Scientists, Earth Echo International, Humane Society of the United States, Insurance Commissioner Dave Jones, Monterey Bay Aquarium, National Wildlife Federation, Natural Resources Defense Council, Ocean Conservancy, Oceana Planning and Conservation League, Sierra Club California, Wildcoast.

Opposition: None provided.

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<sup>1</sup> As noted in the Assembly Revenue and Taxation Committee analysis, dated 6/19/2015.

**VOTES**

	<b>Date</b>	<b>Yes</b>	<b>No</b>
Assembly Floor	07/16/15	79	0
Senate Floor	04/23/15	35	2

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