

ANALYSIS OF AMENDED BILL

Franchise Tax Board

Author: Cedillo Analyst: Kristina North Bill Number: AB 2366

Related Bills: See previous analyses Telephone: 845-6978 Amended Date: 7/29/98

Attorney: Doug Bramhall Sponsor: _____

SUBJECT: Emergency Food Assistance Program Fund/California Mexican American Veterans' Memorial Beautification and Enhancement Account

DEPARTMENT AMENDMENTS ACCEPTED. Amendments reflect suggestions of previous analysis of bill as introduced/amended _____.

AMENDMENTS IMPACT REVENUE. A new revenue estimate is provided.

AMENDMENTS DID NOT RESOLVE THE DEPARTMENT'S CONCERNS stated in the previous analysis of bill as introduced/amended _____.

FURTHER AMENDMENTS NECESSARY.

DEPARTMENT POSITION CHANGED TO _____.

REMAINDER OF PREVIOUS ANALYSES OF BILL, AS INTRODUCED FEBRUARY 20 AND AMENDED APRIL 16 AND JUNE 22, 1998, STILL APPLIES.

OTHER - See comments below.

SUMMARY OF BILL

Under the Administration of Franchise and Income Tax Law (AFITL), this bill would allow taxpayers to make a voluntary contribution on their personal income tax returns to the Emergency Food Assistance Program Fund.

Under the AFITL, this bill would allow taxpayers to make a voluntary contribution on their 1998 personal income tax returns, filed in 1999, to the California Mexican American Veterans' Memorial Beautification and Enhancement Account.

SUMMARY OF AMENDMENT

The July 29, 1998, amendment would allow taxpayers to make a voluntary contribution on their 1998 personal income tax returns to the California Mexican American Veterans' Memorial Beautification and Enhancement Account.

Except for the provision allowing voluntary contributions to the California Mexican American Veterans Memorial Beautification and Enhancement Account, related discussions and a new revenue estimate related to this provision, as follows, the remainder of the analyses of the bill, as introduced February 20 and amended April 16 and June 22, 1998, still apply.

BACKGROUND

On January 12, 1998, the Veterans Memorial Commission notified the Franchise Tax Board (FTB) that a contract had been executed with a proposed Veterans Memorial completion date of May 22, 1998. The FTB notified the Veterans Memorial Commission that the January 12, 1998, notification did not fulfill the statutory

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Department Director

Date

Gerald H. Goldberg

8/17/98

notification requirement because construction had not been completed on the Veterans Memorial. Subsequently, the completion date was postponed until after September 1, 1998.

SPECIFIC FINDINGS

Current state law allows taxpayers to make a voluntary contribution to the California Mexican American Veterans' Memorial Beautification and Enhancement Account upon notification that the Veterans Memorial is completely constructed. If the FTB is notified of the completed construction prior to September 1, the contribution would appear on the income tax return filed for the taxable year beginning on or after January 1 of the year of completion. If the FTB is notified on or after September 1 of any taxable year, the California Mexican American Veterans' Memorial Beautification and Enhancement Account would first appear for contribution on the tax return filed for the taxable year beginning on or after January 1 of the following year.

This bill would permit the placement of the fund on the 1998 return since construction began on the Veterans' Memorial, and the FTB was notified of its commencement, in 1998.

Implementation Considerations

Procedural, schedule and instruction changes could be incorporated during the department's annual program changes.

Tax Revenue Estimate

Based on information and assumptions discussed below, revenue losses from the California Mexican American Veterans' Memorial Beautification and Enhancement Account provision are estimated to be very minor, less than \$20,000 per year.

Tax Revenue Discussion

According to departmental data, the total amount of voluntary contributions for all funds was nearly \$2.5 million in fiscal year 1996/97 with an average of nearly \$200,000 per existing fund.

Assuming the average level of contributions (\$200,000) to the California Mexican American Veterans' Memorial Beautification and Enhancement Account and the previously estimated contributions (\$300,000) to the Emergency Food Assistance Program Fund, revenue losses would be on the order of \$40,000 per year. This estimate assumes there would be no reductions for other contributions normally reported and reflects an 8% average marginal tax rate applied to the itemized deduction for the contributions.

BOARD POSITION

Pending.