

ANALYSIS OF AMENDED BILL

Franchise Tax Board

Author: Burton Analyst: Kristina E. North Bill Number: SB 2175

Related Bills: See legislative history Telephone: 845-6978 Amended Date: August 24, 2000

Attorney: Patrick Kusiak Sponsor: _____

SUBJECT: California Peace Officer Memorial Foundation

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 ANALYSIS OF BILL AS INTRODUCED/AMENDED _____ STILL APPLIES.

OTHER - See comments below.

SUMMARY OF BILL

Under the Administration of Franchise and Income Tax Law, this bill would specify that the \$250,000 minimum contribution limitation would apply to the California Peace Officer Memorial Fund only if the repeal date is deleted.

SUMMARY OF AMENDMENT

The August 24, 2000, amendment added operative date language.

The August 18, 2000, amendment deleted the previous language of the bill that would have made technical, nonsubstantive changes to the Revenue and Taxation Code pertaining to the Board of Equalization. The amendment added the provisions discussed in this analysis.

This is the department's first analysis of this bill.

EFFECTIVE DATE

This bill would apply to tax returns filed in calendar year 2001 for taxable years beginning on and after January 1, 2000.

LEGISLATIVE HISTORY

SB 1230 (Stats. 1999, Ch. 215) established the California Peace Officer Memorial Fund as a voluntary contribution on state income tax returns for individuals.

Board Position:

_____ S _____ NA _____ NP
_____ SA _____ O _____ NAR
_____ N _____ OUA _____ X PENDING

Department Director

Date

Gerald H. Goldberg

9/6/00

BACKGROUND

Thirteen voluntary contribution funds appeared on the 1999 state personal income tax return. Total contributions to the funds have varied from approximately \$3.4 million in 1989/1990 to approximately \$3 million in 1998/1999. The number of individuals contributing (first tabulated in 1993) remains fairly constant at approximately 140,000, or slightly less than 1% of all taxpayers.

SPECIFIC FINDINGS

Current federal tax law provides a true checkoff to direct \$3 of a taxpayer's tax liability to the presidential election 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 funds (not tax liability) on their tax returns to the 13 voluntary contribution funds listed on the state tax return. Each fund provides for the reimbursement of the Franchise Tax Board's (FTB) and the Controller's actual costs to administer the fund.

Except for the California Seniors Special Fund, which has no sunset date, the voluntary contribution funds have various sunset dates. Attachment I shows the specific sunset dates for each voluntary contribution fund and indicates that all funds except the California Seniors Special Fund must meet a minimum contribution test (as indexed, if required) to remain on the return. Attachment II is a chart indicating the number and dollar amount of contributions to the funds for multiple fiscal years.

Current state tax law requires the FTB, by September 1, 2000, to estimate whether the contributions made on returns filed in 2000 to nine voluntary contribution funds, including the California Peace Officer Memorial Fund, meet the minimum contribution test.

This bill would specify that the \$250,000 minimum contribution test would apply to the California Peace Officer Memorial Fund only if both the repeal date of January 1, 2006, is deleted and the FTB estimates that the fund would not meet the required minimum contribution amount.

Policy Consideration

Under current state tax law, this fund would be removed from the state income tax return for failing to meet the minimum contribution amount of \$250,000. The FTB must estimate by September 1 by using the actual amount contributed to date and an estimate of the remaining year's contributions. As of July 1, 2000, \$106,557 had been contributed to this fund. The Legislature imposed the minimum contribution test on voluntary contributions to allow only those voluntary contribution funds that perform at or above a specified level to remain on the return. Generally, repeal dates are not deleted. This bill would effectively allow the California Peace Officer Memorial Fund to remain on the state income tax return until the repeal date without having to meet the minimum contribution test applicable to other voluntary contribution funds.

The placement of non-tax related voluntary contribution funds on the tax return limits the amount of space available for tax-related items. The inclusion of non-tax related information may ultimately impair tax collection and reduce administrative efficiency.

Implementation Consideration

The implementation of this bill would not significantly impact the department's programs or procedures.

FISCAL IMPACT

Departmental Costs

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

Tax Revenue Estimate

Potential revenue losses from this bill would be very minor, less than \$15,000 annually. The loss would result from itemized deductions for the contributions.

Tax Revenue Discussion

Assuming contributors itemize deductions and do not reduce other charitable contributions and by applying an average marginal tax rate of 6%, the annual revenue loss would be less than \$15,000.

BOARD POSITION

Pending.