



Allow a charitable contribution deduction on the state income tax return for the year in which a voluntary contribution to this fund is made.

Allow the voluntary contribution designation to remain on the tax return for up to five years, subject to estimated contributions meeting or exceeding the minimum contribution amount, as specified.

For the second calendar year the Type 1 Diabetes Research Fund is on the return, this bill would require contributions to the Type 1 Diabetes Research Fund to meet the \$250,000 minimum contribution amount. The FTB would be required to estimate by September 1 of each calendar year after the first calendar year the Type 1 Diabetes Research Fund appears on the return whether contributions made under this bill would be less than \$250,000 (as indexed for inflation).

Beginning with the third calendar year after the fund appears on the return, the FTB would adjust the minimum contribution amount by September 1 of that calendar year. The minimum contribution amount would be adjusted according to the Consumer Price Index.

The law authorizing designations for the Type 1 Diabetes Research Fund would become inoperative as of January 1 of that calendar year and repealed as of December 1st of that year if the estimated contributions are less than the minimum contribution amount.

The FTB would be required to notify the State Controller's Office (Controller's) of the amount to be transferred to the Type 1 Diabetes Research Fund. Upon appropriation by the Legislature, all amounts transferred to the Type 1 Diabetes Research Fund would be allocated in the following order:

- To the FTB and the Controller's for reimbursement of costs incurred in administering the Fund.
- The balance to an authorized diabetes research organization for the purposes of type 1 diabetes research.

"Authorized diabetes research organization" would mean either a university, located within the state, with a research program or a nonprofit charitable organization exempt from federal income tax as an organization described in Section 501(c)(3) of the Internal Revenue Code that engages in research.

"Research" would include, but not be limited to, expenditures to develop and advance the understanding, techniques, and modalities effective in the cure, screening, and treatment of type 1 diabetes.

## **FISCAL IMPACT**

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

## ECONOMIC IMPACT

This bill would result in the following revenue loss:

Estimated Revenue Impact of AB 2430 As Amended April 13, 2016 Assumed Enactment After June 30, 2016		
2016-17	2017-18	2018-19
\$0	- \$8,000	- \$8,000

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 add the Type 1 Diabetes Research Fund to the voluntary contribution funds listed on the state's personal income tax return. The estimate assumes that the fund will meet the minimum contribution each year as specified in the bill.

Approximately 56 percent of taxpayers who contribute to voluntary contribution funds itemize their deductions. It is estimated the average tax rate for these taxpayers is six percent, resulting in an estimated revenue loss of approximately \$8,000 annually.

Contributions would be made in 2017 when the 2016 return is filed. Subsequently, the deduction for such contributions would be claimed on the 2017 return filed by April 15, 2018; therefore, the revenue impact would not occur until fiscal year 2017-18.

## SUPPORT/OPPOSITION

Support: None Provided.

Opposition: None Provided.

## POLICY CONCERN

Historically, a distribution from the Controller's office is made directly to another state agency or governmental entity for distribution to the non-profit organization. This bill provides that the Controller's office distribute the monies directly to the non-profit organization.

## LEGISLATIVE STAFF CONTACT

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