

BILL ANALYSIS

Department, Board, Or Commission	Author	Bill Number
Franchise Tax Board	Santiago, et al.	AB 1789

SUBJECT

School Supplies for Homeless Children Fund/Extend Effective/Repeal Dates

SUMMARY

This bill would extend the effective and repeal dates for the School Supplies for Homeless Children Fund.

REASON FOR THE BILL

The reason for this bill is to continue to provide funding for school supplies for homeless students.

EFFECTIVE/OPERATIVE DATE

This bill would be effective on January 1, 2017, and would extend the operative period to January 1, 2022.

STATE LAW

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 School Supplies for Homeless Children Fund, listed on the 2015 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.

Generally, funds remain on the tax return until repealed or the fund fails to meet its minimum contribution amount. The School Supplies for Homeless Children Fund is currently set to be repealed on December 1, 2016, and is subject to a minimum contribution amount that is adjusted annually for inflation.

The 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contributions to a fund will fail to meet or exceed the minimum contribution amount for a calendar year, the fund is repealed effective for taxable years beginning on or after January 1 of that calendar year.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 sunset date for the School Supplies for Homeless Children Fund to January 1, 2022.

LEGISLATIVE HISTORY

SB 761 (DeSaulnier, Chapter 365, Statutes of 2014) designated the Department of Social Services as the administering agency responsible for the School Supplies for Homeless Children Fund.

SB 1571 (DeSaulnier, Chapter 459, Statutes of 2012) established the School Supplies for Homeless Children Fund for taxpayers to designate a contribution on the state personal income tax return.

PROGRAM BACKGROUND

The School Supplies for Homeless Children Fund first appeared on the 2012 return. The minimum contribution amount for this fund each calendar year is \$250,000, indexed for inflation since calendar year 2015. The minimum contribution amount the fund must receive to remain on the 2016 return is \$258,822.

Since 2012 the fund has received the following contributions:

2013	2014	2015
\$367,868	\$337,949	\$398,900

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 on their personal income tax return to the Assistance to the Homeless Fund.

Massachusetts, Michigan, Minnesota and New York allow for taxpayer contribution designations on the personal income tax return; however, none of these states provide a voluntary contribution comparable to the one discussed in this bill.

FISCAL IMPACT

This bill would not impact the department's costs.

ECONOMIC IMPACT

This bill would result in the following revenue loss:

Estimated Revenue Impact of AB 1789 Assumed Enactment After June 30, 2016		
2016-17	2017-18	2018-19
N/A	- \$10,000	- \$15,000

Revenue Discussion

This bill would extend the fund's sunset date, thus allowing the School Supplies for Homeless Children Fund to remain on the return after 2016 until 2021, as long as the minimum contribution amount is met. The estimate assumes that the fund will continue to meet the minimum contribution each year to remain on the personal income tax return.

Based on historical tax data, the FTB estimates contributions would be \$400,000 for taxable year 2016. 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 the estimated revenue loss of approximately \$10,000 in 2017, and \$15,000 each year thereafter.

The tax year estimates are converted to fiscal years and rounded as reflected in the above table.

APPOINTMENTS

None.

SUPPORT/OPPOSITION¹

Support: California Catholic Conference, Inc.; California State PTA; California Teachers Association; Common Sense Kids Action; Give Something Back Office Supplies; K to College; League of California Cities.

Opposition: California Department of Finance.

¹ As noted on Senate Floor Analysis dated August 3, 2016.

VOTES

	Date	Yes	No
Assembly Floor	08/22/16	78	0
Senate Floor	08/15/16	38	0

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