

BILL ANALYSIS

Department, Board, Or Commission	Author	Bill Number
Franchise Tax Board	Cooley	AB 924

SUBJECT

State Children's Trust Fund for the Prevention of Child Abuse

SUMMARY

Under the Personal Income Tax Law, this bill would reenact the voluntary contribution to the State Children's Trust Fund for the Prevention of Child Abuse (State Children's Trust Fund) on the state personal income tax return.

REASON FOR THE BILL

The reason for the bill is to support child abuse and neglect prevention programs.

EFFECTIVE/OPERATIVE DATE

This bill would be effective on January 1, 2016, and operative as of that date. The State Children's Trust Fund could first appear on the 2015 return filed on or after January 1, 2016.

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 listed on the 2014 state personal income tax return (return). Each fund provides for the reimbursement of the Franchise Tax Board's (FTB) and the Controller's actual costs to administer the fund.

Taxpayers contributing to the funds are specifically allowed to deduct those contributions on their return 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Generally funds remain on the return until they are either repealed or fail to meet their minimum contribution amount:

The FTB is required to make the following two determinations for each fund by September 1 of each calendar year:

1. The minimum contribution amount required for the fund to remain on the return for the following calendar year, and
2. Whether estimated contributions to the fund will be less than the minimum contribution amount for that calendar year.

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Date
8/19/15

If the FTB estimates that contributions to a fund will fail to meet or exceed the minimum contribution amount for a calendar year, that fund is repealed effective January 1 of that calendar year.

THIS BILL

This bill would establish the State Children's Trust Fund and would allow taxpayers to designate their own funds (not tax liability) for contribution to this fund on their personal income tax returns in full dollar amounts of \$1 or more. Each signatory on a joint return may make the contributions individually. The designations for any taxable year must be made on the initial return for the taxable year and, once made, are irrevocable.

This bill would specify that if payments and credits reported on the return do not exceed the taxpayer's liability, the taxpayer's return would be treated as if no designation had been made. Additionally, if a taxpayer designates a contribution to more than one fund and the amount available for the contribution is insufficient, the contribution would be allocated on a pro rata basis.

This bill would require the FTB to revise the return forms to include a designation space for the State Children's Trust Fund after another voluntary contribution fund is removed or as soon as space is available. This designation could be added to the 2015 tax return filed on or after January 1, 2016. In addition, this bill would require the return's instructions to include information that the contribution may be in the amount of one dollar or more and that the contribution would be used to support child abuse prevention programs with demonstrated success, public education efforts to change adult behaviors and educate parents, innovative research to identify best practices and the replication of those practices to prevent child abuse and neglect.

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

This bill would 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 State Children's Trust Fund is on the return, this bill would require contributions to the State Children's Trust 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 that the State Children's Trust 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 adjust according to the California Consumer Price Index.

The law authorizing designations for the State Children's Trust Fund would be 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 Controller of the amount to be transferred to the State Children’s Trust Fund. Upon appropriation by the Legislature, all money transferred to the State Children’s Trust Fund would be required to be allocated in the following order:

- To the FTB and the Controller for reimbursement of all costs incurred in administering the State Children’s Trust Fund.
- The remainder to the State Department of Social Services for programs and education to help prevent child abuse and neglect.

Any contribution amounts designated prior to its repeal would continue to be transferred and disbursed in accordance with the law in effect immediately prior to that repeal.

LEGISLATIVE HISTORY

AB 485 (Williams & Allen, 2015/2016) would establish the Prevention of Animal Homelessness and Cruelty Fund. AB 485 passed out of the Senate Governance and Finance Committee on July 1, 2015.

SB 17 (Monning, Chapter 136, Statutes of 2015) extended the repeal date of the Sea Otter Fund designation from January 1, 2016, to January 1, 2021.

SB 164 (Simitian, Chapter 699, Statutes of 2011), extended the State Children’s Trust Fund repeal date from January 1, 2013, to January 1, 2018, subject to meeting the annual minimum contribution requirement.

SB 898 (Simitian, Chapter 665, Statutes of 2007) extended the State Children’s Trust Fund repeal date from January 1, 2008, to January 1, 2013.

PROGRAM BACKGROUND

Since 2007, the previously enacted State Children’s Trust Fund received the following annual contributions:

2007	2008	2009	2010	2011	2012	2013	2014
\$499,827	\$528,609	\$528,298	\$448,081	\$409,043	\$376,243	\$305,438	\$303,159

Absent this bill’s passage the State Children’s Trust Fund would last appear on the 2014 tax return as contributions received in 2014 were below the minimum contribution requirement of \$324,972.

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 Child Abuse Prevention Fund on the state personal income tax return.

Michigan allows taxpayers to designate personal funds to the Children’s Trust Fund to Prevent Child Abuse in Michigan on the state personal income tax return.

Massachusetts, Minnesota, and New York allow taxpayers to designate personal funds to contribution funds; however, none of the funds are comparable to the fund proposed by this bill.

FISCAL IMPACT

This bill would not impact the department’s costs.

ECONOMIC IMPACT

Revenue Estimate

This bill would result in the following revenue loss:

Estimated Revenue Impact of AB 924 As Enrolled August 17, 2015 Assumed Enactment After September 30, 2015		
2015-16	2016-17	2017-18
\$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 State Children’s Trust Fund to the voluntary contribution funds listed on the state's personal income tax return.

This estimate assumes that the minimum contribution amount would be met each year and approximately 56 percent of taxpayers who contribute to voluntary contribution funds would 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 ($\$250,000 \times 56\% \times 6\%$).

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/OPPOSITION¹

Support: California Family Resource Association; Child Abuse Prevention Center; Child Abuse Prevention Council of Sacramento; Children's Bureau of Southern California; Insights Counseling Group; Kern County Network for Children; Kids First; Local Planning Council for Child Care & Development in Del Norte County; North County Rape Crisis & Child Protection Center; Orangewood Children's Foundation; Plumas Crisis Intervention and Resource Center; Prevent Child Abuse California; Roundhouse Council; Santa Maria Valley Youth & Family Center; The Partnership for Safe Families & Communities of Ventura County.

Opposition: California Department of Finance.

VOTES

	Date	Yes	No
Assembly Floor	05/22/15	74	0
Senate Floor	06/29/15	6	0

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¹ As noted in the Senate Governance and Finance Committee Analysis, dated 7/1/2015.