

Author: Jones-Sawyer Analyst: Funmi Obatolu Bill Number: AB 149
Related Bills: See Prior Telephone: 845-5845 Amended Date July 17, 2017
Analysis Attorney: Bruce Langston Sponsor: _____

SUBJECT: Habitat for Humanity Voluntary Tax Contribution Fund

SUMMARY

This bill would allow a taxpayer to make a voluntary contribution to the Habitat for Humanity Voluntary Tax Contribution Fund on the state personal income tax return.

This analysis only addresses the provisions of the bill that impact the department's programs and operations.

RECOMMENDATION – NO POSITION

SUMMARY OF AMENDMENTS

The July 17, 2017, amendments resolved the policy concern discussed in the department's analysis of the bill as amended on June 26, 2017, modified the annual minimum contribution amount requirements and made other technical changes. As a result of the amendments, the "This Bill" and "Policy Concern" sections have been revised. The remainder of the department's analysis of the bill as amended on June 26, 2017, still applies. The "Fiscal Impact" and "Economic Impact" sections have been restated for convenience. The "Support/Opposition" section has been updated to reflect currently available information.

THIS BILL

This bill would establish the Habitat for Humanity Voluntary Tax Contribution Fund and would allow taxpayers to designate their own funds (not tax liability) for contribution to the 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.

In addition, this bill would do the following:

- 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.
- Require the Franchise Tax Board (FTB) to revise the return to include a designation space for the Habitat for Humanity Voluntary Tax Contribution Fund after another voluntary contribution fund is removed or as soon as space is available. In addition, this bill would require the return's instructions to include information that the contribution may be in the amount of \$1 or more and that the contribution would be used to build affordable housing in California.

- 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 seven years, subject to estimated contributions meeting or exceeding the minimum contribution amount, as specified.
- Specify that contributions must be used to build affordable housing in California.

Beginning with the second calendar year the Habitat for Humanity Voluntary Tax Contribution Fund is on the return, this bill would require contributions to the Habitat for Humanity Voluntary Tax Contribution 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 Habitat for Humanity Voluntary Tax Contribution Fund appears on the return whether contributions made under this bill would be less than \$250,000.

The law authorizing designations for the Habitat for Humanity Voluntary Tax Contribution Fund would become inoperative as of January 1 of that calendar year and repealed as of December 1 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) of the amount to be transferred to the Habitat for Humanity Voluntary Tax Contribution Fund. Amounts transferred to the Habitat for Humanity Voluntary Tax Contribution Fund would be continuously appropriated and allocated in the following order:

- To the FTB and the Controller for reimbursement of costs incurred in administering the Fund.
- The balance to the Department of Housing and Community Development for disbursement to Habitat for Humanity of California, Inc.

Assuming contributions continue to meet the minimum requirement, the provisions of this bill would remain in effect until January 1 of the seventh calendar year following the first appearance of the Habitat for Humanity Voluntary Tax Contribution Fund on the personal income tax return and would be repealed by its own terms as of December 1 of that year.

FISCAL IMPACT

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

ECONOMIC IMPACT

Revenue Estimate

This bill would result in the following revenue loss:

Estimated Revenue Impact of AB 149 As Amended July 17, 2017 Assumed Enactment After June 30, 2017		
2017-18	2018-19	2019-20
\$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 Habitat for Humanity Voluntary Tax Contribution Fund, to the voluntary contribution funds listed on the state's personal income tax return.

The estimate assumes that the fund would meet the \$250,000 minimum contribution amount specified in the bill and that 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 2018 when the 2017 return is filed. Subsequently, the deduction for the contribution would be claimed on the 2018 return filed by April 15, 2019; therefore, the revenue impact would not occur until fiscal year 2018-19.

SUPPORT/OPPOSITION¹

Support: Habitat for Humanity California.

Opposition: None provided.

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¹ Senate Governance and Finance Committee analysis dated July 7, 2017.