



Analysis of Original Bill

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Sponsor:

Bill Number: AB 2400

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Related Bills: See Legislative
History

Subject: California Alzheimer's Disease & Related Dementia Research Voluntary Tax Contribution Fund /Extend Repeal Date to January 1, 2025

Summary

Under the Administration of Franchise and Income Tax Law, this bill would extend the repeal date and modify provisions of the California Alzheimer's Disease and Related Disorders Research Fund (Fund).

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

Recommendation – No position.

Reason for the Bill

The reason for the bill is to continue support of the research to develop the medical advances necessary to treat and cure Alzheimer's disease and related dementia.

Effective/Operative Date

This bill would be immediately effective as an appropriation, operative January 1, 2018, and would allow the Fund to remain on tax returns for taxable years through 2024, subject to estimated total contributions meeting the annual minimum contribution amount.

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 24 voluntary contribution funds listed on the 2017 state personal income tax return. Each fund provides for the reimbursement of the Franchise Tax Board's (FTB) and the State Controller's Office (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.

Generally, funds remain on the tax return until repealed or the fund fails to meet its minimum contribution amount. The California Alzheimer's Disease and Related Disorders Research Fund is currently set to be repealed on December 1, 2020, and is subject to a minimum contribution amount that is adjusted annually for inflation.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contributions to a fund will fail to meet or exceed the minimum contribution amount for a calendar year, the fund is repealed effective for taxable years beginning on or after January 1 of that calendar year. Voluntary contribution funds created or extended on or after January 1, 2017, are subject to the following requirements:

- "Voluntary tax contribution" must be included in the name of the fund.
- In order to continue appearing on the tax return, a voluntary contribution fund must, beginning with the second calendar year that the fund appears on the tax return, annually receive a minimum contribution of \$250,000.
- Voluntary contribution fund statutes must include language limiting the fund's appearance on the return to no longer than eight years and automatically repealing the fund on December 1 of the eighth year of appearance.
- The administering agency, other than the FTB or the Controller, must report specified information regarding Fund monies on the agency's Web site.
- Contributions made to the voluntary contribution fund must be continuously appropriated from the fund to the administering agency to be used to accomplish the charitable purpose of the fund.

This Bill

This bill would rename the California Alzheimer's Disease and Related Research fund as the California Alzheimer's Disease and Related Dementia Research Voluntary Tax Contribution Fund (renamed fund) and extend the repeal date of the renamed fund from December 1, 2019, to December 1, 2025.

Additionally, consistent with the general provisions applicable to voluntary contribution funds, this bill would:

- Set the renamed fund's minimum contribution amount at \$250,000.
- Specify the State Department of Public Health as the administering agency for the renamed fund.
- Provide for continuous appropriations of all money transferred to the renamed fund, specify the allocation order, and allow moneys so allocated to be carried over from the year received.

The bill would also require the FTB to notify the State Department of Public Health in writing if the FTB determines that the fund is projected to fall below the minimum contribution amount (\$250,000).

Implementation Considerations

Implementing this bill would not significantly impact the department's programs and operations.

PROGRAM BACKGROUND

The Alzheimer's Disease and Related Disorders Fund first appeared on the 1997 return. Since 2014, the Fund has received the following total annual contributions:

2014	2015	2016	2017
\$423,843	\$504,743	\$483,449	\$299,218

Legislative History

SB 1476 (Senate Gov. & Fin., Chapter 597, Statutes of 2016) added general requirements applicable to voluntary contribution funds added or extended on or after January 2, 2017.

AB 394 (Yamada and Grove, Chapter 671, Statutes of 2013) extended the repeal date of the Fund's voluntary contribution check-off from January 1, 2015, to January 1, 2020.

AB 292 (Yamada, Chapter 232, Statutes of 2009) extended the repeal date of the Fund's voluntary contribution check-off from January 1, 2010, to January 1, 2015.

SB 1249 (Alquist, Chapter 645, Statutes of 2006) among other things, changed the application of the minimum contribution amount for this Fund.

AB 1799 (Mullin, Chapter 370, Statutes of 2004) extended the repeal date of the Fund's voluntary contribution check-off from January 1, 2005, to January 1, 2010.

AB 160 (Alquist, Chapter 315, Statutes of 1999) extended the repeal date of the Fund's voluntary contribution check-off from January 1, 2000, to January 1, 2005.

SB 1447 (Mello, Chapter 494, Statutes of 1996) extended the repeal date of the Fund's voluntary contribution check-off from January 1, 1997, to January 1, 2000.

SB 214 (Mello, Chapter 944, Statutes of 1987) established the Fund allowing individuals to make voluntary contribution designations on their personal income tax returns from January 1, 1987, to January 1, 1999.

Other States' Information

The states surveyed include *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 allows applicants for a driver license or identification card you to voluntarily contribute to special trust funds.

Illinois allows taxpayers to designate personal funds to the Alzheimer’s Disease Research Fund on the state personal income tax return.

New York allows taxpayers to designate personal funds to the Alzheimer’s Disease Fund on the state personal income tax return.

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

Fiscal Impact

This 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 2400 as Introduced February 14, 2018
For Taxable Years Beginning On or After January 1, 2018
Assumed Enactment after June 30, 2018

Fiscal Year	Revenue
2018-2019	N/A
2019-2020	N/A
2020-2021	- \$10,000

There is no revenue impact associated with the name change, however the repeal date extension would have a revenue impact beginning in fiscal year 2020-21.

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 extend the sunset date from January 1, 2020, to January 1, 2025, for the California Alzheimer’s Disease and Related Dementia Research Voluntary Tax Contribution Fund. The estimate assumes that the fund would continue to receive similar contributions as in the past. In 2017, the contribution amounts for the California Alzheimer’s Disease and Related Dementia Research Voluntary Tax Contribution Fund was \$299,218. 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 \$10,000 annually.

Contributions related to the fund's extension will be in made 2020 when the 2019 return is filed. Subsequently, the deduction for such contributions would be claimed on the 2020 return filed by April 15, 2021; therefore, the revenue impact would not occur until fiscal year 2020-21.

Support/Opposition

Support: None Provided.

Opposition: None Provided.

Arguments

Proponents: Some may argue that this Fund provides substantial contributions for Californians affected by Alzheimer's and related dementia diseases and its retained existence on the tax return will continue vital research support.

Opponents: Some may argue that taxpayers who are inclined to contribute to this cause can do so through other voluntary methods, and the continuation of the renamed fund's existence on the tax return increases the perception of the tax return as a more cumbersome document.

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