



## **Bill Analysis**

Author: Kalra & Reyes

Bill Number: AB 2400

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

### **Summary**

Under the Administration of Franchise and Income Tax Laws, 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.

### **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 effective and operative January 1, 2019, and would allow the renamed fund to remain on the tax return through the 2025 taxable year, subject to estimated total contributions for the year meeting the 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's) and the State Controller's Office (Controller) 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Generally, funds remain on the tax return until repealed or the fund fails to meet its minimum contribution amount. The California Alzheimer's Disease and Related Disorders Research Fund is currently set to be repealed on December 1, 2020, and is subject to a minimum contribution amount that is adjusted annually for inflation.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contributions to a fund will fail to meet or exceed the minimum contribution amount for a calendar year, the fund is repealed effective for taxable years beginning on or after January 1 of that calendar year.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 extend the repeal date of the California Alzheimer's Disease and Related Research Fund from December 1, 2019, to December 1, 2025.

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

- Rename the fund as the California Alzheimer's Disease and Related Dementia Research Voluntary Tax Contribution Fund.
- Set the Fund's minimum contribution amount at \$250,000.
- Specify the State Department of Public Health as the administering agency for the Fund.
- Provide for continuous appropriations of all moneys transferred to the Fund, specify the allocation order, and allow moneys allocated to be carried over from the year received, as follows, to the FTB, the Controller, and the State Department of Public Health for reimbursement of associated administrative costs in connection with their duties.

In addition, specify that grant money may only be used in California.

The FTB would be required 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).

**Legislative History**

AB 2096 (Frazier, 2017/2018) would create the Organ and Tissue Donor Registry Voluntary Tax Contribution Fund. AB 2096 has been enrolled.

AB 2944 (Jones-Sawyer, 2017/2018) would create the Schools Not Prisons Voluntary Tax Contribution Fund. AB 2944 has been enrolled.

SB 1363 (Moorlach, 2017/2018) would create the National Alliance on Mental Illness California Voluntary Contribution Fund. SB 1363 has been enrolled.

**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

**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* allows applicants for a driver license or identification card 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  
 Assumed Enactment after June 30, 2018

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

This analysis does not account for changes in employment, personal income, or gross state product that could result from this bill or for the net final payment method of accrual.

**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 Fund were \$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 begin in 2020 when the 2019 return is filed. The deduction for these contributions would be claimed on the 2020 return filed by April 15, 2021; therefore, the revenue impact would not occur until fiscal year 2020-2021.

**Appointments**

None.

**Support/Opposition<sup>1</sup>**

Support: The Alzheimer’s Association.

Opposition: None provided.

---

<sup>1</sup> As noted in the Assembly Revenue and Taxation Committee analysis dated March 19, 2018.

**Votes**

<b>Location</b>	<b>Date</b>	<b>Yes Votes</b>	<b>No Votes</b>
Concurrence	August 20, 2018	80	0
Senate Floor	August 13, 2018	37	0
Assembly Floor	April 12, 2018	68	0

**Legislative Staff Contact**

Marybel Batjer  
 Agency Secretary, GovOps  
 Work (916) 651-9024

Khaim Morton  
 Legislative Deputy, GovOps  
 Work (916) 651-9100

Selvi Stanislaus  
 Executive Officer, FTB  
 Work (916) 845-4543

Diane Deatherage  
 Legislative Director, FTB  
 Work (916) 845-6333