



## Analysis of Original Bill

Author: Jones-Sawyer

Sponsor:

Bill Number: AB 2944

Analyst: Cristina Perfino

Phone: (916) 845-4313

Introduced: February 16, 2018

Attorney: Bruce Langston

Related Bills: See Legislative  
History

**Subject:** Schools Not Prisons Voluntary Tax Contribution Fund

### Summary

This bill would allow a taxpayer to make a voluntary contribution to the Schools Not Prisons Voluntary Tax Contribution Fund on the state personal income tax return.

**Recommendation – No position.**

### Reason for the Bill

The reason for this bill is to fund academic and career readiness programs to increase the number of young men of color who attend and graduate from colleges and universities.

### Effective/Operative Date

This bill would be effective January 1, 2019, and operative as of that date. If space on the tax return permits, the Schools Not Prisons Voluntary Tax Contribution Fund could first appear on the 2018 personal income tax return filed on or after January 1, 2019.

### State Law

Current state tax law allows taxpayers to make monetary contributions to any of the 24 voluntary contribution funds listed on the 2017 state personal income tax return.

Taxpayers contributing to any of the funds are specifically allowed to deduct those contributions on their state income tax return for the year in which the contribution is made.

Generally, funds remain on the return until they are either repealed by operation of law or fail to meet a minimum contribution amount.

The Franchise Tax Board (FTB) is required to make the following determinations for each fund by September 1 of each calendar year beginning on the second calendar year the fund appears on the tax return:

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.

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that contributions to a fund will fail to meet the minimum contribution amount for a calendar year, that fund is repealed effective January 1 of that calendar year.

The following general requirements apply to new or extended voluntary contribution funds:

- The words “voluntary tax contribution” must be included as part of the name of the fund.
- The administering agency’s Internet Web site shall report specific data related to the usage of the amounts received via voluntary contribution.
- A voluntary contribution fund must receive a minimum contribution of \$250,000 for the second calendar year after it first appears on the tax return, and each calendar year thereafter to remain on the tax return.
- A voluntary tax contribution would remain in effect only until January 1 of the seventh calendar year following the first appearance of the contribution on the tax return, and be repealed as of December 1 of that year.

### **This Bill**

This bill would establish the Schools Not Prisons Voluntary Tax Contribution Fund and would allow taxpayers to designate 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 contribution 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 FTB to revise the return to include a designation space for the Schools Not Prisons Voluntary Tax Contribution Fund. 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 fund academic and career readiness programs to increase the number of young men of color who attend and graduate from colleges and universities.
- Allow a charitable contribution deduction on the state income tax return for the year in which a contribution is made.
- Allow the voluntary contribution designation to remain on the tax return for up to seven years, subject to the annual estimated contribution meeting or exceeding \$250,000.

- Require the FTB, to estimate by September 1 of each calendar year after the first calendar year the Schools Not Prisons Voluntary Tax Contribution Fund appears on the return whether contributions made under this bill would be less than \$250,000.

Beginning with the second calendar year the Schools Not Prison Voluntary Tax Contribution Fund is on the return, this bill would require contributions to the fund to meet a \$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 Schools Not Prisons 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 Schools Not Prisons 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 \$250,000.

The FTB would be required to notify the Controller of the amount to be transferred to the Schools Not Prisons Voluntary Tax Contribution Fund. Amounts transferred to the Schools Not Prisons Voluntary Tax Contribution Fund would be continuously appropriated and allocated as follows:

- To the FTB and the Controller for reimbursement of associated administrative costs,
- To the State Department of Education for the distribution of grants.

### **Implementation Considerations**

Implementing this bill would not significantly impact the department.

### **Legislative History**

AB 2400 (Kalra, 2017/2018) would extend the repeal date for the California Alzheimer's Disease & Related Dementia Research Voluntary Tax Contribution Fund. This bill has been referred to the Assembly Revenue and Taxation Committee.

SB 1363 (Moorlach, 2017/2018) would create the National Alliance on Mental Illness California Voluntary Contribution Fund. This bill has been referred to the Senate Governance and Finance Committee.

### **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, 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**

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 2944 as Introduced February 16, 2018  
For Taxable Years Beginning On or After January 1, 2018  
Assumed Enactment after June 30, 2018

Fiscal Year	Revenue
2018-2019	\$0
2019-2020	- \$8,000
2020-2021	- \$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 Schools Not Prisons Voluntary Tax Contribution Fund, to the voluntary contribution funds listed on the state's personal income tax return.

The estimate assumes 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 that 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 2019 when the 2018 return is filed. Subsequently, the deduction for the contribution would be claimed on the 2019 return filed by April 15, 2020; therefore, the revenue impact would not occur until fiscal year 2019-20.

**Support/Opposition**

Support: None provided.

Opposition: None provided.

## Arguments

Proponents: Some may argue that adding this voluntary contribution designation to the tax return would provide much needed funding to assist with education and job readiness costs.

Opponents: Some may argue that taxpayers who are inclined to contribute to this cause can do so through other voluntary methods.

## Legislative Staff Contact

Cristina Perfino  
Legislative Analyst, FTB  
(916) 845-4313  
[cristina.perfino@ftb.ca.gov](mailto:cristina.perfino@ftb.ca.gov)

Jame Eiserman  
Revenue Manager, FTB  
(916) 845-7484  
[jame.eiserman@ftb.ca.gov](mailto:jame.eiserman@ftb.ca.gov)

Diane Deatherage  
Legislative Director, FTB  
(916) 845-6333  
[diane.deatherage@ftb.ca.gov](mailto:diane.deatherage@ftb.ca.gov)