



Summary Analysis of Amended Bill

Author: Jones-Sawyer

Sponsor:

Bill Number: AB 2944

Analyst: Cristina Perfino

Phone: (916) 845-4313

Amended: May 31, 2018

Attorney: Bruce Langston

Related Bills: See Prior Analysis

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.

Summary of Amendments

The May 31, 2018, amendments removed a duplicated provision and modified the appropriation of fund contributions. Except for the "This Bill" section, the remainder of the department's analysis of the bill as introduced on February 16, 2018, still applies. The "Effective/Operative Date" and "Economic Impact" sections have been restated below for convenience.

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.

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 Franchise Tax Board (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, the Controller, and the State Department of Education for reimbursement of associated administrative costs,
- To the State Department of Education for the distribution of grants.

Economic Impact

Revenue Estimate

This bill would result in the following revenue loss:

Estimated Revenue Impact of AB 2944 as Amended May 31, 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 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 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 2019-2020.

Legislative Staff Contact

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

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

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