



Bill Analysis

Author: Jones-Sawyer

Bill Number: AB 2944

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.

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 fund academic and career readiness programs that seek to break the school-to-prison pipeline.

Effective/Operative Date

This bill would be effective January 1, 2019, and operative as of that date. 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Generally, funds remain on the return until they are either repealed by operation of law or fail to meet a minimum contribution amount.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that contributions to a fund will fail to meet the minimum contribution amount for a calendar year, that fund is repealed effective January 1 of that calendar year.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 after another voluntary contribution fund is removed or as soon as space is available, whichever is earlier. 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.

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, as specified.

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. AB 2400 has been enrolled.

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

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

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
 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 or for the net final payment method of accrual.

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.

The tax-year estimates are converted to fiscal-year estimates then rounded to arrive at the amounts reflected in the above table.

Appointments

None.

Support/Opposition

Support: None provided.

Opposition: None provided.

Votes

Location	Date	Yes Votes	No Votes
Concurrence	August 20, 2018	79	0
Senate Floor	August 13, 2018	37	0
Assembly Floor	May 3, 2018	71	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