Franchise Tax Board **ANALYSIS OF ORIGINAL BILL**

Author:	Levine	Analyst:	Funmi Obatolu	Bill Number:	AB 519
Related Bills:	See Legislative History	Telephone:	845-5845	Introduced Date:	February 13, 2017
		Attorney:	Bruce Langston	Sponsor:	

SUBJECT: California Senior Citizen Advocacy Fund

SUMMARY

Under the Revenue and Taxation Code (R&TC), this bill would establish the California Senior Citizen Advocacy Fund and allow a taxpayer to make a voluntary contribution on the state personal income tax return. 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 this bill is to re-establish a funding mechanism for the California Senior Legislature to support its ongoing activities on behalf of older persons.

EFFECTIVE/OPERATIVE DATE

This bill would be effective January 1, 2018, and specifically operative for returns filed for taxable years beginning on or after January 1, 2017. If enacted, the California Senior Citizen Advocacy Fund would first appear on the 2017 personal income tax returns filed on or after January 1, 2018.

FEDERAL/STATE LAW

Current federal tax law provides a true check-off to direct $3 of a taxpayer's tax liability to the Presidential Election Campaign Fund. Designation of the $3 amount does not affect a taxpayer's tax liability or refund amount.

Current state tax law allows taxpayers to make contributions of their own monies (not tax liability) on their tax returns to any of the 20 voluntary contribution funds listed on the 2016 state personal income tax return (return). Each fund provides for the reimbursement of the Franchise Tax Board's (FTB's) and the Controller's actual costs to administer the fund.

Taxpayers contributing to a fund are specifically allowed to deduct any such contribution on their return for the year in which the contribution is made. These contributions may satisfy the requirements under federal law for a charitable contribution deduction.

The FTB is required to make the following two determinations for each fund by September 1 of each calendar year:

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 or exceed the minimum contribution amount for a calendar year, that fund is repealed effective January 1 of that calendar year. Additionally, each fund's minimum contribution amount is adjusted annually for inflation based on the percentage change in the California Consumer Price Index.

Beginning on January 1, 2017, the following general requirements apply to new or extended voluntary contribution funds:[1]

- The words "voluntary tax contribution" shall be included as part of the name of the fund.
- The administering agency's Internet Web site shall report the process for awarding money, the amount of money spent on administration, and an itemization of how program funds were awarded by the agency, including, but not limited to, information regarding recipients of funds. An "administering agency" would mean the state agency or other governmental entity, other than the FTB and the Controller, to which funds are allocated to accomplish the purposes of the voluntary contribution designation.
- In order to continue appearing on the tax return, a voluntary contribution fund must receive a minimum contribution of $250,000 for the second year after the first appearance on the personal income tax return and each calendar year thereafter.
- The voluntary tax contribution shall remain in effect only until January 1 of the seventh calendar year following the first appearance of the contribution on the personal income tax return, and is repealed as of December 1 of that year.
- 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 establish the California Senior Citizen Advocacy Fund and would allow taxpayers to designate their own monies (not tax liability) for contribution to this fund on their returns in full dollar amounts of $1 or more. Each signatory on a joint return may make the contributions individually. The designations for any taxable year must be made on the initial return for the taxable year and, once made, are irrevocable. This designation would be required to be added to the 2017 tax return.

[1] R&TC section 18873

For the second taxable year that the California Senior Citizen Advocacy Fund is on the return, this bill would require the fund to meet the $250,000 minimum contribution test. The FTB would be required to estimate by September 1 of each calendar year after the first taxable year whether the contributions made to the fund would be less than $250,000 (as indexed for inflation). Beginning with the third calendar year after the fund first appears on the return, the FTB would adjust the minimum contribution amount by September 1, of that year. The law authorizing designations would be inoperative on or after January 1 of that calendar year and repealed on December 1 of that calendar year if the estimated contributions are less than the minimum contribution amount.

If the California Senior Citizen Advocacy Fund continues to meet the minimum contribution amount, it would remain on the return for five years, through the taxable year beginning before January 1, 2022, and would be repealed by its own terms as of December 1 of that year.

This bill would specify that if payments and credits reported on the return do not exceed the taxpayer's liability, then the taxpayer’s return would be treated as if no designation had been made.

This bill would require the Controller to transfer money designated by taxpayers for the California Senior Citizen Advocacy Fund from the Personal Income Tax Fund. Upon appropriation by the Legislature, monies would be transferred from the California Senior Citizen Advocacy Fund to the State Controller’s Office and the FTB for reimbursement of the associated administrative costs. The remaining monies would be transferred to the California Senior Legislature for purpose of funding the activities on behalf of older persons.

This bill would exclude the California Senior Citizen Advocacy Fund from the recently-enacted general requirements under R&TC section 18873.

IMPLEMENTATION CONSIDERATIONS

Implementing this bill would require some changes to existing tax forms and instructions and information systems, which could be accomplished during the normal annual update.

LEGISLATIVE HISTORY

AB 2497 (Wagner, 2015/2016) would have repealed the California Senior Legislature Fund and created the California Senior Advocacy Fund. AB 2497 failed to pass the Senate Appropriation Committee.

SB 997 (Morrell, Chapter 248, Statutes of 2014) repealed the California Fund for Senior Citizens and established the California Senior Legislature Fund.

PROGRAM BACKGROUND

The California Senior Legislature Fund first appeared on the 1983 return. The name of the fund was changed in 1994 to the California Fund for Senior Citizens. The California Fund for Senior Citizens was repealed in 2014 and replaced with the California Senior Legislature Fund.

This chart reflects annual contributions to these funds over the past four years:

2013 California Fund for Senior Citizens	2014 California Fund for Senior Citizens	2015 California Senior Legislature Fund	2016 California Senior Legislature Fund
$234,247	$229,522	$60,137	$68,950

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

This bill would not significantly impact the department's costs.

ECONOMIC IMPACT

This bill would result in the following revenue loss:

Estimated Revenue Impact of AB 519 As Introduced February 13, 2017 Assumed Enactment After June 30, 2017		
2017-18	2018-19	2019-20
$0	- $8,000	- $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 California Senior Citizen Advocacy Fund, to the voluntary contribution funds listed on the state's personal income tax return. The estimate assumes that the fund will meet the minimum contribution each year as specified in the bill.

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 2018 when the 2017 return is filed. Subsequently, the deduction for such contributions would be claimed on the 2018 return filed by April 15, 2019; therefore, the revenue impact would not occur until fiscal year 2018-19.

SUPPORT/OPPOSITION

Support: None provided.

Opposition: None provided.

ARGUMENTS

Proponents: Some may argue that contributions made for this cause would provide substantial funding to help enhance the quality of life of California's seniors.

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

LEGISLATIVE STAFF CONTACT

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