

## **BILL ANALYSIS**

Department, Board, Or Commission	Author	Bill Number
<b>Franchise Tax Board</b>	<b>Levine &amp; Ridley-Thomas</b>	<b>AB 519</b>

**SUBJECT:** California Senior Citizen Advocacy Fund

### **SUMMARY**

This bill would allow taxpayers to make voluntary contributions to the California Senior Citizen Advocacy Fund on their state personal income tax returns.

This analysis only addresses the provisions of the bill that impact the department's programs and operations.

### **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 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 19 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.

With the following exceptions, funds remain on the return until they are either repealed or fail to meet their minimum contribution amount:

- The California Seniors Special Fund has no sunset date.
- The California Seniors Special Fund, the California Firefighters Memorial Fund, and the California Peace Officer Memorial Foundation Fund have no annual minimum contribution amount.

Additionally, with the exception of the three funds listed above, each fund's minimum contribution amount is adjusted annually for inflation based on the percentage change in the California Consumer Price Index (also known as CCPI).

The FTB is required to make the following two determinations for each fund subject to a minimum contribution amount requirement 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.

Recently enacted law, AB 111 (Chapter 19, Statutes of 2017), set the minimum contribution amount for the 2017 calendar year, with regard to voluntary contribution funds subject to a minimum contribution requirement for the year, as \$0. Beginning on January 2, 2017, the following general requirements apply to new or extended voluntary contribution funds:<sup>1</sup>

- 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.

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<sup>1</sup> Revenue & Taxation Code section 18873.

**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.

This bill would 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.

A charitable contribution designation would be allowed on the state income tax return for the year in which a voluntary contribution to this fund is 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 administrative costs. The remaining monies would be transferred to the California Senior Legislature for purpose of funding the activities on behalf of older persons.

Subject to meeting the minimum contribution requirement discussed below, the California Senior Citizen Advocacy Fund would remain in effect only until January 1 of the seventh calendar year following its first appearance of the contribution on the personal income tax return, and is repealed as of December 1 of that year.

Beginning with the second calendar year the California Senior Citizen Advocacy Fund is on the return, this bill would require contributions to the California Senior Citizen Advocacy Fund to meet the \$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 California Senior Citizen Advocacy Fund appears on the return whether contributions made would be less than \$250,000.

If the estimated contributions are less than the minimum contribution amount, the law authorizing designations for the California Senior Citizen Advocacy Fund would become inoperative as of January 1 of that calendar year and repealed as of December 1 of that year.

**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 Appropriations 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****Revenue Estimate**

This bill would result in the following revenue loss:

Estimated Revenue Impact of AB 519 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. This estimate assumes that the fund would meet the minimum contribution amount of \$250,000 per year needed to remain on the personal income tax return.

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.

**APPOINTMENTS**

None.

**SUPPORT/OPPOSITION<sup>2</sup>**

Support: California Senior Legislature (Sponsor); Advisory Council on Aging; California Association for Health Services at Home (CAHSAH); California Association of Public Authorities (CAPA); California State Retirees; County Welfare Directors Association of California (CWDA).

Opposition: None provided.

**VOTES**

	<b>Date</b>	<b>Yes</b>	<b>No</b>
Concurrence	09/14/17	79	0
Senate Floor	09/12/17	40	0
Assembly Floor	05/22/17	77	0

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<sup>2</sup> Senate Governance and Finance Committee analysis dated June 21, 2017.

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