

## Franchise Tax Board

## SUMMARY ANALYSIS OF AMENDED BILL

Author: Cooley Analyst: Funmi Obatolu Bill Number: AB 846  
Related Bills: See Prior Telephone: 845-5845 Amended Date: May 15, 2017  
Analysis Attorney: Bruce Langston Sponsor: \_\_\_\_\_

**SUBJECT:** California YMCA Youth and Government Voluntary Tax Contribution Fund

### SUMMARY

This bill would allow taxpayers to make voluntary contributions to the California YMCA Youth and Government Voluntary Tax Contribution 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.

### RECOMMENDATION - NO POSITION

### SUMMARY OF AMENDMENTS

The May 15, 2017, amendments modified the California YMCA Youth and Government Voluntary Tax Contribution Fund's minimum contribution amount, and removed the indexing requirement. The amendments resolved the policy concern discussed in the department analysis of the bill as introduced on February 16, 2017. As a result of the amendments, the "This Bill," and "Economic Impact," sections have been revised. The remainder of the department's analysis of the bill as introduced on February 16, 2017, still applies. The "Fiscal Impact" and "Implementation Considerations" sections have been restated for convenience.

### THIS BILL

This bill would establish the California YMCA Youth and Government Voluntary Tax Contribution Fund and would allow taxpayers to designate their own funds (not tax liability) for contribution to the California YMCA Youth and Government Voluntary Tax Contribution Fund on their personal income tax 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.

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 California YMCA Youth and Government 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 support the activities of the YMCA Youth and Government Program, the African American Leaders for Tomorrow Program, the Asian Pacific Youth Leadership Project, and the Chicano Latino Youth Leadership Project.

- Allow a charitable contribution deduction on the state income tax return for the year in which a voluntary contribution to the California YMCA Youth and Government Voluntary Tax Contribution Fund is made.
- Allow the voluntary contribution designation to remain on the tax return for up to eight years, subject to estimated contributions meeting or exceeding a minimum contribution amount of \$250,000.

For the second calendar year the California YMCA Youth and Government Voluntary Tax Contribution Fund is on the return, this bill would require contributions to the California YMCA Youth and Government Voluntary Tax Contribution 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 YMCA Youth and Government Voluntary Tax Contribution Fund appears on the return whether contributions would equal or exceed the minimum contribution amount.

If the estimated contributions are less than the minimum contribution amount, the law authorizing designations for the California YMCA Youth and Government Voluntary Tax Contribution Fund would become inoperative as of January 1 of that calendar year and repealed as of December 1 of that year.

The FTB would be required to notify the Controller of the amount to be transferred to the California YMCA Youth and Government Voluntary Tax Contribution Fund. Upon appropriation by the Legislature, all amounts transferred to the California YMCA Youth and Government Voluntary Tax Contribution Fund would be allocated in the following order:

- To the FTB, the Controller and the Department of Education for reimbursement of costs incurred in administering the Fund.
- The balance to the State Department of Education for distribution, as specified.

### **IMPLEMENTATION CONSIDERATIONS**

Implementing this bill would not significantly impact the department's program and operations.

### **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 846 As Amended May 15, 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 YMCA Youth and Government 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.

### **LEGISLATIVE STAFF CONTACT**

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