

## **BILL ANALYSIS**

Department, Board, Or Commission	Author	Bill Number
<b>Franchise Tax Board</b>	<b>Hertzberg, et al.</b>	<b>SB 61</b>

**SUBJECT:** Emergency Food for Families Voluntary Contribution Fund/Extend Repeal Date  
Until December 1, 2026

### **SUMMARY**

Under the Personal Income Tax Law, this bill would rename the Emergency Food Assistance Program Fund as the Emergency Food for Families Voluntary Tax Contribution Fund and would extend the repeal date of the fund.

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 allow taxpayers to donate to support the distribution of food supplies to low-income individuals and families.

### **EFFECTIVE/OPERATIVE DATE**

This bill would be effective on January 1, 2018, and would allow the renamed fund to remain on tax returns filed on or after that date through the 2026 taxable year, if the minimum contribution amount is met.

### **FEDERAL/STATE LAW**

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. Each fund provides for the reimbursement of the Franchise Tax Board's (FTB) and the State Controller's Office (Controller's) actual costs to administer the fund.

Taxpayers contributing to the funds are specifically allowed to deduct those contributions on their state income tax returns for the year in which the contribution is made. These contributions may satisfy the requirements under federal law for a charitable contribution deduction.

Generally, funds remain on the tax return until repealed or the fund fails to meet its minimum contribution amount. The Food for Family Voluntary Fund is currently set to be repealed on December 1, 2019, and is subject to a minimum contribution amount that is adjusted annually for inflation.

The FTB is required to determine by September 1 of each year whether estimated contributions to the funds 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contributions to a fund will fail to meet or exceed the minimum contribution amount for a calendar year, the fund is repealed effective for taxable years beginning on or after January 1 of that calendar year.

Recently enacted law,<sup>1</sup> 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.

Voluntary contribution funds created or extended on or after January 2, 2017, are subject to the following requirements:

- “Voluntary tax contribution” must be included in the name of the fund.
- In order to continue appearing on the tax return, a voluntary contribution fund must, beginning with the second calendar year that the fund appears on the tax return, annually receive a minimum contribution of \$250,000.
- Voluntary contribution fund statutes must include language limiting the fund’s appearance on the return to no longer than eight years and automatically repealing the fund on December 1 of the eighth year of appearance.
- The administering agency, other than the FTB or the Controller, must report specified information regarding Fund monies on the agency’s Web site.
- 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 rename the Emergency Food Assistance Program Fund as the Emergency Food for Families Voluntary Tax Contribution Fund, extend the sunset date for the renamed Fund from January 1, 2019, to January 1, 2026, and specify a fixed minimum annual contribution amount of \$250,000 for the renamed Fund to remain on the return.

## **LEGISLATIVE HISTORY**

AB 111 (Committee on Budget, 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.

SB 1476 (Senate Gov. & Finance, Chapter 597, Statutes of 2016) added general requirements applicable to voluntary contribution funds added or extended on or after January 2, 2017.

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<sup>1</sup> AB 111, Committee on Budget, Chapter 19, Statutes of 2017.

SB 116 (Liu, Chapter 222, Statutes of 2013) extended the repeal date of the Emergency Food for Families Fund from December 1, 2014, to December 1, 2019.

SB 1101 (Cedillo, Chapter 203, Statutes of 2008) changed the name of the designation from “Emergency Food Assistance Program” to “Emergency Food for Families” and extended the Fund’s repeal date from January 1, 2009, to January 1, 2014.

**PROGRAM BACKGROUND**

The Emergency Food for Families Fund first appeared on the 1998 return. Since 2012, the Fund has received the following total annual contributions:

2012	2013	2014	2015	2016
\$551,515	\$459,291	\$452,667	\$460,883	\$501,959

**OTHER STATES’ INFORMATION**

The states surveyed include *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.

*Illinois* allows taxpayers to designate personal funds on their personal income tax return to the Assistance to the Homeless Fund. Contributions to this fund supports local agencies that provide shelter, meals, and services needed by homeless families and individuals.

*Massachusetts, Michigan, Minnesota, and New York* allow for taxpayer contribution designations on the personal income tax returns; 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 SB 61 Assumed Enactment After June 30, 2017		
2017-18	2018-19	2019-20
N/A	N/A	N/A
There is no revenue impact associated with the name change, however the repeal date extension would have a revenue impact beginning in fiscal year 2020-21.		

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 rename the Emergency Food Assistance Fund to the Emergency Food for Families Voluntary Tax Contribution Fund, extend the repeal date from January 1, 2019, to January 1, 2026, and set the minimum contribution for retention on the return at \$250,000. In 2016, California taxpayers contributed \$502,000 to the Emergency Food Assistance Fund.

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 \$20,000 annually.

Contributions related to the extension of the fund will be made in 2020 when the 2019 return is filed. Subsequently, the deduction for such contributions would be claimed on the 2020 return filed by April 15, 2021; therefore, the revenue impact would not occur until fiscal year 2020-21.

## APPOINTMENTS

None.

## SUPPORT/OPPOSITION<sup>2</sup>

Support: Alameda County Community Food Bank, California Alternative Payment Program Association, Emergency Food Bank Stockton/San Joaquin, Feeding San Diego, Food Bank Coalition of San Luis Obispo County, Food for People, the Food Bank for Humboldt County, Imperial Valley Food Bank, OC Food Bank, Sacramento Food Bank & Family Services, San Diego Food Bank, Second Harvest Food Bank of Orange County, Second Harvest Food Bank of Santa Cruz County, SF-Marin Food Bank, Yolo Food Bank.

Opposition: None provided.

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

## VOTES

	Date	Yes	No
Concurrence	08/31/17	37	0
Assembly Floor	08/24/17	76	0
Senate Floor	04/06/17	39	0

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<sup>2</sup> Assembly Revenue and Taxation Committee analysis date June 19, 2017.

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