STATE OF CALIFORNIA
Franchise Tax Board

Summary Analysis of Amended Bill

Author: Cooley, et al.	Sponsor:	Bill Number: AB 296
Analyst: Cristina Perfino	Phone: (916) 845-4313	Amended: July 5, 2019
Attorney: Shane Hofeling	Related Bills: See Prior Analysis	

Subject: Climate Innovation Voluntary Tax Contribution Account/Climate Innovation Act

Summary

Under the Personal Income Tax Law (PITL), this bill would allow a taxpayer to make a voluntary contribution to the Climate Innovation Voluntary Tax Contribution Account on their state personal income tax return.

This bill would also establish the Climate Innovation Act under the Public Resources Code.

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

Recommendation – No position.

Summary of Amendments

The July 5, 2019, amendments revised provisions of the Climate Innovation Act. As a result of the amendments, several implementation concerns were identified.

Except for the "This Bill," "Implementation Considerations," and "Fiscal Impact" sections, the remainder of the department's analysis of the bill as amended on April 22, 2019, April 25, 2019, and May 1, 2019, still applies. The "Fiscal Impact" section has been updated based on currently available information.

This Bill

This bill would, under the Public Resources Code, establish the Climate Innovation Act, which would create the Climate Innovation Grant Program (Program) and Climate Innovation Fund.

The Climate Innovation Grant Program shall be administered by the Strategic Growth Council or another entity identified by the council that it determines to have the appropriate skills necessary to successfully implement the program. On and after the date on which the fund has accrued a total of two million dollars, the program may begin to provide grants through a competitive process. The council or administering agency entity may seek private donations and publicly available moneys for purposes of the program.

Under the PITL, this bill would also establish the Climate Innovation Voluntary Tax Contribution Account (Climate Innovation Account) within the Climate Innovation Fund and allow taxpayers to make designated contributions to the Climate Innovation Account 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 Franchise Tax Board (FTB) after another voluntary contribution fund is removed or as soon as space is available to revise the form of the return to include a designation space for the Climate Innovation Account. 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 grants for the development and research of new innovation and technologies as specified in the Climate Innovation Act.
- 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 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, subject to the annual estimated contribution meeting or exceeding $250,000 for each year after the first calendar year the designation appears on the tax return.
- Require the FTB, to estimate by September 1 of each calendar year after the first calendar year the Climate Innovation Account appears on the return whether contributions to the Climate Innovation Account would be less than $250,000.
- If the estimated contributions are less than $250,000, the law authorizing designations for the Climate Innovation Account would become inoperative as of January 1 of that calendar year and be 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 Climate Innovation Account. Amounts transferred to the Climate Innovation Account would be continuously appropriated and allocated as follows:

- To the FTB, and the Controller for reimbursement of all costs incurred in connection with their duties, and
- The balance to the Climate Innovation Fund.

Implementation Considerations

Department staff has identified the following implementation considerations for purposes of a high-level discussion; additional concerns may be identified as the bill moves through the legislative process. Department staff is available to work with the author's office to resolve these and other concerns that may be identified.

The bill is silent on a timeframe for meeting the two million dollar amount that would trigger the grant-making process. Additionally, the bill is silent as to who would make the determination that the amount had been met, or, the disposition of contributed amounts if the grant-making trigger amount is unmet. For clarity and to ensure consistency with the author's intent, the author may wish to amend the 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 296 as Amended July 5, 2019
Assumed Enactment after June 30, 2019

Fiscal Year	**Revenue**
2019-2020	-$0
2020-2021	-$8,000
2021-2022	-$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 Climate Innovation Account to the voluntary contribution funds listed on the state's personal income tax return. The estimate assumes that the Climate Innovation Account would receive $250,000 in contributions each year.

Approximately 56 percent of taxpayers who contribute to voluntary contribution funds itemize their deductions. It is estimated that the average tax rate for these taxpayers is 6 percent, resulting in an estimated revenue loss of approximately $8,000 annually.

Contributions would be made in 2020 when the 2019 return is filed. Subsequently, the deduction for the contribution would be claimed on the 2020 return filed by April 15, 2021; therefore, the revenue impact would not occur until fiscal year 2020-2021.

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

Legislative Staff Contact

Cristina Perfino
Legislative Analyst, FTB
(916) 845-4313
cristina.perfino@ftb.ca.gov

Jame Eiserman
Revenue Manager, FTB
(916) 845-7484
jame.eiserman@ftb.ca.gov

Jahna Carlson
Acting Legislative Director, FTB
(916) 845-5683
jahna.carlson@ftb.ca.gov