



Analysis of Amended Bill

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Sponsor:

Bill Number: SB 587

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Amended: August 12, 2019
and January 6, 2020

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Related Bills: See Legislative
History

Subject: California Sea Otter Voluntary Tax Contribution Fund

Summary

This bill would, under the Administration of Franchise and Income Tax Law, modify provisions of the California Sea Otter Fund.

Recommendation – No position.

Summary of Amendments

The August 12, 2019, amendments removed provisions of the bill related to a nonsubstantive change to the Public Resources Code and replaced them with provisions that would extend the sunset date of the California Sea Otter Fund.

The January 6, 2020, amendments further revised provisions of the California Sea Otter Fund consistent with the general provisions applicable to new or extended voluntary contribution funds. The amendments also modified provisions applicable to the fund's administrators, the Department of Fish and Wildlife and the State Coastal Conservancy.

The analysis is limited to the provisions that would impact the department.

This is the department's first analysis of the bill.

Reason for the Bill

The reason for this bill is to continue to allow voluntary contributions on the state personal income tax return for the purpose of studying and protecting the threatened population of sea otters in California.

Effective/Operative Date

As an appropriation, this bill would be effective and operative immediately upon enactment.

State Law

Current state tax law allows taxpayers to make monetary contributions to any of the 21 voluntary contribution funds, including the California Sea Otter Fund, listed on the 2019 personal income tax return. Taxpayers contributing to any of the funds are specifically allowed to deduct those contributions on their state income tax return for the year in which the contribution is made.

Under current law, the California Sea Otter Fund is scheduled to remain on the return until January 1, 2026, assuming that the estimated contributions for each calendar year meets or exceeds the \$250,000 minimum contribution requirement.

The following general requirements apply to new or extended voluntary contribution funds:

- The words “voluntary tax contribution” must be included as part of the name of the fund.
- The administering agency’s Internet Web site shall report specific data related to the usage of the amounts received via voluntary contribution.
- A voluntary contribution fund must receive a minimum contribution of \$250,000 for the second calendar year after it first appears on the tax return, and each calendar year thereafter, to remain on the tax return.
- A voluntary tax contribution would remain in effect only 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.

This Bill

This bill would extend the repeal date of the California Sea Otter Fund from January 1, 2026, to January 1, 2028, and consistent with the general provisions applicable to new or extended voluntary contribution funds, would also:

- Rename the fund as the California Sea Otter Voluntary Tax Contribution Fund and deem all references to the California Sea Otter Fund to refer to the renamed fund.
- Require the FTB to designate the new fund name on tax returns for the 2020 taxable year.
- Require the FTB to determine, by September 1 of the second calendar year the new fund name appears on the return, whether contributions made under this bill would be equal to or more than \$250,000, based on its estimate.
- Specify that If the estimated contributions are less than \$250,000 during a calendar year, the law authorizing designations for the California Sea Otter Voluntary Tax Contribution Fund would become inoperative as of January 1 of that calendar year and repealed as of December 1 of that year.

Implementation Considerations

Implementing this bill would occur during the department's normal annual update.

Technical Considerations

For grammatical consistency, the word "the" should be inserted before the term "tax return" on page 3, line 17.

For consistency with similar provisions of the Revenue and Taxation Code, paragraph (1) of subdivision (b) needs to be amended by inserting the phrase "and each calendar year thereafter" after the phrase "second calendar year".

Legislative History

SB 17 (Monning, et al., Chapter 136, Statutes of 2015) extended the repeal date of the California Sea Otter Fund from January 1, 2016, to January 1, 2021.

AB 971 (Monning, Chapter 209, Statutes of 2011) reenacted the California Sea Otter Fund as a continuation of the California Sea Otter Fund that was repealed on January 1, 2011, and extended the sunset date of the fund from January 1, 2011, to January 1, 2016.

AB 2485 (Jones, Chapter 296, Statutes of 2006) created the California Sea Otter Fund.

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 SB 587 as Amended January 6, 2020
Assumed Enactment after June 30, 2020

(\$ in Millions)

Fiscal Year	Revenue
2020-2021	\$0
2021-2022	-\$5,000
2022-2023	-\$5,000

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.

The tax year estimates are converted to fiscal year estimates, and then rounded to arrive at the amounts shown in the above table.

Revenue Discussion

This bill would rename the fund the California Sea Otter Voluntary Tax Contribution Fund and remain on the voluntary contribution funds listed on the state's personal income tax return. The estimate assumes that the fund would receive \$250,000 in contributions each year.

Approximately 35 percent of taxpayers who contribute to voluntary contribution funds itemize their deductions. It is estimated that the average tax rate for these taxpayers is six percent, resulting in an estimated revenue loss of approximately \$5,000 annually. Contributions would be made when the 2020 return is filed in April 2021. Subsequently, the deduction for the contribution would be claimed on the 2021 return filed by April 15, 2022; therefore, the revenue impact would not occur until fiscal year 2021-2022.

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