



Analysis of Amended Bill

Author: McGuire, et al.	Sponsor:	Bill Number: SB 637
Analyst: Cristina Perfino	Phone: (916) 845-4313	Introduced: February 22, and Amended April 4, 2019
Attorney: Shane Hofeling	Related Bills: See Legislative History	

Subject: Prevention of Animal Homelessness and Cruelty Voluntary Tax Contribution Fund/Reset Minimum Contribution Amount & Remove Indexing

Summary

Under the Administration of Franchise and Income Tax Law, this bill would modify provisions of the Prevention of Animal Homelessness and Cruelty Voluntary Contribution Fund.

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

Recommendation – No position.

Summary of Amendments

The April 4, 2019, amendments added a sunset date. This is the department's first analysis of the bill.

Reason for the Bill

The reason for this bill is to continue to provide funding to programs designed to prevent and eliminate animal homelessness and cruelty.

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 27 voluntary contribution funds listed on the 2018 personal income tax return.

Generally, funds remain on the return until they are either repealed by operation of law, or fail to meet a minimum contribution amount.

The Franchise Tax Board (FTB) is required to make the following determinations for each fund by September 1 of each calendar year, beginning on the second calendar year the fund appears on the tax return:

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that contributions to a fund will fail to meet the minimum contribution amount for a calendar year, that fund is repealed effective January 1 of that calendar year.

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.
- 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

Consistent with the general provisions applicable to new or extended voluntary contribution funds, this bill would:

- Rename the fund as the Prevention of Animal Homelessness and Cruelty Prevention Voluntary Tax Contribution Fund (Fund)
- Recast the minimum contribution requirement by:
 - Resetting the annual minimum contribution requirement to \$250,000.
 - Eliminating the annual indexing and notification requirements.
- Specify a sunset date of January 1, 2023, and retain the existing repeal date, subject to the annual minimum contribution requirement.

Implementation Considerations

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

Legislative History

AB 485 (Williams & Allen, Chapter 557, Statutes of 2015) created the Prevention of Animal Homelessness and Cruelty Fund.

Program Background

The Prevention of Animal Homelessness and Cruelty Fund first appeared on the 2015 return. Since then, the Fund has received the following total annual contributions:

2016	2017	2018
\$357,892	\$187,913	\$304,575

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.

Massachusetts allows taxpayers a voluntary contribution in any amount to the Homeless Animal Prevention and Care Fund designation on the personal income tax return. *Michigan* also allows taxpayers to contribute \$5, \$10 or any amount greater than \$10 to the Animal Welfare Fund on their personal income tax return.

Illinois, 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 this bill would allow.

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 637 as Amended April 4, 2019
Assumed Enactment after June 30, 2019

Fiscal Year	Revenue
2019-2020	\$0
2020-2021	\$0
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 extend the sunset date for the Prevention of Animal Homelessness and Cruelty Voluntary Tax Contribution Fund listed on the state's personal income tax return. The estimate assumes that the funds will meet the minimum contribution of \$250,000 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 2021 when the 2020 return is filed. 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.

The tax year estimates are converted to fiscal year revenue estimates then 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