STATE OF CALIFORNIA
Franchise Tax Board

Bill Analysis

Author: Burke	Sponsor:	Bill Number: AB 1605
	Related Bills: See Legislative History	Introduced: January 4, 2022

SUBJECT

California Domestic Violence Victims Voluntary Tax Contribution Fund

SUMMARY

This bill would, under the Revenue and Taxation Code, reauthorize the California Domestic Violence Victims Voluntary Tax Contribution Fund (CDVVFund), and would allow a taxpayer to make a voluntary contribution to this fund on their state personal income tax return.

RECOMMENDATION

No position.

SUMMARY OF AMENDMENTS

Not applicable.

REASON FOR THE BILL

The reason for this bill is to reauthorize the CDVVFund.

ANALYSIS

This bill would reauthorize the CDVVFund, which was established in 2016 and removed from the tax return after the 2018 tax year, and would allow taxpayers to designate contributions to the fund on their personal income tax returns in full dollar amounts of $1 or more. Each signatory on a joint return would be able to make the contribution individually. The designations for any taxable year would be required to be made on the original return for the taxable year and, once made, would be irrevocable.

This bill would reestablish the CDVVFund within the State Treasury to receive the contributions made to the fund. Additionally, the bill would require the Franchise Tax Board (FTB) to notify the Controller of both the amount of money paid by taxpayers in excess of their tax liability, and the amount of refund money that taxpayers have designated to be transferred to the CDVVFund. The bill would then require the Controller to then transfer from the Personal Income Tax Fund to the CDVVFund the sum of the amounts designated by individuals.

Furthermore, moneys transferred to the CDVVFund would be continuously appropriated and allocated as follows:

- To the FTB and the Controller for reimbursement of all costs incurred by the FTB and the Controller in connection with their duties regarding the CDVVFund.
- To the Office of Emergency Services (OES) for the distribution of funds to domestic violence programs in California that are in active status, as reflected on the Business Search page of the Secretary of State's internet website, and are exempt from federal income taxation as an organization described in Section 501(c)(3) of the Internal Revenue Code, and are active grant recipients under the Comprehensive Statewide Domestic Violence Program within the OES as described in Section 13823.15 of the Penal Code. The OES would be required to award the funds and be responsible for overseeing the grant program
- A domestic violence program receiving grant money from the CDVVFund or the OES would be prohibited from using CDVVFund moneys for administrative costs.

The OES would report on its internet website information regarding the process for awarding money, the amount of money spent on administration, and an itemization of how program funds were awarded, including, but not limited to, the recipients of grants made with funds from the CDVVFund.

In addition, this bill would do the following:

- Specify that once made, the designation is irrevocable.
- 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 has been made.
- Specify that if an individual designates a contribution to more than one account or fund listed on the tax return, and the amount available is insufficient to satisfy the total amount designated, the contribution shall be allocated among the designees on a pro rata basis.
- Require the FTB to revise the return to include a designation space for the CDVVFund. In addition, this bill would require the return's instructions to include information that the contribution can be made in the amount of $1 or more and that the contribution would be used for the CDVVFund purpose.
- 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 for up to seven years, subject to the annual estimated contribution meeting or exceeding $250,000.

- Require the FTB to estimate by September 1 of each calendar year after the first calendar year the fund appears on the return whether contributions made under this bill would be less than $250,000.

The law authorizing designations for the fund would become inoperative as of January 1 of that calendar year and repealed as of December 1 of that year if the estimated contributions are less than $250,000.

The CDVVFund would not be added on the tax return until another voluntary contribution designation is removed or space is available.

Effective/Operative Date

This bill would be effective and operative on January 1, 2023. The CDVVFund would first appear on tax forms after another voluntary contribution designation is removed or space is available.

Federal/State Law

Federal Law

No comparable provision in federal law.

State Law

Current state tax law allows taxpayers to make monetary contributions to any of the twenty-one voluntary contribution funds listed on the 2021 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.

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

The 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.
- The administering agency's internet website would 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 would be repealed as of December 1 of that year.

Implementation Considerations

Implementing this bill would require some changes to existing tax forms, tax form instructions and information systems.

Technical Considerations

None noted.

Policy Considerations

None noted.

LEGISLATIVE HISTORY

SB 347 (Caballero, Chapter 104, Statutes of 2021) created the California Community and Neighborhood Tree Voluntary Tax Contribution Fund.

AB 984 (Lackey, Chapter 445, Statutes of 2019) created the Suicide Prevention Voluntary Tax Contribution Fund.

AB 2944 (Jones-Sawyer, Chapter 441, Statutes of 2018) created the Schools Not Prisons Voluntary Tax Contribution Fund.

AB 1399 (Baker, Chapter 289, Statutes of 2016) created the California Domestic Violence Victims Fund.

PROGRAM BACKGROUND

The CDVVFund first appeared on the 2016 return filed in 2017, and was subject to a minimum contribution amount that was adjusted annually for inflation. The following are the total annual contributions to this fund for the three years it was on the California tax return:

2016	2017	2018
$146,272	$233,448	$219,342

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 1605 as Introduced January 4, 2022 for Contributions Made on or After January 1, 2023
Assumed Enactment after June 30, 2022

($ in Dollars)

Fiscal Year	Revenue
2022-2023	-$0
2023-2024	-$5,000
2024-2025	-$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.

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 6 percent, resulting in an estimated revenue loss of approximately $5,000 annually per fund. Contributions would be made when the 2022 return is filed in April of 2023. Subsequently, the deduction for the contribution would be claimed on the 2023 return filed by April 15, 2024; therefore, the revenue impact would occur fiscal year 2023-2024. This estimate assumes the fund would receive $250,000 in contributions each year.

LEGAL IMPACT

None noted.

APPOINTMENTS

None noted.

SUPPORT/OPPOSITION

To be determined.

ARGUMENTS

To be determined.

LEGISLATIVE CONTACT

FTBLegislativeServices@ftb.ca.gov