



## Bill Analysis

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Sponsor:

Bill Number: AB 742

Related Bills: See Legislative  
History

Introduced: February 16, 2021

## SUBJECT

School Supplies for Homeless Children Voluntary Tax Contribution Fund

## SUMMARY

Under the Administration of Franchise and Income Tax Law (AFITL), this bill would modify provisions of the School Supplies for Homeless Children Fund. This analysis only addresses the provisions that impact the department.

## RECOMMENDATION

No position

## SUMMARY OF AMENDMENTS

Not applicable.

## REASON FOR THE BILL

The reason for this bill is to continue to provide funding to programs designed to provide homeless children with school supplies and health-related products.

## ANALYSIS

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

- Rename the fund as the School Supplies for Homeless Children Voluntary Tax Contribution Fund.
- Extend the provisions of the fund to January 1, 2029, unless the specified minimum contribution amount is not met.
- Specify that amounts transferred to the fund would be continuously appropriated.

## *Effective/Operative Date*

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

## Federal/State Law

### *Federal Law*

No provision comparable in federal law.

### *State Law*

Current state tax law allows taxpayers to make monetary contributions to any of the 19 voluntary contribution funds listed on the 2020 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Generally, funds remain on the return until they are either repealed by operation of law, or fail to meet a minimum contribution amount.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 Franchise Tax Board (FTB) is generally required to make the following determinations for voluntary contribution funds 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 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.

*Implementation Considerations*

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

*Technical Considerations*

None noted.

*Policy Considerations*

None noted.

**LEGISLATIVE HISTORY**

SB 347 (Caballero, 2021/2022) would create the California Tree Fund Voluntary Tax Contribution Fund. SB 347 is currently in the committee process.

AB 1789 (Santiago, Chapter 447, Statutes of 2016) Extended the date for the School Supplies for Homeless Children Fund could appear on Personal Income Tax Returns.

SB 1571 (DeSaulnier, Chapter 459, Statutes of 2012) Established the School Supplies for Homeless Children Fund.

**PROGRAM BACKGROUND**

The School Supplies for Homeless Children Fund first appeared on the 2012 return, and is subject to a minimum contribution amount that is adjusted annually for inflation. The following are the total annual contributions to this fund for the past three years:

<u>2018</u>	<u>2019</u>	<u>2020</u>
\$578,582	\$518,803	\$746,605

**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 742 as Introduced February 16, 2021  
Assumed Enactment after June 30, 2021

(\$ in Dollars)

Fiscal Year	Revenue
2021-2022	-\$0
2022-2023	\$0
2023-2024	-\$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 reflected in the above table.

### *Revenue Discussion*

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 not occur until fiscal year 2023-24. 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**

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