



Bill Analysis

Author: Calderon, et al.

Bill Number: AB 742

SUBJECT

School Supplies for Homeless Children Voluntary Tax Contribution Fund

SUMMARY

Under the Administration of Franchise and Income Tax Law (AFITL), this bill will modify provisions of the School Supplies for Homeless Children Fund by renaming the fund as the School Supplies for Homeless Children Voluntary Tax Contribution Fund and extending the provisions of the fund to January 1, 2029, unless the specified minimum contribution amount is not met and specifying that amounts transferred to the fund would be continuously appropriated.

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 will:

- Rename the School Supplies for Homeless Children 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.
- Require the State Department of Social Services to annually report on its website information on distribution of funds, the funds and materials provided by the designated nonprofit organization, and the money spent on administration.

Additionally, this bill would require the State Department of Social Services (DSS) to enter into grant agreements in addition to subvention services agreements with nonprofit organizations.

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 generally 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Generally, funds remain on the return until they are either repealed by operation of law, or fail to meet a minimum contribution amount.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 inoperative for taxable years beginning on or after January 1 of that calendar year, and repealed on December 1 of that 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, unless the minimum contribution amount is not met or otherwise specified.

Implementation Considerations

None noted.

Technical 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 Assembly Appropriations Committee.

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
Assumed Enactment after June 30, 2021

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.

Revenue Discussion

Approximately 35 percent of taxpayers who contribute to voluntary contribution funds itemize their deductions. This estimate assumes the fund would receive \$250,000 in contributions each year. 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. The tax year estimates are converted to fiscal year estimates, and then rounded to arrive at the amounts reflected in the above table.

LEGAL IMPACT

None noted.

APPOINTMENTS

None.

SUPPORT/OPPOSITION

The Senate Floor analysis dated June 23, 2021, lists the following support and opposition.

Support: A Community for Peace; Alameda County Office of Education; Berkeley Unified School District; California Alliance of Child and Family Services; California Federation of Teachers AFL-CIO; California State PTA; Contra Costa County Office of Education; Folsom Cordova Unified School District; Los Angeles County Office of Education; Oakland Unified School District; Pajaro Valley Unified School District; Supplybank.org

Opposition: None received.

VOTES

Location	Date	Yes Votes	No Votes
Concurrence	June 28, 2021	79	0
Senate Floor	June 24, 2021	39	0
Assembly Floor	April 29, 2021	77	0

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