



## **Bill Analysis**

Author: Bates and Cooper

Sponsor:

Bill Number: SB 1025

Related Bills: See Legislative  
History

Introduced: February 15, 2022

### **SUBJECT**

Blood Donation Credit for Business Entities

### **SUMMARY**

The bill, under the Personal Income Tax Law (PITL) and Corporation Tax Law (CTL), would provide a tax credit to businesses that hold blood drives on their premises in coordination with a nonprofit blood bank organization.

### **RECOMMENDATION**

No position.

### **SUMMARY OF AMENDMENTS**

Not applicable.

### **REASON FOR THE BILL**

The reason for this bill is to help alleviate California's current blood supply shortage by incentivizing businesses to organize blood drives.

### **ANALYSIS**

This bill would, under the PITL and the CTL, for taxable years beginning on or after January 1, 2022, and before January 1, 2027, provide a tax credit to qualified taxpayers that organize blood drives, as defined. The credit amount would equal the product of an unspecified dollar amount multiplied by the number of verified blood donations made during blood drives organized by the qualified taxpayer, not to exceed \$10,000 per taxable year.

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This bill would define the following terms:

- "Blood donation" means the voluntary and uncompensated donation of whole blood or blood products drawn for use by a nonprofit blood bank organization.
- "Blood drive" means a function held at a specific date and time that is organized by a qualified taxpayer, in coordination with a nonprofit blood bank organization, on the qualified taxpayer's business premises.
- "Qualified taxpayer" means a sole proprietor, general partnership, limited partnership, limited liability company, corporation, or other legally recognized business entity.
- "Verified blood donation" means a blood donation by a donor made during a blood drive that can be provided for use by a nonprofit blood bank organization.

This bill would allow a qualified taxpayer to claim the credit for multiple blood drives in a taxable year but the credit would not exceed \$10,000 cumulatively, per taxable year.

Unused credits could be carried over until exhausted.

This credit would be repealed by its own terms on December 1, 2027, and excess credits would be eligible for use until exhausted.

This bill would allow the Franchise Tax Board (FTB) to prescribe rules, guidelines, procedures, or other guidance to administer the credit.

For purposes of complying with Revenue and Taxation Code (RTC) section 41, this bill would require the FTB to issue a report to the Legislature by January 1, 2028, on the following:

- The number of qualified taxpayers that claim the credit.
- The increased number of sponsored blood drives over the five-year period.
- The average credit amount claimed by qualified taxpayers.
- Whether the number of qualified taxpayers claiming the credit increased each taxable year.

#### *Effective/Operative Date*

As a tax levy, this bill would be effective immediately upon enactment and specifically operative for taxable years beginning on or after January 1, 2022, and before January 1, 2027.

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### *Federal/State Law*

Existing federal and state laws provide various tax credits designed to provide tax relief for taxpayers who incur certain expenses (e.g., child adoption) or to influence behavior, including business practices and decisions (e.g., research credits or hiring credits). These credits generally are designed to provide incentives for taxpayers to perform various actions or activities that they may not otherwise undertake.

### *Implementation Considerations*

The department has identified the following implementation considerations, and is available to work with the author's office to resolve these and other considerations that may be identified.

This bill does not specify a dollar value for the credit calculation. To add clarity and avoid disputes between taxpayers and the FTB, this bill should be amended to specify a dollar value to calculate the credit.

The bill would require the FTB to report information relating to the use of this credit per RTC section 41 requirements. There are four performance indicators, three relate to credit usage and one requires the FTB to report the increased number of sponsored blood drives over the five-year period. The FTB does not track or maintain blood drive data. The author may want to specify the agency responsible for providing this data to the FTB for reporting purposes.

Due to return filing extensions and processing times, complete taxpayer data may not be available to timely report the requested RTC section 41 information. It is recommended that the author consider amending the reporting due date to June 1, 2029.

### *Technical Considerations*

For consistency of terminology, the following changes are recommended:

- Section 17053.3 (b)(3) remove "corporation" and add "taxable under this Part" after "business entity".
- Section 23673.3 (b)(3) remove "sole proprietor, general partnership, limited partnership, limited liability company," and "," after "corporation".
- Section 23673.3 (b)(3) add "taxable under this Part" after "business entity".
- Section 3, subdivision (b), strike out the word "deduction" and insert "credit".

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The language that would allow the credit to be carried over after it has been repealed is unnecessary because this bill would provide this rule per Section 17039(d) and 23036(f). The following changes are recommended:

- Section 17053.3(f) remove "However, any unused credit may continue to be carried forward, as provided in subdivision (d), until the credit is exhausted."
- Section 23673.3(f) remove "However, any unused credit may continue to be carried forward, as provided in subdivision (d), until the credit is exhausted."

### *Policy Considerations*

This bill would allow for an unlimited carryover period. Consequently, the department would be required to retain the credit carryover on tax forms indefinitely. Credits are generally enacted with a stated carryover period because experience shows credits are typically exhausted within eight years of being earned.

This bill does not specify whether the credit would be for blood donations that take place in California. To resolve this, the author may wish to amend the bill.

### **LEGISLATIVE HISTORY**

AB 1709 (Rodriguez, 2021/2022), would provide a \$500 tax credit to taxpayers who donate blood to a licensed, exempt organization. AB 1709 has been referred to the Assembly Revenue & Taxation Committee and Emergency Management.

### **FISCAL IMPACT**

This bill would impact the department's systems, resulting in programming and processing revisions. The department's costs to implement this bill have yet to be determined. As the bill continues to move through the legislative process, costs will be identified.

### **ECONOMIC IMPACT**

#### *Revenue Estimate*

Because the bill does not specify the credit amount, the FTB is unable to determine an estimated revenue impact at this time. It is expected that for every \$10,000,000 of credit generated, approximately 60 percent, or \$6 million, would be used in the year generated.

### **LEGAL IMPACT**

None noted.

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**APPOINTMENTS**

None noted.

**SUPPORT/OPPOSITION**

To be determined.

**ARGUMENTS**

To be determined.

**LEGISLATIVE CONTACT**

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