



Bill Analysis

Author: Caballero & Archuleta Sponsor:

Bill Number: SB 347

Related Bills: See Legislative
History

Amended: March 7 and 17,
2021

SUBJECT

California Community and Neighborhood Tree Voluntary Tax Contribution Fund

SUMMARY

This bill would, under the Administration of Franchise and Income Tax Laws (AFITL), create the California Community and Neighborhood Tree Voluntary Tax Contribution Fund, and would allow a taxpayer to make a voluntary contribution to the California Community and Neighborhood Tree Voluntary Tax Contribution Fund on their state personal income tax return.

This analysis only addresses the provisions of the bill that impact the Franchise Tax Board's (FTB) programs and operations.

RECOMMENDATION

No position.

SUMMARY OF AMENDMENTS

The March 7, 2021, amendments added a coauthor, removed several provisions of the bill related to the Public Resources Code (PRC) and modified provisions in the Revenue and Taxation code related to the fund name, and fund appropriation. The amendments resolved all implementation concerns and technical concerns as discussed in the department's analysis of the bill as introduced on February 9, 2021.

The March 17, 2021, amendment did not affect the provisions applicable to the FTB.

These amendments resolved all implementation concerns and technical concerns as discussed in the department's analysis of the bill as introduced on February 9, 2021.

REASON FOR THE BILL

The reason for this bill is to provide a reliable source of funding for urban tree programs. This bill would focus on bringing trees to communities that are disadvantaged or lack government infrastructure needed to enter into and support urban tree planting and care agreements.

ANALYSIS

This bill would, under the AFITL, establish the California Community and Neighborhood Tree Voluntary Tax Contribution Fund and would allow taxpayers to designate to the fund on their personal income tax returns in full dollar amounts of \$1 or more. Each signatory on a joint return may make the contribution individually. The designations for any taxable year must be made on the original return for the taxable year and, once made, are irrevocable. The California Community and Neighborhood Tree Voluntary Tax Contribution Fund would support the Department of Forestry and Fire Protection's grants program, which funds grants authorized under Section 4799.12 of the PRC, with 25 percent of the funds used for specific needs in low-income or disadvantaged communities.

In addition, this bill would do the following:

- Specifies 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 had been made.
- Requires the FTB to revise the form of the return to include a designation space for the fund for taxable years beginning on or after January 1, 2021. In addition, this bill would require the return's instructions to include information that the contribution may be in the amount of \$1 or more and that the contribution would be used to fund the Department of Forestry and Fire Protection's grant program as provided in Section 4799.12.1 of the PRC.
- Allows the voluntary contribution designation to remain on the tax return until January 1, 2028, subject to the annual estimated contribution meeting or exceeding \$250,000.
- Requires the FTB, to estimate by September 1 of each calendar year after the first calendar year that the fund appears on the return whether the voluntary 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 FTB would be required to notify the Controller of the amount to be transferred to the California Community and Neighborhood Tree Voluntary Tax Contribution Fund. Amounts transferred to the California Community and Neighborhood Tree Voluntary Tax Contribution Fund would be continuously appropriated and allocated as follows:

- To the FTB and the Controller for reimbursement of all costs incurred in connection with their duties; and
- To the Department of Forestry and Fire Protection for the grant program.

This bill further states that the FTB shall 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 California Community and Neighborhood Tree Voluntary Tax Contribution Fund. The Controller shall then transfer from the Personal Income Tax Fund to the California Community and Neighborhood Tree Voluntary Tax Contribution Fund the sum of the amounts designated by individuals into that fund. A deduction is allowed, under the Personal Income Tax Law, for any contribution made to the California Community and Neighborhood Tree Voluntary Tax Contribution Fund.

Effective/Operative Date

This bill would be effective on January 1, 2022, and operative as of that date. The California Community and Neighborhood Tree Voluntary Tax Contribution Fund would first appear on the 2021 tax return filed on or after January 1, 2022.

Federal Law

No provision comparable to state 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 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 require some changes to existing tax forms and instructions and information systems.

Technical Considerations

None noted.

Policy Considerations

None noted.

LEGISLATIVE HISTORY

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 280 (Low, Chapter 698, Statutes of 2017). Created the Rape Kit Backlog Voluntary Tax Contribution Fund.

AB 1031 (Waldron, Chapter 504, Statutes of 2017). Created the Native California Wildlife Rehabilitation Voluntary Tax Contribution Fund.

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 SB347 as Amended March 17, 2021
Assumed Enactment after June 30, 2021

(\$ in Dollars)

| Fiscal Year | Revenue |
|-------------|----------|
| 2021-2022 | \$0 |
| 2022-2023 | -\$5,000 |
| 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

This bill, as amended March 7, 2021 and March 17, 2021, would modify the fund name to California Community and Neighborhood Tree Voluntary Tax Contribution Fund, to the voluntary contributions listed on the state's personal income tax return. The estimate assumes taxpayers would be able to make voluntary contributions via their tax return in 2022. It is assumed that this fund would receive \$250,000 in contributions each year.

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 taxpayers file their 2021 return in April of 2022. Subsequently, the deduction for the contribution would be claimed on the 2022 return filed by April 15, 2023; therefore, the revenue impact would not occur until fiscal year 2022-2023.

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 noted.

SUPPORT/OPPOSITION

To be determined.

ARGUMENTS

To be determined.

LEGISLATIVE CONTACT

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