



## Bill Analysis

Author: Committee on Budget Sponsor:

Bill Number: AB 178

Related Bills: See Legislative  
History

Amended: August 24, 2024

### SUBJECT

Protect Our Coast and Oceans Voluntary Tax Contribution Minimum Fund Amount

### SUMMARY

This bill, under the Administration of Franchise and Income Tax Laws (AFITL), would change the minimum contribution amount and extend the operation for the Protect Our Coast and Oceans Voluntary Tax Contribution Fund (the Fund).

### RECOMMENDATION

No position—the three-member Franchise Tax Board (FTB) has not formally voted or taken a position on this bill.

### SUMMARY OF AMENDMENTS

The August 24, 2024, amendments removed intent language relating to the budget and replaced it with the provisions discussed in this analysis.

This is the FTB's first analysis of this bill. This analysis only addresses the provisions that would impact the FTB.

### REASON FOR THE BILL

The reason for the bill is to reduce the Fund's minimum contribution on the personal income tax returns filed for taxable years through 2031.

### ANALYSIS

This bill would extend the tax years the Fund would appear on the tax return. The Fund provisions would remain in effect until January 1, 2032, instead of January 1, 2025, if the Fund meets the required minimum contribution amount. This bill would also change the Fund's minimum contribution amount from \$250,000 to \$200,000.

*Effective/Operative Date*

This bill, providing for an appropriation relating to the Budget Bill, would be effective and operative immediately upon enactment.

*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 18 voluntary contribution funds listed on the 2023 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 Generally, funds remain on the return until they are either repealed by operation of law or fail to meet a minimum contribution amount.

By September 1 of each calendar year, the FTB is required to determine whether estimated contributions to specified funds 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that contributions to a fund will fail to meet the minimum contribution amount for a calendar year, that fund is repealed effective January 1 of that calendar year.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 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.

The Protect Our Coast and Oceans Voluntary Tax Contribution Fund is effective until January 1, 2025, and as of December 1 of that year is repealed. Under current state law, the Fund has a minimum contribution amount of \$250,000.

*Implementation Considerations*

None noted.

*Technical Considerations*

None noted.

*Policy Considerations*

None noted.

**LEGISLATIVE HISTORY**

AB 2197 (Addis, Chapter 150, Statutes of 2024) extended the effective date of the Protect Our Coast and Oceans Voluntary Tax Contribution Fund to January 1, 2032. This bill is effective and operative January 1, 2025.

SB 503 (Newman, et al., Chapter 519, Statutes of 2017), modified provisions of the Protect Our Coast and Oceans Voluntary Contribution Fund, including providing that the Fund would remain in effect until January 1, 2025.

AB 754 (Muratsuchi, Chapter 323, Statutes of 2013) established the Protect Our Coast and Oceans voluntary contribution fund. The Protect Our Coast and Oceans voluntary contribution fund first appeared on the 2013 return.

**PROGRAM BACKGROUND**

The Fund first appeared on the 2013 return and is subject to a minimum contribution amount. The following are the total annual contributions to this fund for the past three years:

<u>2021</u>	<u>2022</u>	<u>2023</u>
\$470,555	\$351,827	\$313,778

**OTHER STATES' INFORMATION**

None noted.

**FISCAL IMPACT**

The bill would not significantly impact the FTB's costs.

**ECONOMIC IMPACT**

Revenue Estimate

This bill would result in the following revenue loss:

Estimated Revenue Impact of AB 178  
Assumed Enactment after June 30, 2024

Fiscal Year	Revenue
2024-2025	\$0
2025-2026	\$0
2026-2027	-\$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 section of the budget trailer bill would change the Fund’s minimum contribution amount from \$250,000 to \$200,000 and would extend the operation of this Fund until January 1, 2032.

Approximately 35 percent of taxpayers who contribute to voluntary contribution funds itemize their deductions. The estimate assumes the fund would receive \$200,000 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.

Contributions would be made when the 2025 return is filed by April of 2026. Subsequently, the deduction for the contribution would be claimed on the 2026 return filed by April 15, 2027; therefore, the revenue impact would occur in fiscal year 2026-27.

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.

**EQUITY IMPACT**

None noted.

**APPOINTMENTS**

None noted.

**SUPPORT/OPPOSITION**

Senate Floor Analysis 08-26-2024.

*Support:*

None on file

*Opposition:*

None on file.

**ARGUMENTS**

Senate Floor Analysis 08-26-2024.

*Proponents:*

None on file.

*Opponents:*

None on file.

**LEGISLATIVE CONTACT**

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