



Bill Analysis

Author: Maienschein

Sponsor:

Bill Number: AB 1983

Related Bills: See Legislative
History

Amended: March 11, 2024

SUBJECT

Prevention of Animal Homelessness and Cruelty Voluntary Tax Contribution Fund

SUMMARY

This bill, under the Administration of Franchise and Income Tax Laws (AFITL), would create the Prevention of Animal Homelessness and Cruelty Voluntary Tax Contribution Fund (the Fund) and would allow a taxpayer to make a voluntary contribution to the fund on their state personal income tax return.

RECOMMENDATION

No position.

SUMMARY OF AMENDMENTS

The March 11, 2024, amendments changed the name of the voluntary contribution fund, modified the sunset date, changed the minimum contribution amount, and made other nonsubstantive changes.

REASON FOR THE BILL

The reason for this bill is to continue to provide funding to programs designed to help alleviate pet overpopulation.

ANALYSIS

This bill would establish the Fund and allow taxpayers to make designated contributions 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 initial return for the taxable year, and once made, are irrevocable.

Amended March 11, 2024

In addition, this bill would do the following:

- Specify 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.
- Require the Franchise Tax Board (FTB), after another voluntary contribution fund is removed or as soon as space is available, to revise the form of the return to include a designation space for the Fund. 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 programs designed to prevent and eliminate cat and dog homelessness, including spay and neuter programs.
- Allow a charitable contribution deduction on the state income tax return for the year in which a contribution is made.
- Allow the voluntary contribution designation to remain on the tax return only until January 1 of the seventh taxable year following the first appearance on the personal income tax return, subject to the annual estimated contribution meeting or exceeding \$250,000 for each year after the first calendar year the designation appears on the tax return.
- Require the FTB, to estimate by September 1 of each calendar year after the first calendar year that the Fund appears on the return whether contributions made under this bill would be less than \$250,000.
- If the estimated contributions are 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.

The FTB would be required to notify the Controller of the amount to be transferred to the Fund. Amounts transferred to the Fund would be continuously appropriated and allocated as follows:

- To the FTB and the Controller for reimbursement of associated administrative costs, and
- To the California Department of Food and Agriculture (CDFA) for allocation as follows:
 - Up to 5 percent of the funds are to be used to provide ongoing public awareness through activities promoting the charitable tax deduction for the fund and seek continued contributions. These activities may include convening a philanthropic roundtable, developing literature to be used by the city, county, or city and county animal control agency or shelter that is current on its reporting requirements to the State Department of Public Health (CDPH), Veterinary Public Health Section or a human society affiliate for dissemination, and activities helping to promote the fund.

Amended March 11, 2024

- The remaining funds would be distributed and used by a city, county, or city and county animal control agency or shelter that is current on its reporting requirements to the CDPH, Veterinary Public Health Section exclusively for supporting spaying and neutering for the prevention and elimination of cat and dog homelessness. Affiliates for the prevention of cruelty to animals or humane societies are eligible for these funds if they are under contract to provide all animal control services for a local public agency.

Effective/Operative Date

This bill would be effective on January 1, 2025, and operative as of that date.

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.

The FTB is required to make the following determinations for required funds by September 1 of each calendar year, beginning on the second calendar year the fund appears on the tax return, 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 website shall report specific data related to the usage of the amounts received via voluntary contribution.

Amended March 11, 2024

- Unless specified in the bill, 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

None noted.

Technical Considerations

For consistency of terminology, consider replacing the term “taxable” in section 18901.3(a) with “calendar.”

Policy Considerations

This bill addresses the CDFA awarding grants funded by the Pet Lover's Fund, as described in the Vehicle Code. This program falls outside of the scope of the voluntary contribution fund. The author may wish to amend the bill to remove the reference to the grants funded by the Pet Lover's Fund or include those provisions in the Vehicle Code.

LEGISLATIVE HISTORY

SB 637 (McGuire, Chapter 327, Statutes of 2019), modified provisions of the Prevention of Animal Homelessness and Cruelty Voluntary Contribution Fund and added the sunset date of January 1, 2023.

AB 485 (Williams & Allen, Chapter 557, Statutes of 2015) created the Prevention of Animal Homelessness and Cruelty Fund.

PROGRAM BACKGROUND

The Fund first appeared on the 2015 return and last appeared on the 2022 return. This fund was 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>
\$387,790	\$308,449	\$303,304

Amended March 11, 2024

FISCAL IMPACT

The 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 AB1983 as Amended March 11, 2024,
Assumed Enactment after June 30, 2024

Fiscal Year	Revenue
2024-2025	\$0
2025-2026	-\$6,000
2026-2027	-\$6,000

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 would add the Prevention of Animal Homelessness and Cruelty Voluntary Tax Contribution Fund, to the voluntary contribution funds listed on the state's personal income tax return.

Based on the average contributions made to the Prevention of Animal Homelessness and Cruelty Voluntary Contributions Fund through 2022, it is estimated that this fund would receive approximately \$300,000 in voluntary donations per 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 \$6,000 annually.

Contributions would be made when the 2024 return is filed by April of 2025. Subsequently, the deduction for the contribution would be claimed when the 2025 return is filed by April 15, 2026; therefore, the revenue impact would occur in fiscal year 2025-2026.

Amended March 11, 2024

LEGAL IMPACT

None noted.

APPOINTMENTS

None noted.

SUPPORT/OPPOSITION

Support

According to the March 4, 2024, the Assembly Committee on Revenue and Taxation analysis of AB 1983, the following organizations support this bill:

Social Compassion in Legislation (Sponsor); Canine Condition; Catmosphere Laguna Foundation; German Shepherd Rescue of Orange County; Hanaeleh; People Advocating for Animal Welfare – Contra Costa; Pet Food Institute; Poison Free Malibu; Saving Imperial Rescue; START Rescue; UnchainedTV; 168 individuals.

Opposition

Per the same analysis, there is no opposition on file.

ARGUMENTS

To be determined.

LEGISLATIVE CONTACT

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