



Bill Analysis

Author: Addis

Sponsor:

Bill Number: AB 2197

Related Bills: See Legislative
History

Introduced: February 7, 2024

SUBJECT

Protect Our Coast and Oceans Voluntary Tax Contribution Fund

SUMMARY

This bill, under the Administration of Franchise and Income Tax Laws (AFITL), would extend the tax years that the Protect Our Coast and Oceans Voluntary Tax Contribution Fund (the Fund) would appear on the returns for tax years from 2024 to 2031.

RECOMMENDATION

No position.

SUMMARY OF AMENDMENTS

Not applicable.

REASON FOR THE BILL

The reason for this bill is to extend the time the Fund will be listed on a California tax return.

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.

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.

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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 Generally, funds remain on the return until they are either repealed by operation of law or fail to meet a minimum contribution amount.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 Franchise Tax Board (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that contributions to a fund will fail to meet the minimum contribution amount for a calendar year, that fund is repealed effective January 1 of that calendar year.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.

Implementation Considerations

None noted.

Technical Considerations

None noted.

Policy Considerations

None noted.

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LEGISLATIVE HISTORY

SB 503 (Newman, et al., Chapter 519, Statutes of 2017), modified provisions of the Protect Our Coast and Oceans Voluntary Contribution Fund and added a repeal date of 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 Protect Our Coast and Oceans Voluntary Tax Contribution 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

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 AB 2197 as Introduced February 7, 2024
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.

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Revenue Discussion

This bill would extend the tax years this fund would appear on the return from 2024 to 2031 for the "Protect Our Coast and Oceans Voluntary Tax Contribution Fund" and extend the repeal date from January 1, 2025, to January 1, 2032.

Approximately 35 percent of taxpayers who contribute to voluntary contribution funds itemize their deductions. The 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.

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 2026-2027.

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

FTBLegislativeServices@ftb.ca.gov