



BILL ANALYSIS

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Bill Number: AB 2689

SUBJECT

California Alzheimer's Disease and Related Dementia Research Voluntary Tax Contribution Fund

SUMMARY

This bill, under the Administration of Franchise and Income Tax Laws (AFITL), would extend the last tax year that the California Alzheimer's Disease and Related Dementia Research Voluntary Tax Contribution Fund (the Fund) would appear on the return from 2025 through 2031.

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 for taxable years beginning before January 1, 2032, instead of January 1, 2025, if the Fund is estimated to meet minimum contribution amounts.

This bill would also extend the repeal date of the provisions that apply to the Fund to December 1, 2032.

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 Generally, funds remain on the return until they are either repealed by operation of law or fail to meet a minimum contribution amount.

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that contributions to a fund will fail to meet the minimum contribution amount for a calendar year, that fund is repealed effective January 1 of that calendar year.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 California Alzheimer's Disease and Related Dementia Research Voluntary Tax Contribution Fund is effective only for taxable years beginning before January 1, 2025, and as of December 1 of that year is repealed. The Fund also has a minimum contribution amount of \$250,000.

Implementation Considerations

None noted.

Technical Considerations

None noted.

Policy Considerations

None noted.

LEGISLATIVE HISTORY

AB 1828 (Walderon, 2023/2024) extends the repeal date of the Rare and Endangered Species Preservation Voluntary Tax Contribution Program and the Native California Wildlife Rehabilitation Voluntary Tax Contribution Fund. This bill is in the Senate Appropriations Committee.

AB 2197 (Addis, 2023/2024) extends the repeal date of the Protect Our Coast and Oceans Voluntary Tax Contribution Fund. This bill has passed both chambers and is currently enrolled.

SB 1172 (Grove, et al., 2023/2024) extends the repeal date of the California Breast Cancer Research Voluntary Tax Contribution Fund and the California Cancer Research Voluntary Tax Contribution Fund. This bill has passed both chambers and is currently enrolled.

AB 559 (Boerner, Chapter 89, Statutes of 2023) extended the tax years that the California Senior Citizen Advocacy Voluntary Tax Contribution Fund could appear on the return from 2023 to 2030 and extended the repeal date from December 1, 2025, to December 1, 2032.

AB 2400 (Kalra, Chapter 299, Statutes of 2018) extended the repeal date and renamed the California Alzheimer’s Disease and Related Disorders Research Fund to the California Alzheimer’s Disease and Related Dementia Research Voluntary Tax Contribution Fund from. The fund would appear on the return from 2018 through 2024.

PROGRAM BACKGROUND

The Fund (as renamed) first appeared on the 2018 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>
\$657,736	\$597,955	\$540,392

OTHER STATES' INFORMATION

None Noted.

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 2689
Assumed Enactment After June 30, 2024

Fiscal Year	Revenue
2024-2025	\$0
2025-2026	\$0
2026-2027	-\$11,000

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 extend the tax years that the California Alzheimer's Disease and Related Dementia Research Voluntary Tax Contribution Fund would appear on the return from taxable year 2025 to taxable year 2031.

Approximately 35 percent of taxpayers who contribute to voluntary contribution funds itemize their deductions. This estimate assumes the fund would receive similar contributions to prior years of approximately \$540,000. It is estimated that the average tax rate for these taxpayers is 6 percent, resulting in an estimated revenue loss of approximately \$11,000 annually.

Contributions would be made when the 2025 return is filed in 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.

EQUITY IMPACT

None noted.

APPOINTMENTS

None noted.

SUPPORT/OPPOSITION

Senate Revenue and Taxation Committee Analysis 06-07-2024.

Support:

- Alzheimer's Association (Sponsor)
- California Assisted Living Association
- California Collaborative for Long-term Services and Supports
- California Life Sciences
- Elderly Care Everywhere

Opposition:

None on file.

VOTES

(Location	Date	Yes Votes	No Votes
Assembly Floor	April 18, 2024	72	0
Senate Floor	June 27, 2024	40	0

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