



## Bill Analysis

Author: Boerner, et al.

Bill Number: AB 559

### SUBJECT

California Senior Citizen Advocacy Voluntary Tax Contribution Fund

### SUMMARY

This bill, under the Personal Income Tax Law (PITL), would extend the tax years that the California Senior Citizen Advocacy Voluntary Tax Contribution Fund (the Fund) would appear on the return from 2023 to 2030 and extend the repeal date from January 1, 2023, to January 1, 2032.

### REASON FOR THE BILL

The reason for the 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 from 2023 to 2030.

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

#### *Effective/Operative Date*

This bill would be effective on January 1, 2024, and operative as of that date.

#### *Federal/State Law*

##### *Federal Law*

No provision comparable in federal law.

##### *State Law*

Current state tax law allows taxpayers to make monetary contributions to any of the 20 voluntary contribution funds listed on the 2022 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Generally, funds remain on the return until they are either repealed by operation of law or fail to meet a minimum contribution amount.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 Franchise Tax Board (FTB) is required to make the following determinations for each fund by September 1 of each calendar year, beginning on the second calendar year the fund appears on the tax return:

- The minimum contribution amount required for the fund to remain on the return for the following calendar year, and
- 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that contributions to a fund will fail to meet the minimum contribution amount for a calendar year, that fund is repealed effective January 1 of that calendar year.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*

None noted.

#### *Technical Considerations*

None noted.

*Policy Considerations*

None noted.

**LEGISLATIVE HISTORY**

AB 742 (Calderon, Chapter 96, Statutes of 2021) renamed the fund as the School Supplies for Homeless Children Voluntary Tax Contribution Fund and extended the repeal date to 2029, unless the minimum contributions limits are not met.

AB 1065 (Maienschein, Chapter 61, Statutes of 2021) created the Mental Health Help Program Voluntary Tax Contribution Fund.

AB 519 (Levine, Chapter 443, Statutes of 2017) created the Fund.

SB 347 (Caballero, et al., Chapter 104, Statutes of 2021) Created the California Community and Neighborhood Tree Voluntary Tax Contribution Fund.

SB 309 (Rubio, Chapter 325, Statutes of 2019) repealed the minimum contribution amount and related indexing provision applicable to the Fund through January 1, 2025.

**PROGRAM BACKGROUND**

The California Fund for Senior Citizens first appeared on the 1983 return and was subject to a minimum contribution amount that is adjusted annually for inflation. Contributions were used to provide support to the California Senior Legislature. In 2013 a statute was enacted that extended the repeal date to 2020. A statute was passed that renamed the fund to California Senior Legislature Fund In 2014. This fund was repealed and did not appear on the 2017 tax return because it did not meet the minimum contribution amount. A 2017 statute created the Fund with the same purpose as the California Fund for Senior Citizens. The minimum contribution requirement and sunset date were eliminated in 2019. This fund has appeared on the 2018 through current tax year returns.

The following are the total annual contributions to this fund for the past three years:

<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
\$74,468	\$124,226	\$145,809	\$120,979

**FISCAL IMPACT**

This bill would not significantly impact the Franchise Tax Board's costs.

**ECONOMIC IMPACT***Revenue Estimate*

This bill would extend the tax years this fund would appear on the return from 2023 to 2030 for the Fund and extend the repeal date from January 1, 2023, to January 1, 2032.

The estimate assumes the fund would receive \$250,000 in contributions each year. Approximately 35% of taxpayers who contribute to voluntary contribution funds itemize their deductions. It is estimated that the average tax rate for these taxpayers is 6%, resulting in an estimated revenue loss of approximately \$5,000 annually.

Contributions are made when the 2024 return is filed by April of 2025. Subsequently, the deduction for the contribution would be claimed on the 2025 return filed by April 15, 2026; therefore, the revenue impact would not occur until fiscal year 2026-2027.

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.

**LEGAL IMPACT**

None noted.

**APPOINTMENTS**

None noted.

**VOTES**

Location	Date	Yes Votes	No Votes
Senate Floor	June 29, 2023	39	0
Assembly Floor	April 17, 2023	79	0

**LEGISLATIVE STAFF CONTACT**

[FTBLegislativeServices@ftb.ca.gov](mailto:FTBLegislativeServices@ftb.ca.gov)

Amy Tong  
Agency Secretary, GovOps  
Work (916) 651-9011

Luis Larios  
Legislative Deputy, GovOps  
Work (916) 651-9373

Selvi Stanislaus  
Executive Officer, FTB  
Work (916) 845-4543

Denis Armstrong  
Legislative Director, FTB  
Work (916) 845-6333