STATE OF CALIFORNIA
Franchise Tax Board

Bill Analysis

Author: Committee on Budget and Fiscal Review	Sponsor:	Bill Number: SB 164
	Related Bills: See Legislative History	Amended: June 22, 2024

SUBJECT

Keep Arts in Schools 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 Keep Arts in Schools Voluntary Tax Contribution Fund (the Fund) would appear on the return from 2024 to 2031.

RECOMMENDATION

No position—The Franchise Tax Board has not formally voted or taken a position on this bill.

SUMMARY OF AMENDMENTS

The June 22, 2024, amendments removed intent language relating to the statutory changes to the budget and replaced it with the provisions discussed in this analysis.

This is the Franchise Tax Board's (FTB) first analysis of this bill. This analysis only addresses the provisions that would impact the FTB.

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's 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 extend the repeal date of the provision to December 1, 2032.

Effective/Operative Date

As a provision within a bill providing for appropriations relating to the Budget Bill, this provision would be effective immediately upon enactment 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 Generally, funds remain on the return until they are either repealed by operation of law or fail to meet a minimum contribution amount.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that contributions to a fund will fail to meet the minimum contribution amount for a calendar year, that fund is repealed effective January 1 of that calendar year.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 Keep Arts in Schools Voluntary Tax Contribution Fund is effective only until 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 (Waldron and Wood, 2023/2024) would extend 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 has passed both chambers and is currently enrolled.

AB 2197 (Addis, Chapter 150, Statutes of 2024), extended the repeal date of the Protect Our Coast and Oceans Voluntary Tax Contribution Fund.

AB 2689 (Bains and Kalra, Chapter 112, Statutes of 2024) extended the repeal date of the California Alzheimer's Disease and Related Dementia Research Voluntary Tax Contribution Fund.

SB 1172 (Grove et al., Chapter 130, Statutes of 2024), extended the last tax year that the California Breast Cancer Research Voluntary Tax Contribution Fund and the California Cancer Research Voluntary Tax Contribution Fund.

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

SB 503 (Newman et al., Chapter 519, Statutes of 2017) extended the repeal date and renamed the Keep Arts in School Fund as the Keep Arts in Schools Voluntary Tax Contribution Fund. The funds would appear on the return from 2018 to 2025.

PROGRAM BACKGROUND

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

2021	2022	2023
$340,419	$262,847	$277,673

OTHER STATES' INFORMATON

None Noted.

FISCAL IMPACT

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

ECONOMIC IMPACT

Revenue Estimate

This provision of the bill would result in the following revenue loss:

Estimated Revenue Impact of SB 164 as Amended June 22, 2024
Assumed Enactment after June 30, 2024

Fiscal Year	Revenue
2024-2025	n/a
2025-2026	n/a
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, as amended, would extend the last tax year the Keep Arts in School Voluntary Tax Contribution Fund could appear on the return from 2024 to 2031 and would extend the repeal date from January 1, 2025, to January 1, 2032.

The estimate assumes the fund would receive contributions similar to prior years of $300,000 each 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 for this fund of approximately $6,000 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 not occur until 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 Floor analysis June 26, 2024.

Support:

None on file.

Opposition:

None on file.

ARGUMENTS

Senate Floor analysis June 26, 2024.

Proponents:

None on file.

Opponents:

None on file.

LEGISLATIVE CONTACT

FTBLegislativeServices@ftb.ca.gov