STATE OF CALIFORNIA
Franchise Tax Board

Bill Analysis

Author: Lee

Sponsor:

Bill Number: AB 703

Related Bills: See Legislative History

Amended: March 24, 2025

SUBJECT

California Pediatric Cancer Research Voluntary Contribution Fund

SUMMARY

This bill, under the Administration of Franchise and Income Tax Laws (AFITL), would create the California Pediatric Cancer Research Voluntary Contribution Fund (the Fund) and would allow a taxpayer to make a voluntary contribution to the fund on their state personal income tax return from tax year 2025 to 2031.

This analysis only addresses the provisions that would impact the Franchise Tax Board (FTB).

RECOMMENDATION

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

SUMMARY OF AMENDMENTS

The March 24, 2025, amendments removed nonsubstantive technical language relating to research credit activities and replaced it with the provisions discussed in this analysis.

This is the FTB's first analysis of the bill and only addresses the provisions that would impact the FTB.

REASON FOR THE BILL

The reason for this bill is to support efforts to advance research, treatment, and support systems for pediatric cancer.

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 original return for the taxable year, and once made, are irrevocable.

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.
- If a contribution is designated to more than one account or fund listed on the tax return, and the amount available for designation is insufficient to satisfy the total amount designated, the contribution would be allocated among the designees on a pro rata basis.
- Require the FTB to revise the form of the return to include a voluntary contribution 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 support research, screening, and treatment of pediatric cancers.
- Allow a charitable contribution deduction on the state income tax return for the year in which a contribution is made.

This bill would require the FTB to notify the Controller of the amount to be transferred to the Fund.

This bill would require amounts transferred to the Fund to be continuously appropriated and allocated as follows:

- To the FTB and the Controller for reimbursement of associated administrative costs, and
- To the Regents of the University of California for the purposes of conducting research, expanding community-based education, and for reimbursement of any costs incurred by the regents for administering the grants.

The FTB would be required to estimate by September 1 of each calendar year, starting with the second calendar year that the Fund appears on the tax return, whether contributions made would be equal to or exceed $250,000. If the estimated contributions are less than $250,000, the law authorizing designations for the Fund would become inoperative for taxable years beginning on or after January 1 of that calendar year and repealed as of December 1 of that year.

Otherwise, the Fund would remain in effect until January 1, 2033, and would be repealed as of December 1 of that year.

Effective/Operative Date

This bill would be effective and operative January 1, 2026.

Federal/State Law

Federal Law

No comparable provision in federal law.

State Law

Current state tax law allows taxpayers to make monetary contributions to certain specified voluntary contribution funds when they have available funds (payments and credits) that exceed their current year tax liabilities. In addition, taxpayers contributing to any of the specified funds are allowed to deduct those contributions on their state income tax return for the year in which the contribution is made.

Generally, the voluntary contribution funds remain on the tax 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 determination by September 1 of each calendar year, beginning on the second calendar year the fund appears on the tax return, as to 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 would generally remain in effect until January 1 of that calendar year and would then be repealed on December 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 must report specific data related to the usage of the amounts received via voluntary contribution.
- The minimum contribution amount is $250,000.
- 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 would then be repealed as of December 1 of that year.

Implementation Considerations

None noted.

Technical Considerations

The FTB has identified the following technical consideration and is available to work with the author's office to resolve these and other considerations that may be identified.

For consistency of terminology and clarity, the following change is recommended:

- In Section 18720(d), replace, "…designated, the contribution shall be allocated among the designees on a pro rata basis." with "…designated, the contribution shall be allocated *equally* among the designees on a pro rata basis."

Policy Considerations

None noted.

LEGISLATIVE HISTORY

AB 241 (Tangipa, 2025/2026), under the AFITL, would create the Wildfire and Vegetation Management Voluntary Contribution Fund that would appear on the state personal income tax return from tax year 2025 to 2031. This bill is currently in the Assembly Revenue and Taxation Committee.

AB 829 (Sharp-Collins, 2025/2026), under the AFITL, would create the Parkinson's Disease Research Voluntary Contribution Fund (the Fund) and would allow a taxpayer to make a voluntary contribution to the fund on their state personal income tax return from tax year 2025 to 2031. This bill is currently in the Assembly Revenue and Taxation Committee.

AB 1983 (Maienschein, Chapter 234, Statutes of 2024), under the AFITL, established the Prevention of Animal Homelessness and Cruelty Voluntary Tax Contribution Fund that will appear on the personal income tax return from 2024 to 2034.

AB 511 (Dixon, Chapter 265, Statutes of 2023), under the AFITL, established the California ALS Research Network Voluntary Tax Contribution Fund that will appear on the personal income tax return from 2024 to 2031.

AB 3051 (Muratsuchi and Rivas, 2023/2024), under the AFITL, would have established the California K–12 Climate Change Education Voluntary Tax Contribution Fund and would have allow a taxpayer to make a voluntary contribution on their personal income tax return. AB 3051 did not pass out of the Assembly by the constitutional deadline.

PROGRAM BACKGROUND

None noted.

OTHER STATES' INFORMATION

None noted.

FISCAL IMPACT

The FTB's costs to implement this bill have yet to be determined. As the bill moves through the legislative process, costs will be identified.

ECONOMIC IMPACT

Revenue Estimate

This bill would result in the following revenue loss:

Estimated Revenue Impact of AB 703 as Amended March 24, 2025,
Assumed Enactment after June 30, 2025

Fiscal Year	Revenue
2025-2026	-$0
2026-2027	-$6,000
2027-2028	-$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 establish the California Pediatric Cancer Research Voluntary Contribution Fund.

The estimate assumes that the fund would receive $250,000 in contributions 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 6.5 percent, resulting in an estimated revenue loss 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 when the 2026 return is 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

To be determined.

ARGUMENTS

To be determined.

LEGISLATIVE CONTACT

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