



Bill Analysis

Author: Smallwood-Cuevas

Sponsor:

Bill Number: SB 1073

Related Bills: See Legislative
History

Introduced: February 13, 2026

SUBJECT

Black Cultural District Voluntary Tax Contribution Fund

SUMMARY

This bill, under the Administration of Franchise and Income Tax Laws (AFITL), would create the Black Cultural District Voluntary Tax Contribution Fund (Fund) and would allow a taxpayer to make a voluntary contribution to the fund on their state personal income tax return from tax years 2026 to 2029.

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

Not applicable.

REASON FOR THE BILL

The reason for this bill is to allow voluntary contributions on the state personal income tax return for the purpose of constructing and maintaining the Black Cultural District in the south City of Los Angeles.

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 initial 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 construct and maintain the Black Cultural District designated in south City of Los Angeles.
- 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. Amounts transferred to the Fund would be, upon appropriation by the Legislature, allocated as follows:

- To the FTB and the Controller for reimbursement of associated administrative costs, and
- To the Arts Council.

The provisions would remain in effect until January 1, 2031, and as of that date would be repealed. If the repeal date is removed and if in any calendar year, after removal of the repeal date, the FTB estimates by September 1 that contributions made would be less than the \$250,000 minimum contribution amount, the law authorizing designations for the Fund would become inoperative for taxable years beginning on or after January 1 of that calendar year.

Effective/Operative Date

This bill would be effective and operative January 1, 2027.

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

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

This bill does not specify taxable years that the designation would be operative. To avoid confusion, the author may wish to specify the taxable years. To ensure clarity, in Section 18729(a), the author may wish to replace “This article shall remain in effect only until January 1, 2031, and as of that date is repealed” with “This article shall remain in effect only for taxable years beginning before January 1, 2031, and as of December 1 of that year is repealed”.

Technical Considerations

None noted.

Policy Considerations

This bill does not conform to several of the requirements for new voluntary contribution funds specified in Article 16 (commencing with Section 18871) of Chapter 3 of Part 10.2 of Division 2 of the Revenue and Taxation Code (RTC). These include remaining in effect until January 1 of the seventh calendar year following the first appearance on the tax return, repealing the article on December 1 of the final year, and the application of the minimum contribution amount that must be received for the fund to continue appearing on the tax return for the second calendar year after the first appearance of the fund on the personal income tax return and each calendar year thereafter. If these differences are not the intent, the author may wish to conform or selectively conform the bill to the voluntary contribution general provision requirements in Article 16.

LEGISLATIVE HISTORY

SB 575 (Laird, 2025/2026), under the AIFTL, would create the California Sea Otter Voluntary Tax Contribution Fund and would allow a taxpayer to make a voluntary contribution to the fund on their state personal income tax return for taxable years beginning on or after January 1, 2026, and before January 1, 2033. This bill is currently in the committee process.

SB 881 (McNerney, 2025/2026), under the AFITL, would extend the last year that the Emergency Food for Families Voluntary Tax Contribution Fund would appear on the tax return from 2025 to the 2036 taxable year, subject to the estimated total contributions for the year meeting a minimum contribution amount. In addition, this bill, under the Personal Income Tax Law (PITL) and the Corporation Tax Law (CTL), would extend the sunset date for the credit for donated fresh fruits or vegetables five years to taxable years beginning before January 1, 2032, and the repeal date to December 1, 2032. This bill is currently in the committee process.

AB 703 (Lee, Chapter 63, Statutes of 2025), under the AFITL, created the California Pediatric Cancer Research Voluntary Contribution Fund that appears on the state personal income tax return from tax year 2025 to 2031.

AB 829 (Sharp-Collins, Chapter 99, Statutes of 2025), under the AFITL, created the Parkinson's Disease Research Voluntary Contribution Fund and allows a taxpayer to make a voluntary contribution to the fund on their state personal income tax return from tax year 2025 to 2031.

AB 241 (Tangipa, 2025/2026), under the AFITL, would have created the Wildfire and Vegetation Management Voluntary Contribution Fund that would have appeared on the state personal income tax return from tax year 2025 to 2031. This bill did not pass out of the Assembly by the constitutional deadline.

PROGRAM BACKGROUND

None noted.

OTHER STATES' INFORMATION

None noted.

FISCAL IMPACT

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 SB 1073 as Introduced February 13, 2026
 Assumed Enactment after June 30, 2026

Fiscal Year	Revenue
2026-2027	-\$0
2027-2028	-\$6,000
2028-2029	-\$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 Black Cultural District Voluntary Tax Contribution Fund.

This estimate assumes the Black Cultural District Voluntary Tax Contribution Fund would first appear on the 2026 personal income tax return. It is further assumed 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 2026 return is filed by April of 2027. Subsequently, the deduction for the contribution would be claimed when the 2027 return is filed by April 15, 2028; therefore, the revenue impact would occur in fiscal year 2027-2028.

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

FTBLegislativeServices@ftb.ca.gov