



Bill Analysis

Author: Laird

Bill Number: SB 575

SUBJECT

California Sea Otter Voluntary Tax Contribution Fund

SUMMARY

This bill, under the Administration of Franchise and Income Tax Laws (AFITL), would create the California Sea Otter 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 for taxable years beginning on or after January 1, 2026, and before January 1, 2033.

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 expanded investigation, prevention, and enforcement measures aimed at protecting the sea otter population.

ANALYSIS

For taxable years beginning on or after January 1, 2026, and before January 1, 2033, 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 a 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 Franchise Tax Board (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 increased investigation, prevention, and enforcement actions to decrease sea otter mortality, and to provide research and programs related to sea otters.

- 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 continuously appropriated and allocated as follows:

- To the FTB and the Controller for reimbursement of associated administrative costs, and
- To the State Department of Fish and Wildlife for establishing a sea otter fund to be used for sea otter conservation, including, but not limited to, increased investigation, prevention, and enforcement actions related to sea otter mortality, and for public outreach activities, and
- To the State Coastal Conservancy for competitive grants and contracts to the public agencies and nonprofit organizations for research, science, projects, or programs related to the Federal Sea Otter Recovery Plan or improving the nearshore ocean ecosystem. These projects may also address pathogens and water and wastewater treatment technologies.

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, then 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.

The provisions would remain in effect until December 1, 2033, and would be repealed as of that date.

Effective/Operative Date

This bill would be effective and operative on January 1, 2027. The provisions allowing a taxpayer to designate a contribution to the Fund would be specifically operative for personal income tax returns filed for taxable years beginning on or after January 1, 2026, and before January 1, 2033.

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 requirements generally 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 remains 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

None noted.

Policy Considerations

None noted.

LEGISLATIVE HISTORY

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 tax return from tax year 2025 to 2031. This bill did not pass out of the Assembly by the required deadline.

AB 611 (Lee, 2025/2026), under the AFITL, would create the California Spinal Cord Injury Research District 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, 2027, and before January 1, 2034. This bill has been referred to the suspense file in the Senate Appropriations Committee.

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 state 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 has been referred to the suspense file in the Assembly Appropriations Committee.

SB 1073 (Smallwood-Cuevas, 2025/2026), under the AFITL, would create the Black Cultural District Voluntary Tax Contribution Fund to allow a taxpayer to make a voluntary contribution to the fund on their state tax return from tax years 2026 to 2032. This bill has been referred to the suspense file in the Assembly Appropriations Committee.

AB 703 (Lee, Chapter 63, Statutes of 2025), under the AFITL, established the California Pediatric Cancer Research Voluntary Contribution Fund that would appear on the state tax return from tax year 2025 to 2032.

AB 829 (Sharp-Collins, Chapter 99, Statutes of 2025), under the AFITL, created the Parkinson's Disease Research Voluntary Contribution Fund and would allow a taxpayer to make a voluntary contribution to the fund on their state tax return from tax year 2025 to 2032.

SB 587 (Monning, Chapter 229, Statutes of 2020), under the AFITL, extended the repeal date of the California Sea Otter Fund from January 1, 2026, to January 1, 2028.

PROGRAM BACKGROUND

The Fund first appeared on the 2006 tax return and last appeared on the 2024 tax return. This Fund was subject to a minimum contribution amount. The following are the total annual contributions to this Fund for the past three years:

<u>2023</u>	<u>2024</u>	<u>2025</u>
\$301,979	\$254,601	\$228,948

OTHER STATES' INFORMATION

None noted.

FISCAL IMPACT

The FTB anticipates minimal costs to implement this bill.

ECONOMIC IMPACT*Revenue Estimate*

This bill would result in the following revenue loss:

Estimated Revenue Impact of SB 575

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 Fund. This estimate assumes the Fund would first appear on the 2026 state 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 state tax 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

Senate Floor Analysis, dated August 7, 2026

Support

Defenders of Wildlife (source)
350 Bay Area Action
Center for Biological Diversity
Clean Water Action
Environment California
Monterey Bay Aquarium
Natural Resources Defense Council
Planning and Conservation League
Resource Renewal Institute
Sierra Club California
Surfrider Foundation

Opposition

None on file.

VOTES

Location	Date	Yes Votes	No Votes
Concurrence	August 10, 2026	39	0
Assembly Floor	August 6, 2026	75	0
Senate Floor	January 26, 2026	39	0

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