

DEPARTMENT OF FINANCE BILL ANALYSIS

AMENDMENT DATE: July 2, 2008
POSITION: Neutral
SPONSOR: California ALS Advocacy Committee

BILL NUMBER: SB 1502
AUTHOR: D. Steinberg
RELATED BILLS: AB 1935 (Fuller, 2008), AB 2291 (Mendoza, 2008), and AB 2518 (Torrico, 2008)

BILL SUMMARY: Contribution: ALS/Lou Gehrig's Disease Research Fund

This bill would create the Amyotrophic Lateral Sclerosis (ALS)/Lou Gehrig's Disease Research Fund and add it to the personal income tax return as a voluntary contribution fund to be used for developing and advancing the understanding, techniques, and modalities effective in the prevention, treatment, and cure of ALS, as specified.

FISCAL SUMMARY

The Franchise Tax Board (FTB) estimates that this bill would reduce the personal income tax revenues by about \$15,000 annually beginning in 2009-10. This bill would not significantly impact the FTB costs.

COMMENTS

The Department of Finance is neutral on this bill and notes that this measure will help advance the understanding and techniques for the prevention, treatment, and cure of the Amyotrophic Lateral Sclerosis (ALS, or more commonly known as the Lou Gehrig's Disease), while having only a minor negative impact on state revenues.

Analyst/Principal (0727) P. Ng	Date	Program Budget Manager Mark Hill	Date
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Department Deputy Director	Date
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Governor's Office:	By:	Date:	Position Approved _____ Position Disapproved _____
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BILL ANALYSIS Form DF-43 (Rev 03/95 Buff)

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ANALYSIS**A. Programmatic Analysis**

Existing state law permits taxpayers to make contributions of their own funds on their tax returns to eleven voluntary contribution funds. Taxpayers simply check-off on their tax forms where they would like the money donated. Unlike the federal tax check-off, that directs a portion of the taxpayer's tax to the presidential election fund and does not affect the taxpayer's tax liability or refund amount, the state tax check-off is a donation of the taxpayer's own money which permits an itemized deduction in the following year for personal income tax purposes. Currently available "check-off" funds are listed below. Applicable sunset dates are noted in parenthesis.

1. California Seniors Special Fund a/
2. Alzheimer's Disease/Related Disorders Fund (1/1/2010)
3. California Fund for Senior Citizens (1/1/2010)
4. Rare and Endangered Species Preservation Fund (1/1/2013)
5. State Children's Trust Fund for the Prevention of Child Abuse (1/1/2013)
6. California Breast Cancer Research Fund (1/1/2013)
7. California Firefighters' Memorial Fund (1/1/2011)
8. Emergency Food Assistance Program Fund (1/1/2009)
9. California Peace Officer Memorial Foundation Fund (1/1/2011)
10. California Military Family Relief Fund (1/1/2010)
11. California Sea Otter Fund (1/1/2012)

a/ The California Seniors Special Fund check-off is permanent and taxpayers are allowed to donate all or part of their senior exemption credit.

Current law allows the Franchise Tax Board (FTB) to add contingent income tax check-offs to the return if there is room to do so, regardless of how many check-offs were removed from the return that year. When adding contingent check-offs to the return, the FTB follows a statutory ordering rule based on the date of enactment for voluntary contribution designations to be added to the tax form. The first check-off added is based on the earliest date of enactment or the lowest chapter number if enacted on the same date.

Generally, the check-offs are required to meet a minimum contribution test of \$250,000 on an annual basis. The intent of the \$250,000 minimum contribution requirement (this amount is adjusted for inflation in subsequent tax years) is to ensure that check-off funds have sufficient public support to warrant continued placement on the tax return. The California Firefighters' Memorial Fund and the California Peace Officer Memorial Fund are required to meet the contribution test only when their respective repeal dates are deleted by another statute. Only the California Seniors Special Fund on the above list is not subject to the minimum contribution requirement.

This bill would create the ALS/Lou Gehrig's Disease Research Fund (Fund) and add it to the personal income tax (PIT) return as a voluntary contribution fund upon the removal of another voluntary contribution fund. Taxpayers would be able to designate a contribution in excess of the tax liability to the Fund on their PIT return in full dollar amounts of \$1 or more. Upon Legislative appropriation and after reimbursing the Franchise Tax Board and the State Controller's Office for their administrative costs, contributions to the Fund would be transferred to the to the University of California, San Francisco for allocation a national nonprofit health organization, exempt from taxation under Section 501(c)(3) of the Internal Revenue Code, dedicated solely to the fight against Amyotrophic Lateral Sclerosis (ALS), to provide research grants to develop and to advance the understanding, techniques, and modalities effective in the prevention, treatment, and cure of ALS.

This bill would require the Franchise Tax Board (FTB) to revise the tax return to include a check-off space for the ALS/Lou Gehrig's Disease Research Fund (Fund) beginning with the first taxable year another voluntary contribution fund is removed.

The FTB assumes the Fund would be first placed on the personal income tax (PIT) return for the 2008 taxable year. The following analysis reflects this assumption. Beginning with contributions made in 2010, this bill would require the Fund to meet the minimum contribution test of \$250,000 (adjusted for

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inflation in subsequent tax years) on an annual basis. Otherwise, the law authorizing designations to this fund would be repealed. This bill specifies that this check-off shall be on the PIT return until January 1, 2013, in this case the 2012 PIT return, unless a later enacted statute deletes or extends that sunset date.

This bill would require FTB to do the following by September 1 of the second and each subsequent calendar year that this check-off appears on the tax return:

- Determine the minimum contribution amount, as indexed for inflation, for the next calendar year.
- Notify the University of California, San Francisco the minimum contribution amount required for the next calendar year.
- Determine if the amount of contributions estimated to be received during the current calendar year will equal or exceed the minimum contribution amount required for that calendar year.

Discussion:

Eleven voluntary contribution funds appeared on the 2007 California personal income tax returns. Total contributions to these funds have varied from approximately \$3.4 million for the 1989 taxable year to approximately \$4.2 million for the 2007 taxable year. There are three other current legislative measures that would add new voluntary contributions to the tax forms: AB 1935 (Fuller, 2008), AB 2291 (Mendoza, 2008), and AB 2518 (Torrico, 2008).

B. Fiscal Analysis

To the extent contributions would not be made to another charity in the absence of this voluntary contribution, this bill would increase itemized deductions and reduce revenues by a minor amount. The FTB estimates that personal income tax revenues would be reduced by \$15,000 annually as a result of this bill, assuming \$250,000 in contributions beginning in fiscal year 2009-10 and an average marginal tax rate of 6 percent. This bill would not significantly impact the FTB costs.

Code/Department Agency or Revenue Type	SO		(Fiscal Impact by Fiscal Year)						Fund Code	
	LA	CO	(Dollars in Thousands)							
	RV	PROP	FC	2008-2009	FC	2009-2010	FC	2010-2011		
1147/Pers Inc Tax	RV	Yes		--	U	-\$15	U	-\$15	0001	
1730/FTB	SO	No		----- No/Minor Fiscal Impact -----						0001