

AMENDMENT DATE: June 29, 2011
POSITION: Oppose

BILL NUMBER: AB 233
AUTHOR: I. Hall III
RELATED BILLS: AB 2017

BILL SUMMARY: PIT: VolyCon - CA YMCA Youth & Gov't Fund

This bill would establish the California YMCA Youth and Government Fund (Fund) and add it to the personal income tax return as a voluntary contribution fund to provide financial support for the California YMCA Youth and Government Program and other nonprofit civic youth organizations as specified.

FISCAL SUMMARY

The Franchise Tax Board (FTB) estimates that personal income tax revenues could be reduced by about \$15,000 annually beginning in 2012-13 as a result of this bill. This bill is not expected to significantly affect the operating costs of the FTB, the State Controller's Office, or the State Department of Education.

SUMMARY OF CHANGES

Amendments to this bill since our analysis of the March 15, 2011 version include the following significant amendments which do not change our position:

- The distribution of Fund's proceeds to its recipients would be based on the level of contributions collected by the Fund.
- The State Department of Education would be reimbursed for its operating costs for implementing this bill.

The amendments listed above do not change our position. The change in position is due to a re-evaluation of the revenue loss in the overall context of the budget.

COMMENTS

The Department of Finance opposes this bill because it could result in a \$15,000 annual General Fund revenue loss beginning in 2012-13.

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 _____

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 fifteen voluntary contribution funds. Taxpayers simply check-off on their tax forms where they would like the money donated. Unlike the federal tax check-off, which 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 that 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. ALS/Lou Gehrig's Disease Research Fund (1/1/2013)
2. Alzheimer's Disease/Related Disorders Fund (1/1/2015)
3. California Breast Cancer Research Fund (1/1/2013)
4. California Cancer Center Research Fund (1/1/2013)
5. California Firefighters' Memorial Fund (1/1/2016)
6. California Fund for Senior Citizens (1/1/2015)
7. California Military Family Relief Fund (1/1/2015)
8. California Ovarian Cancer Research Fund (1/1/2013)
9. California Peace Officer Memorial Foundation Fund (1/1/2016)
10. California Sea Otter Fund (1/1/2012)
11. California Seniors Special Fund (none)a/
12. Emergency Food for Families Fund (1/1/2014)
13. Municipal Shelter Spay and Neuter Fund (1/1/2013)
14. Rare and Endangered Species Preservation Fund (1/1/2013)
15. State Children's Trust Fund for the Prevention of Child Abuse (1/1/2013)

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 (except for California Fund for Senior Citizens, 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 establish the California Youth and Government Fund (Fund) and add it to the personal income tax return as a voluntary contribution fund. After reimbursing the Franchise Tax Board, the State Controller's Office and the State Department of Education for administering the Fund, taxpayer contributions deposited into the Fund would be distributed as follows:

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- If the California Youth and Government Fund (Fund) collects less than \$300,000 contributions, all funds would be distributed to the California YMCA Youth and Government Program.
- If the Fund collects more than \$300,000 contributions, the balance would be distributed as an annual grant of \$10,000 to each of the following nonprofit civic youth organizations:
 - African American Leaders for Tomorrow Program
 - Asian Pacific Youth Leadership Project
 - Chicano Latino Youth Leadership Project
 - All remaining funds would be distributed to the California YMCA Youth and Government Program
 - The California YMCA Youth and Government Board of Directors may award additional non-profit civic youth organizations a grant of up to \$10,000 each in order to operate civic education and mock legislative programs.

This bill would require the Franchise Tax Board (FTB) to revise the tax return to include a check-off space for the California Youth and Government Fund (Fund) beginning with the first taxable year another voluntary contribution fund is removed. This bill would require the Fund to meet the minimum contribution test of \$250,000 (adjusted for inflation in subsequent tax years) on an annual basis. Otherwise, the law authorizing designations to this fund would be repealed. This bill would allow this check-off to stay on the personal income tax (PIT) return for five years, 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 California YMCA Youth and Government Program 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

This bill is similar to AB 2017 as amended August 3, 2010, by the same author. AB 2017 would have established the California YMCA Youth Leadership Fund and added it to the personal income tax return as a voluntary contribution fund. AB 2017 would have become effective only if SB 516 (DeSaulnier), which would have established the California Youth Legislature, had also been enacted and operative. AB 2017 was vetoed by Governor Schwarzenegger on September 25, 2010. In his veto message, Governor Schwarzenegger noted that “[T]his bill is contingent on the enactment of Senate Bill 516, which I cannot support. I would ask that the authors of these bills reconcile their efforts to support greater youth involvement in public policy without creating additional organizations when there are numerous organizations and entities already dedicated to working with youth from all backgrounds.”

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 approximately \$15,000 annually beginning in 2012-13 as a result of this bill, assuming \$250,000 in contributions were received for the 2012 calendar year (i.e., for 2011 PIT return) and an average marginal tax rate of 6 percent.

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Because the FTB, the State Controller's Office, and the State Department of Education would be reimbursed for their administrative costs, this bill is not expected to significantly affect the operating costs of the FTB, the State Controller's Office, or the State Department of Education.

Code/Department Agency or Revenue Type	SO	(Fiscal Impact by Fiscal Year)							Fund Code
	LA	(Dollars in Thousands)							
	CO	PROP							
	RV	98	FC	2011-2012	FC	2012-2013	FC	2013-2014	
1147/Pers Inc Tax	RV	Yes		--	U	-\$15		--	0001
1730/FTB	SO	No		----- No/Minor Fiscal Impact -----					0499
0840/Controller	SO	No		----- No/Minor Fiscal Impact -----					0499
6000/Education	SO	No		----- No/Minor Fiscal Impact -----					0499

<u>Fund Code</u>	<u>Title</u>
0001	General Fund
0499	Pending New Special Funds