

Date of Hearing: August 13, 2013

ASSEMBLY COMMITTEE ON ARTS, ENTERTAINMENT, SPORTS, TOURISM, AND  
INTERNET MEDIA  
Ian C. Calderon, Chair

SB 571 (Liu) – As Amended: June 25, 2013

SENATE VOTE: 35-2

SUBJECT: Income taxes: voluntary contributions: Keep Arts in Schools Fund

SUMMARY: Authorizes the addition of the Keep Arts in Schools Fund (Fund) check off to the personal income tax (PIT) form. Specifically, this bill:

- 1) Provides that all money transferred to the Fund, upon appropriation by the Legislature, shall be allocated to the:
  - a) Franchise Tax Board (FTB) and the State Controller for reimbursement of all costs incurred administering the Fund; and,
  - b) California Arts Council (CAC), for allocation of grants to individuals or organizations administering arts programs for children in preschool through 12th grade.
- 2) Specifies that the Fund provisions shall remain in effect only until January 1 of the fifth taxable year following the Fund's first appearance on the PIT return. However, if the FTB determines that the amount of contributions estimated to be received during a calendar year will not meet a minimum contribution threshold, the provisions shall be inoperative with respect to taxable years beginning on or after January 1 of that calendar year.

EXISTING LAW:

- 1) Allows taxpayers to contribute to one or more of the 18 voluntary contribution funds (VCFs or check-offs) on the PIT return. [Revenue & Taxation Code Section 18871(a).]
- 2) Provides a specific sunset date for each VCF, except for the California Seniors Special Fund and the State Parks Protection Fund. [Revenue & Taxation Code Section 18871(b).]
- 3) Requires each VCF to meet an annual minimum contribution amount to remain in effect, except for the California Seniors Special Fund, the California Firefighters' Memorial Fund, and the California Peace Officer Memorial Foundation Fund.
- 4) Provides for an Arts Council composed of 11 members. Among other things, CAC is authorized to award prizes or direct grants to individuals or organizations in accordance with applicable regulations. [Government Code Sections 8751(a) and 8753(o).]

FISCAL EFFECT: The FTB estimates that this bill would result in annual General Fund revenue losses of \$10,000 beginning in fiscal year 2014-15.

COMMENTS:

1) Author's Statement and Support:

Senate Bill 571 creates the "Keep Arts in Schools Fund" on the tax form for the 2013 tax year filed on or after January 1, 2014. This bill was originally introduced by Senator Price, and upon his election to the Los Angeles City Council and subsequent resignation from the Senate, the measure is being brought forward by Senator Liu.

According to the prior author, "SB 571 is necessary to allow California taxpayers an opportunity to voluntarily contribute funds to CAC for a state program that promotes and finances art education programs in our public schools and communities throughout the state. SB 571 would enable the CAC to raise additional funds so that they can, in turn, support more of our constituents, communities, non-profit organizations, and most importantly, kids and schools throughout the state.

"Although Visual and Performing Arts are embodied in California's Education code in a comprehensive way, schools are struggling financially and arts programs are among the first curriculum-based subjects to lose funding. Funding generated pursuant to SB 571 will help to bring equity into classrooms around the state by funding programs such as Teaching Artists and arts education programs in districts where they are most needed."

The California Alliance for Arts Education adds the following in support, "CAC would administer the resources collected in this fund to help ensure that every student has access to the benefits of quality arts education. We strongly support the mission and commitment of CAC and are working closely with them to build a broad base of support for arts education."

2) Background: Voluntary Tax Form Contributions and Prior Effort to Support the Arts:

Existing state law allows taxpayers to contribute money to one or more of 18 VCFs by checking a box on their state income tax return. California law requires contributions made through check-offs to be made from taxpayers' own resources and not from their tax liability, as is possible on federal tax returns. Check-off amounts may be claimed as charitable contributions on taxpayers' tax returns during the subsequent year.

The FTB designs tax returns to provide for the designation of contributions to specified funds either on the return itself or on a separate schedule that must be attached to the return. With a few exceptions, VCFs remain on the return until they are either repealed or fail to meet their minimum contribution amount. The minimum contribution amounts are adjusted annually for inflation. For most VCFs, the minimum contribution amount is \$250,000 in the fund's second year. By September 1st of each year, the FTB must determine the minimum contribution amount required for each fund to remain on the form for the following calendar year and whether estimated contributions to each fund will be less than the minimum contribution amount for that calendar year. If the FTB estimates that a fund will fail to meet the minimum contribution amount, that fund is repealed effective for taxable years beginning on or after January 1st of the following calendar year.

Except for the California Senior Legislature (which is fully funded by the check off and operates in concert with the Legislature), the proceeds from the check-offs either go to quasi-government organizations or to non-profits as a competitive grant.

All funds must meet the same criteria with the following exceptions:

- The California Seniors Special Fund, which has no sunset date, each fund has a specific sunset date.
- The California Seniors Special Fund, California Firefighters Memorial Fund, the California Peace Officer Memorial Foundation Fund, the California YMCA Youth and Government Fund, the California Youth Leadership Fund, the State Parks Protection Fund, and the School Supplies for Homeless Children Fund, are not required to meet an initial minimum contribution amount of \$250,000.
- The California Fund for Senior Citizens, is not adjusted annually for inflation.

The Arts Council Fund [SB 1076 (Price), Chapter 319, Statutes of 2010], first appeared on the 2010 return and last appeared on the 2011 return because the FTB estimated that contributions to the Arts Council Fund would fall below the required \$250,000 minimum contribution amount for the 2012 calendar year. By operation of law, the provision creating the Arts Council Fund was repealed effective January 1, 2012, and this fund was removed from the 2012 income tax return.

Senator Price commented about the prior effort, saying, "Unfortunately, CAC was originally added to the tax form at a time the state was still experiencing an economic recession and when overall charitable giving was significantly down. Given these major obstacles, the CAC did exceedingly well for a new 'check-off' on the income tax form. Other challenges the organization experienced included: 1) unfamiliarity by many tax payers with 'Arts Council Fund' and the CA Arts Council; 2) leadership changes; and 3) competition from better known groups, all very worthy, some of whom have established themselves on the tax form for many years.

"I am confident that lessons have been learned. The fund will be renamed for improved marketability. I have been ensured that the CAC remains firmly committed to promoting the fund and will follow through on a multi-pronged marketing campaign."

- 3) Prior Legislation: SB 1076 (Price), Chapter 319, Statutes of 2010, established the Arts Council Fund and authorized taxpayers to designate a contribution on their tax returns.

#### REGISTERED SUPPORT / OPPOSITION:

##### Support

California Arts Council (Sponsor)  
American Federation of State, County and Municipal Employees, AFL-CIO  
California Alliance for Arts Education

California Catholic Conference  
California State PTA

Opposition

None on file

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