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AB-2944 Personal income taxes: voluntary contributions: Schools Not Prisons Voluntary Tax Contribution Fund. (2017-2018)

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Assembly Bill No. 2944

CHAPTER 441

An act to add and repeal Article 25 (commencing with Section 18910) of Chapter 3 of Part 10.2 of Division 2 of the Revenue and Taxation Code, relating to taxation, and making an appropriation therefor.

[Approved by Governor September 17, 2018. Filed with Secretary of State September 17, 2018.]

LEGISLATIVE COUNSEL'S DIGEST

AB 2944, Jones-Sawyer. Personal income taxes: voluntary contributions: Schools Not Prisons Voluntary Tax Contribution Fund.

Existing law authorizes an individual to contribute amounts in excess of his or her personal income tax liability for the support of specified funds. Under existing law, there are general administrative provisions applicable to these voluntary contributions, which, among other things, provide for the disbursement of contributions following the repeal of the fund's provisions and require undesignated funds to be transferred to the General Fund.

Existing law requires any new or extended voluntary contribution to include the words "voluntary tax contribution" in the name of the fund, to require the administering agency to include specified information about the fund on its Internet Web site, to continuously appropriate from the fund the contributions made to the administering agency, to set a minimum contribution amount for the continuation of any voluntary tax contribution on the tax return form, and to include a generally applicable repeal date for a voluntary tax contribution.

This bill would allow an individual to designate on his or her tax return that a specified amount in excess of his or her personal income tax liability be transferred to the Schools Not Prisons California Voluntary Tax Contribution Fund, which would be created by this bill. The bill would conform with those aforementioned administrative requirements by continuously appropriating those funds to the Franchise Tax Board, the Controller, and the State Department of Education for administrative costs and to the State Department of Education for the distribution of grants to nonprofit public charities in California to fund academic and career readiness programs that seek to break the school-to-prison pipeline, as specified. The bill would also conform by requiring the State Department of Education to comply with certain Internet Web site reporting requirements and by repealing the provisions as of December 1 of the year that the minimum contribution amount of \$250,000 is not met or by the specified repeal date. By continuously appropriating these funds, the bill would make an appropriation.

Vote: majority Appropriation: yes Fiscal Committee: yes Local Program: no

THE PEOPLE OF THE STATE OF CALIFORNIA DO ENACT AS FOLLOWS:

SECTION 1. Article 25 (commencing with Section 18910) is added to Chapter 3 of Part 10.2 of Division 2 of the Revenue and Taxation Code, to read:

Article 25. Schools Not Prisons Voluntary Tax Contribution Fund

18910. (a) An individual may designate on the personal income tax return that a contribution in excess of the tax liability, if any, be made to the Schools Not Prisons Voluntary Tax Contribution Fund, which is established by Section 18911. That designation is to be used as a voluntary contribution on the tax return.

(b) The contributions shall be in full dollar amounts and may be made individually by each signatory on a joint return.

(c) A designation shall be made for any taxable year on the original return for that taxable year and once made is irrevocable. If payments and credits reported on the return, together with any other credits associated with the taxpayer's account, do not exceed the taxpayer's tax liability, the return shall be treated as though no designation has been made.

(d) The Franchise Tax Board shall revise the form of the return to include a space labeled the "Schools Not Prisons Voluntary Tax Contribution Fund" to allow for the designation permitted. The form shall also include in the instructions information that the contribution may be in the amount of one dollar (\$1) or more and that the contribution shall be used to fund academic and career readiness programs that seek to break the school-to-prison pipeline. For purposes of this section, the "school-to-prison pipeline" is the process through which pupils are pushed out of schools and into prisons.

(e) A deduction shall be allowed under Article 6 (commencing with Section 17201) of Chapter 3 of Part 10 for any contribution made pursuant to subdivision (a).

(f) Notwithstanding any other law, a voluntary contribution designation for the Schools Not Prisons Voluntary Tax Contribution Fund shall not be added on the personal tax return until another voluntary contribution designation is removed or space is available, whichever occurs first.

18911. There is hereby established in the State Treasury the Schools Not Prisons Voluntary Tax Contribution Fund to receive contributions made pursuant to Section 18910. The Franchise Tax Board shall notify the Controller of both the amount of money paid by taxpayers in excess of their tax liability and the amount of refund money that taxpayers have designated pursuant to Section 18910 to be transferred to the Schools Not Prisons Voluntary Tax Contribution Fund. The Controller shall transfer from the Personal Income Tax Fund to the Schools Not Prisons Voluntary Tax Contribution Fund an amount not in excess of the sum of the amounts designated by individuals pursuant to Section 18910 for payment into that fund.

18912. (a) Notwithstanding Section 13340 of the Government Code, all money transferred to the Schools Not Prisons Voluntary Tax Contribution Fund shall be continuously appropriated and allocated as follows:

(1) To the Franchise Tax Board, the Controller, and the State Department of Education for reimbursement of all costs incurred by the Franchise Tax Board, the Controller, and the State Department of Education in connection with their administrative duties under this article.

(2) To the State Department of Education for distribution of grants to nonprofit public charities in California that are in active status, as listed on the Secretary of State's Internet Web site and, except as provided in subparagraph (B) of paragraph (1) of subdivision (b), are exempt from federal income taxation as an organization pursuant to Section 501(c)(3) of the Internal Revenue Code for the purpose of funding academic and career readiness programs that seek to break the school-to-prison pipeline. For purposes of this section, "school-to-prison pipeline" is the process through which pupils are pushed out of schools and into prisons. The State Department of Education shall award grants through a competitive, project-specific grant process and shall be responsible for overseeing the grant program. A nonprofit public charity awarded a grant under this section shall not use more than 10 percent of the grant for administrative expenses.

(b) The State Department of Education shall award the grants described in paragraph (2) of subdivision (a) pursuant to all of the following:

(1) (A) Except as provided in subparagraph (B), an eligible applicant shall be a nonprofit public charity with current 501(c)(3) status.

(B) A nonprofit public charity that does not have current 501(c)(3) status may apply with a nonprofit public charity sponsor that has current 501(c)(3) status.

(C) Each applicant shall submit an Internal Revenue Service statement certifying the charity's nonprofit status.

(D) For purposes of this section, "current 501(c)(3) status" means exempt from federal income taxation as an organization pursuant to Section 501(c)(3) of the Internal Revenue Code.

(2) Projects that are eligible for grants shall serve one or more of the following target populations:

(A) Youth who are, or have been within the last five years, wards of the court.

(B) Youth who are considered "opportunity youth." For purposes of this section, "opportunity youth" means youth between the ages of 16 to 24, inclusive, who are out of school and unemployed.

(C) Youth who attend, or within the last two years have graduated from, a school that has been given a "red" or "orange" performance designation on any one of the state or local indicators on the California School Dashboard for the most recent academic year reported.

(D) Youth who currently participate in, or within the last two years have completed, a continuation education program.

(E) Youth who are any of the following types of "targeted disadvantaged pupils" pursuant to the local control funding formula supplemental funding guidelines:

(i) Youth who are English learners.

(ii) Youth who are foster youth.

(iii) Youth who meet income requirements to receive a free or reduced-price meal.

(3) The State Department of Education shall provide funding for grant awards to applicants with proposals that satisfy paragraph (4) and demonstrate advancement of the following objectives:

(A) Youth leadership development.

(B) Youth or community organizing.

(C) Pupil enrichment.

(D) Youth life skills development.

(E) Youth workforce readiness development.

(F) Youth mentorship.

(4) The State Department of Education shall evaluate and prioritize all of the following in selecting an applicant to receive a grant:

(A) The applicant's development of clearly articulated outcomes.

(B) The applicant's capacity to operate culturally competent, high-quality, and cost-effective programs for the target population or populations identified pursuant to paragraph (2).

(C) The extent to which the applicant's proposal advances the identified funding objectives listed in paragraph (3) for the identified target population or populations identified pursuant to paragraph (2).

(D) The applicant's demonstration of viability of its proposed program beyond the life cycle of the grant program, including, but not limited to, a plan to pursue other forms of funding, to leverage existing resources, and to collaborate with local, state, or federal partners. Each applicant's proposal shall include, and be evaluated by the State Department of Education based on, the demonstrated need of the community to be served, alignment of projected outcomes with grant program goals, and evidence of effectiveness in serving the target population or populations identified pursuant to paragraph (2).

(5) A grant award shall be in the amount of ten thousand dollars (\$10,000), at minimum, and may not exceed seventy-five thousand dollars (\$75,000), as determined by the State Department of Education.

(6) Each recipient shall use grant moneys to provide direct community-based services to the target population or populations identified pursuant to paragraph (2).

(7) Grant moneys shall not be used for any purpose outside of this state.

(c) The State Department of Education shall comply with the Internet Web site reporting requirements described in Section 18873.

18913. (a) Except as otherwise provided in subdivision (b), this article shall remain in effect only until January 1 of the seventh calendar year following the first appearance of the Schools Not Prisons Voluntary Tax Contribution Fund on the personal income tax return, and is repealed as of December 1 of that year.

(b) (1) By September 1 of the second calendar year and each subsequent calendar year that the Schools Not Prisons Voluntary Tax Contribution Fund appears on the tax return, the Franchise Tax Board shall determine whether the amount of contributions estimated to be received during the calendar year will equal or exceed the minimum contribution amount for the calendar year. The Franchise Tax Board shall estimate the amount of contributions to be received by using the actual amounts received and an estimate of the contributions that will be received by the end of that calendar year.

(2) If the Franchise Tax Board determines that the amount of contributions estimated to be received during a calendar year will not at least equal the minimum contribution amount for the calendar year, this article shall be inoperative with respect to taxable years beginning on or after January 1 of that calendar year, and shall be repealed on December 1 of that year.

(3) For purposes of this section, the minimum contribution amount for a calendar year means two hundred fifty thousand dollars (\$250,000).