

AMENDED IN ASSEMBLY MAY 13, 2003

AMENDED IN ASSEMBLY APRIL 29, 2003

CALIFORNIA LEGISLATURE—2003–04 REGULAR SESSION

ASSEMBLY BILL

No. 1416

Introduced by Assembly Member Vargas

February 21, 2003

An act to add to Chapter 4.5 (commencing with Section 900) to Division 4 of the Military and Veterans Code, and to add and repeal Article 4 (commencing with Section 18732) of Chapter 3 of Part 10.2 of Division 2 of the Revenue and Taxation Code, relating to veterans' dependents.

LEGISLATIVE COUNSEL'S DIGEST

AB 1416, as amended, Vargas. Dependents of veterans: California State Freedom Endowment.

Existing law establishes various educational benefits for dependents of veterans who are killed during military service or totally disabled, as specified.

This bill would create the California State Freedom Endowment in the Department of Veterans Affairs to provide funding for educational and health care expenses for dependents of veterans, as defined. The bill would create the California State Freedom Endowment Fund, which would be funded by private donations and voluntary taxpayer contributions, to provide the moneys for these purposes.

Under existing law regulating the administration of personal income taxes and corporation taxes, individual taxpayers are allowed to



contribute amounts in excess of their tax liability for the support of specified funds or accounts.

This bill would additionally allow taxpayers to designate on their tax returns that a specified amount in excess of their tax liability be transferred to the California State Freedom Endowment Fund. This bill would provide that all moneys contributed to the fund pursuant to these provisions, upon appropriation by the Legislature, would be allocated to the Franchise Tax Board and the Controller, and the Department of Veterans Affairs, as provided. *This bill would, however, prohibit a voluntary contribution designation for this fund from being added on tax returns until another voluntary contribution designation is removed.*

This bill would provide that these voluntary contribution provisions are repealed on January 1 of the 5th taxable year following the taxable year the fund first appears on the tax return. The bill would also provide that the provisions are repealed for taxable years beginning on or after January 1 of the calendar year in which the Franchise Tax Board estimates, by September 1, that the contributions made on returns filed in that calendar year will be less than \$250,000, or an adjusted amount for certain subsequent taxable years.

Vote: majority. Appropriation: no. Fiscal committee: yes. State-mandated local program: no.

The people of the State of California do enact as follows:

1 SECTION 1. Chapter 4.5 (commencing with Section 900) is
2 added to Division 4 of the Military and Veterans Code, to read:

3
4 CHAPTER 4.5. CALIFORNIA STATE FREEDOM ENDOWMENT
5

6 900. As used in this chapter, the following terms have the
7 following meanings:

8 (a) "Department" means the Department of Veterans Affairs.

9 (b) "Dependent of a veteran" means the natural or adopted
10 child of a veteran, or stepchild of a veteran as defined by the United
11 States Department of Veterans Affairs for compensation purposes.

12 (c) "Veteran" means any California resident who served in the
13 Armed Forces of the United States and was killed in action or died
14 as a result of war service during any period of hostilities in which
15 ~~the United States was engaged, beginning with the start of the Iraq~~
16 ~~conflict on March 19, 2003.~~ *the United States was engaged.*



1 902. The California State Freedom Endowment is created in
2 the department for the purpose of providing funding for
3 educational and health care expenses to dependents of veterans.
4 The endowment shall be administered by the department in the
5 following manner:

6 (a) All dependents of veterans shall be entitled to moneys from
7 the fund to pay the expenses of health care coverage until the age
8 of 21 years. The department shall be responsible for the
9 distribution of those moneys to eligible dependents.

10 (b) Dependents of veterans shall be entitled to aid for
11 educational expenses in the manner provided in Article 2
12 (commencing with Section 890) of Chapter 4, and be subject to the
13 eligibility requirements of that article. The moneys provided by
14 this section shall supplement, not supplant, the funding provided
15 by Article 2 (commencing with Section 890) of Chapter 4.

16 (c) The department shall annually establish the total amount of
17 funding to be awarded for educational and health care expenses.
18 Allocation of funds shall be established based upon the best use of
19 funding for that year, as determined by the department.

20 904. (a) The California State Freedom Endowment Fund is
21 created in the State Treasury. The department shall deposit in the
22 fund all moneys received for the endowment. The fund shall be
23 self-sustaining and shall consist of moneys received from the
24 following sources:

25 (1) Donations from private charities. These donations will be
26 accepted from any source and without regard to whether the donor
27 is a California resident. The donations shall be tax deductible in the
28 same manner as donations to tax-exempt charities are under
29 Section 501(c)(3) of the Internal Revenue Code.

30 (2) Moneys received into the fund pursuant to Article 4
31 (commencing with Section 18732) of Chapter 3 of Part 10.2 of
32 Division 2 of the Revenue and Taxation Code.

33 (b) With the exception of the operating costs associated with
34 the management of the fund by the Treasurer, the fund shall be
35 credited with all investment income earned by the account.

36 (c) Money in the fund may be spent only for the purposes of the
37 endowment as specified in this chapter.

38 SEC. 2. Article 4 (commencing with Section 18732) is added
39 to Chapter 3 of Part 10.2 of Division 2 of the Revenue and Taxation
40 Code, to read:



1 Article 4. California State Freedom Endowment Fund

2
3 18732. (a) An individual may designate on the tax return that
4 a contribution in excess of the tax liability, if any, be made to the
5 California State Freedom Endowment Fund, established pursuant
6 to Section 904 of the Military and Veterans Code. That designation
7 is to be used as a voluntary contribution on the tax return.

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

10 (c) A designation shall be made for any taxable year on the
11 initial return for that taxable year and once made is irrevocable. If
12 payments and credits reported on the return, together with any
13 other credits associated with the taxpayer's account, do not exceed
14 the taxpayer's liability, the return shall be treated as though no
15 designation has been made. If no designee is specified, the
16 contribution shall be transferred to the General Fund after
17 reimbursement of the direct actual costs of the Franchise Tax
18 Board for the collection and administration of funds under this
19 article.

20 (d) If an individual designates a contribution to more than one
21 account or fund listed on the tax return, and the amount available
22 is insufficient to satisfy the total amount designated, the
23 contribution shall be allocated among the designees on a pro rata
24 basis.

25 (e) (1) The Franchise Tax Board shall revise the form of the
26 return to include a space labeled "California State Freedom
27 Endowment Fund" to allow for the designation permitted under
28 subdivision (a).

29 (2) The form shall also include in the instructions information
30 that the contribution may be in the amount of one dollar (\$1) or
31 more and that the contribution shall be used to provide funding for
32 education and health care expenses for the dependents of veterans,
33 as defined in Section 900 of the Military and Veterans Code.

34 (f) *Notwithstanding any other provision of law, a voluntary*
35 *contribution designation for the California State Freedom*
36 *Endowment Fund may not be added on the tax return until another*
37 *voluntary contribution designation is removed.*

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



1 18733. The Franchise Tax Board shall notify the Controller of
2 both the amount of money paid by taxpayers in excess of their tax
3 liability and the amount of refund money that taxpayers have
4 designated pursuant to Section 18732 to be transferred to the
5 California State Freedom Endowment Fund. The Controller shall
6 transfer from the Personal Income Tax Fund to the California State
7 Freedom Endowment Fund an amount not in excess of the sum of
8 the amounts designated by individuals pursuant to Section 18732
9 for payment into that fund.

10 18734. All moneys transferred to the California State
11 Freedom Endowment Fund, upon appropriation by the
12 Legislature, shall be allocated as follows:

13 (a) To the Franchise Tax Board and the Controller for
14 reimbursement of all costs incurred by the Franchise Tax Board
15 and the Controller in connection with their duties under this article.

16 (b) (1) To the Department of Veterans Affairs for allocation to
17 the California State Freedom Endowment Fund, to be used for the
18 payment of educational and health care expenses of dependents of
19 veterans, pursuant to Chapter 4.5 (commencing with Section 900)
20 of Division 4 of the Military and Veterans Code.

21 (2) The funds may not be used for the administrative costs of
22 the department, except for those associated with the administration
23 of the endowment.

24 18735. It is the intent of the Legislature that this article create
25 an additional funding source to provide benefits for the dependents
26 of veterans, as defined in Section 900 of the Military and Veterans
27 Code, and be used to supplement, not supplant, other funding
28 sources for this cause.

29 18736. (a) This article shall, subject to subdivision (b),
30 remain in effect only until January 1 of the fifth taxable year
31 following the first appearance of the California State Freedom
32 Endowment Fund on the tax return, and as of that date is repealed,
33 unless a later enacted statute that is enacted before the applicable
34 date deletes or extends that date.

35 (b) If, in the second calendar year after the first taxable year the
36 California State Freedom Endowment Fund appears on the tax
37 return, the Franchise Tax Board estimates by September 1 that
38 contributions described in this article made on returns filed in that
39 calendar year will be less than two hundred fifty thousand dollars
40 (\$250,000), or the adjusted amount specified in subdivision (c) for



1 subsequent taxable years, as may be applicable, then this article is
2 repealed with respect to taxable years beginning on or after
3 January 1 of that calendar year. The Franchise Tax Board shall
4 estimate the annual contribution amount by September 1 of each
5 year using the actual amounts known to be contributed and an
6 estimate of the remaining year's contribution.

7 (c) For each calendar year, beginning with the third calendar
8 year that the California State Freedom Endowment Fund appears
9 on the tax return, the Franchise Tax Board shall adjust, on or before
10 September 1 of that calendar year, the minimum estimated
11 contribution amount specified in subdivision (b), as follows:

12 (1) The minimum estimated contribution amount for the
13 calendar year shall be an amount equal to the product of the
14 minimum estimated contribution amount for the prior September
15 1 multiplied by the inflation factor adjustment as specified in
16 paragraph (2) of subdivision (h) of Section 17041, rounded off to
17 the nearest dollar.

18 (2) The inflation factor adjustment used for the calendar year
19 shall be based on the figures for the percentage change in the
20 California Consumer Price Index received on or before August 1
21 of the calendar year pursuant to paragraph (1) of subdivision (h)
22 of Section 17041.

23 (d) Notwithstanding the repeal of this article, any contribution
24 amounts designated pursuant to this article prior to its repeal shall
25 continue to be transferred and disbursed in accordance with this
26 article as in effect immediately prior to that repeal.

