
SENATE COMMITTEE ON REVENUE AND TAXATION

Senator Jerry McNerney, Chair

2025 - 2026 Regular

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| Bill No: | SB 1073 | Hearing Date: | 3/25/26 |
| Author: | Smallwood-Cuevas | Tax Levy: | No |
| Version: | 3/19/26 Amended | Fiscal: | Yes |
| Consultant: | Summers | | |

INCOME TAXES: VOLUNTARY CONTRIBUTIONS: BLACK CULTURAL DISTRICT VOLUNTARY TAX CONTRIBUTION FUND

Establishes the Black Cultural District Voluntary Tax Contribution Fund; authorizes a taxpayer to make a voluntary contribution to the fund on their state personal income tax return for tax years 2026 through 2032.

Background

Voluntary Tax Contribution Funds. California allows taxpayers to donate their tax refund to one or several voluntary contribution funds (VCFs), commonly called “check-offs,” on their PIT return, and they can claim a deduction for the year the contribution is made. Their contribution to a VCF is only made if their tax payments and credits exceed the taxes they owe to the state. There are currently 18 VCFs on the PIT form, whose contributions are allocated to various organizations, including nonprofits that work on disease, resource conservation, and more.

The Legislature adds each VCF individually to the PIT return forms through legislation. With a few exceptions, VCFs remain on the return until the Franchise Tax Board (FTB) removes the VCF due to a sunset provision or the VCF fails to meet the statutory minimum contribution amount. By September 1 of each calendar year, the FTB must determine whether estimated contributions to specified funds will be less than the minimum contribution amount required for that calendar year. If FTB estimates a fund will fail to meet the minimum contribution amount for a calendar year, the fund is repealed on January 1 of the following calendar year. In general, the annual minimum contribution amount is \$250,000, beginning the fund’s second year, with some adjusted for inflation. The VCFs below do not have a minimum contribution requirement:

- California Firefighters’ Memorial Foundation Fund;
- California Peace Officer Memorial Foundation Fund;
- California Senior Citizen Advocacy Voluntary Tax Contribution Fund; and
- California Seniors Special Fund.

In tax year 2025, there are 18 active VCFs. The contributions to these VCF during the year 2025 were as follows¹:

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| Alzheimer’s Disease and Related Dementia | \$401,309 |
| California ALS Research Network | \$75,418 |

¹ <https://www.ftb.ca.gov/file/personal/voluntary-contribution-funds/annual-contribution/index.html>.

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| California Breast Cancer Research | \$353,549 |
| California Cancer Research | \$353,549 |
| California Firefighters' Memorial | \$210,997 |
| California Peace Officer Memorial Foundation | \$88,274 |
| California Sea Otter | \$228,948 |
| California Senior Citizen Advocacy | \$104,465 |
| California Seniors Special Fund | 108,752 |
| Emergency Food for Families** | \$455,440 |
| Keep Arts in Schools | \$221,043 |
| Mental Health Crisis Prevention | \$267,818 |
| Native California Wildlife Rehabilitation | \$281,545 |
| Prevention of Animal Homelessness and Cruelty | \$229,269 |
| Protect Our Coast and Oceans | \$247,745 |
| Rare and Endangered Species Preservation | \$319,151 |
| School Supplies for Homeless Children | \$479,871 |
| State Parks Protection Fund/Parks Pass Purchase* | \$510,171 |
| 2025 TOTAL | \$4,937,314 |
| 2025 Average | \$274,295 |
| * Most Popular 2025 | |
| ** Historically Most Popular VCF by Annual Average Contributions | |

After a taxpayer contributes to a VCF, the FTB deposits all contributions, minus its administration costs, into a fund named for the VCF. State agencies administer most VCF funds to fund the purpose outlined in the legislation that placed the VCF on the PIT form. For other VCFs, the State Controller's office allocates taxpayer contributions directly to the private organization without going through an administrative agency. For example, the State Controller's office directly passes taxpayer contributions to the California Fire Foundation.

Senate Bill 1476. In December 2015, the Senate Committee on Governance and Finance held an oversight hearing on VCFs. The Committee identified best practices and reforms needed to ensure the state allocates taxpayer contributions toward charitable purposes transparently and in a timely manner. In 2016, the Legislature enacted SB 1476 (Committee on Governance and Finance), which codified those best practices and established general provisions for all VCFs enacted or extended after January 2, 2017. Specifically, the bill required:

- The words "voluntary tax contribution" must be included in the fund's name;
- The administering agency's website shall report specific data related to the usage of the amounts received via voluntary contribution;
- A voluntary contribution fund must receive a minimum contribution of \$250,000 for the second calendar year after it first appears on the tax return and each year after that to remain on the tax return; and

- A voluntary tax contribution would remain in effect only until January 1 of the seventh calendar year following the first appearance of the contribution on the tax return and be repealed as of December 1 of that year.

Arts Council. In 1975, the Legislature created the California Arts Council, which is celebrating its 50th anniversary as a state agency this year (SB 1024, Zenovich, 1975). The Arts Council is the state's only public arts grants provider and supports local arts infrastructure and programming across the state through grants, programs, and services. The Art Council's flagship programs are Arts in California Parks, Arts in Corrections, California Creative Corps, Creative Economy of California, Cultural Districts, Poetry Out Loud, Poet Laureate, CA Teen Poet Laureate, and Individual Artists Fellowships. The Art Council was allocated \$34.5 million of state funds for the fiscal year 2025-26, and the Governor's budget for 2026–27 proposes \$36.1 million.

California Cultural Districts. AB 189 (Bloom, 2015) tasks the Arts Council with establishing criteria and guidelines for state-designated cultural districts, which are geographical areas certified by the Arts Council with a concentration of cultural facilities, creative enterprises, or arts venues that do any of the following:

- Attracts artists, creative entrepreneurs, and cultural enterprises.
- Encourages economic development and entrepreneurship in the creative community.
- Encourages the preservation of artistic and culturally historic buildings and structures.
- Fosters local cultural development.
- Provides a focal point for celebrating and strengthening the unique cultural identity.
- Promotes opportunity without generating displacement or expanding inequality.

In 2017, the Art Council designated 14 original districts, and in 2026, the Art Council designated 10 new districts, including the Historic South Los Angeles Black Cultural District.²

Historic South Los Angeles Black Cultural District. The formal recognition of the Historic South Los Angeles Black Cultural District is a vital step toward recognizing South L.A.'s deep and enduring cultural contributions, addressing historic inequities, and ensuring Black cultural treasures are protected and celebrated. South L.A. has a historically high rate of Black residency and is home to the highest concentration of Black cultural assets in California, including museums, local businesses, restaurants, and entertainment venues.

The author wants to create a voluntary funding solution to ensure the Historic South Los Angeles Black Cultural District fulfills its promise as a historic designation by establishing the Black Cultural District Voluntary Tax Contribution Fund.

Proposed Law

Senate Bill 1073 establishes the Black Cultural District Voluntary Tax Contribution Fund; authorizes taxpayers to make contributions to the fund on their state PIT return in tax years 2026 through 2032; and allocates the fund's monies to the Arts Council to construct and maintain the Black Cultural District designated in the South City of Los Angeles for the following:

² <https://www.caculturaldistricts.org/discover-the-districts>.

- Celebrate the diversity of California while unifying under an umbrella of shared values;
- Help to grow and sustain authentic grassroots arts and cultural opportunities;
- Increase the visibility of local artists;
- Increase community participation in local arts and culture; and
- Promote socioeconomic and ethnic diversity.

The bill also specifies a minimum contribution amount of \$250,000 for any calendar year to remain on the PIT return; provides that if the amount of the contributions estimated for that calendar year is not at least equal to the minimum contribution amount, the VCF shall become inoperative on January 1 of that calendar year and be repealed on December 1 of that year; and directs the Arts Council to post on its website information regarding usage the allocated funds.

State Revenue Impact

FTB estimates SB 1073 will result in a revenue loss of \$0 in Fiscal Year (FY) 2026-27, \$6,000 in FY 2027-28, and \$6,000 in FY 2028-29.

Comments

1. Purpose of the bill. According to the author, “SB 1073 establishes the Black Cultural District Voluntary Contribution Fund, providing California taxpayers with a voluntary opportunity to invest directly in the preservation and long-term sustainability of the Historic South Los Angeles Black Cultural District. Since this is one of the first Black Cultural Districts to be designated in California, it plays a vital role in safeguarding California’s cultural heritage, supporting small businesses, and addressing the long-term impacts of displacement against the Black community. However, like many cultural districts, it faces chronic funding challenges that threaten its ability to thrive and remain accessible to the communities it serves. SB 1073 offers a meaningful solution by allowing Californians to make voluntary contributions through their personal income tax returns, in partnership with the California Arts Council, to directly support the Black Cultural District. The bill does not raise taxes or impose new mandates. Instead, it empowers individuals who wish to support Black history and culture with a clear, voluntary way to do so. By enabling public participation, SB 1073 helps ensure that the Historic South Los Angeles Black Cultural District can endure and be preserved for future generations.”

2. Equity. SB 1073 promotes social equity by affirming the state’s commitment to protecting living cultural heritage, supporting community-led development, and preserving Black cultural spaces to be celebrated and sustained for future generations. The bill also promotes social equity by creating an additional funding source for the Arts Council to use in the Historic South Los Angeles Black Cultural District, with specific requirements that the funding be used to bolster the district’s arts, culture, and economy. This cultural district is one of the first state-designated Black cultural districts in California, marking a major milestone in the state’s cultural preservation efforts and in the Black community.

3. Many worthy causes. Today, the PIT return contains 18 VCFs. Even though the Legislature has added many VCFs over the years, the total year-over-year contributions to each fund have remained fairly consistent. As a result, extending current or adding new ones may make it more difficult for each to meet its minimum contribution requirement. Additionally, the majority of VCFs currently on the PIT return support statewide causes, even if they are geographically specific. For example, even though the Protect Our Coast and Oceans VCF and the State Parks

Protection Fund are categorically geographic, their geographic scope spans the whole state. The Black Cultural District Voluntary Tax Contribution Fund would be the most geographically constrained VCF enacted by the Legislature. The Committee may wish to consider the precedent being set for using the state's tax form to support individual district within the state.

4. Minimum contribution requirement. The \$250,000 minimum contribution requirement for VCFs, which SB 1476 made mandatory for all new or extended VCFs, was intended to ensure that only funds with significant taxpayer support remain on the tax return, thereby justifying administrative costs and competition among funds. While paper forms posed clear cost and space concerns, the minimum requirement persists even as taxpayers have shifted over time to electronic filing. Additionally, despite the increased number of VCFs added to tax forms over the years, it is a rare occasion that a VCF fails to meet the minimum contribution requirement. In these cases, the Legislature has previously removed the minimum threshold for some VCFs, such as the California Senior Citizen Advocacy VCF (SB 309, Rubio, 2019; extended by AB 559, Boerner, 2023, which removed the minimum threshold). The Committee may wish to consider whether the reduced administrative costs resulting from the shift to electronic filing diminish the intent of the minimum contribution requirement.

5. Challenges presented by increased electronic filing. A key challenge for VCFs, from the increase in taxpayers using electronic filing, is that many taxpayers may never see these voluntary contribution options. Electronic tax preparation software often prioritizes credits and deductions, and VCF checkboxes may require proactive navigation or be otherwise unavailable in the software. As a result, even taxpayers who might want to contribute to a VCF may not be aware of the option, leading to lower overall contributions and making it difficult for VCFs to meet the \$250,000 minimum. The Committee may wish to consider whether this reduced visibility issue diminishes the practical impact of the minimum contribution requirement and the fairness of removing a fund solely due to low contributions.

6. Related bills. The committee will also hear SB 881 (McNerney), which would extend the repeal date for the Emergency Food for Families Voluntary Tax Contribution Fund to January 1, 2037. Additionally, pending referral in the Assembly is SB 575 (Laird), which would reestablish the California Sea Otter Voluntary Tax Contribution Fund for tax years 2027 through 2034.

Support and Opposition (3/20/26)

Support: California Arts Advocates (Sponsor)
Councilmember Curren D. Price, Jr., 9th District, City of Los Angeles
Greater Los Angeles African American Chamber of Commerce
LA Commons
Partnership for Growth LA
Rising Communities (formerly Community Health Councils)

Opposition: None received.

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