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Income Tax Checkoff Programs

By Kathleen Quinn

Income tax "checkoff" programs allow all taxpayers to contribute to a prescribed list of charitable organizations on their state income tax form. First appearing on the federal income tax form in 1972, the first state checkoff program was introduced in Colorado in 1977. Since then, the practice has flourished and is now used by the 41 states with a broad-based income tax. In 2003, the Federation of Tax Administrators (FTA) counted 220 checkoff programs. By 2015, that number had nearly doubled to 410 programs.

The 1972 federal income tax form included a checkoff for the Presidential Election Campaign fund. By checking this box, taxpayers could direct $1 of their tax liability to the fund. It did not increase their payment or decrease their refund, but rather redirected a portion of the government's spending revenue to public campaign funds. Colorado first introduced this idea at the state level to facilitate contributions to nongame and endangered wildlife preservation. The program was similar to the federal checkoff program, but the contributions were deducted from the resident's tax refund or increased the payment.

Most Popular Checkoff Programs

- Nongame wildlife preservation (30 states)
- Child abuse prevention (27)
- Military relief (19)
- Cancer research (16)
- Political party/clean election contributions (13)
- Special Olympic programs (7)
- State park preservation (6)

The growth in popularity of state income tax checkoff contributions has resulted in some administrative challenges. A large number of checkoff programs increases tax processing times and costs, as well as the possibility for errors. Twelve states now use a separate form dedicated to checkoffs. In response to the growth, states are developing processes to manage the number of programs that appear on their income tax forms.

State Action

The number and types of checkoff programs each state offers are as varied as the states themselves. Oregon offers the most robust list, with 30 programs included on its 2015 tax return. Four states each offer more than 20 checkoffs. Nebraska and West Virginia are the only states that offer just one checkoff program (Nongame Wildlife Preservation and Child Abuse Prevention, respectively). Since the FTA's 2003 survey of checkoff programs, states have added an average of five checkoff programs to their personal income tax forms. The greatest growth occurred in Louisiana, where the number of checkoff boxes grew from four programs in 2003 to 24 in 2015.

Some checkoff programs are unique to a specific state. Between 2000 and 2014, Wisconsin's income tax form included a Green Bay Packer's Football Stadium checkoff box to help raise funds for a $295 million renovation project. California has included a Sea Otter Fund

Did You Know?

- The number of income tax checkoff programs has nearly doubled in the past 12 years.
- Residents in 26 states and the District of Columbia can contribute to checkoff programs even if they are not receiving a tax refund.
- Arizona's "I didn't pay enough" checkoff option for the state's $1.5 billion budget deficit raised $25,000 last year.

National Conference of State Legislatures

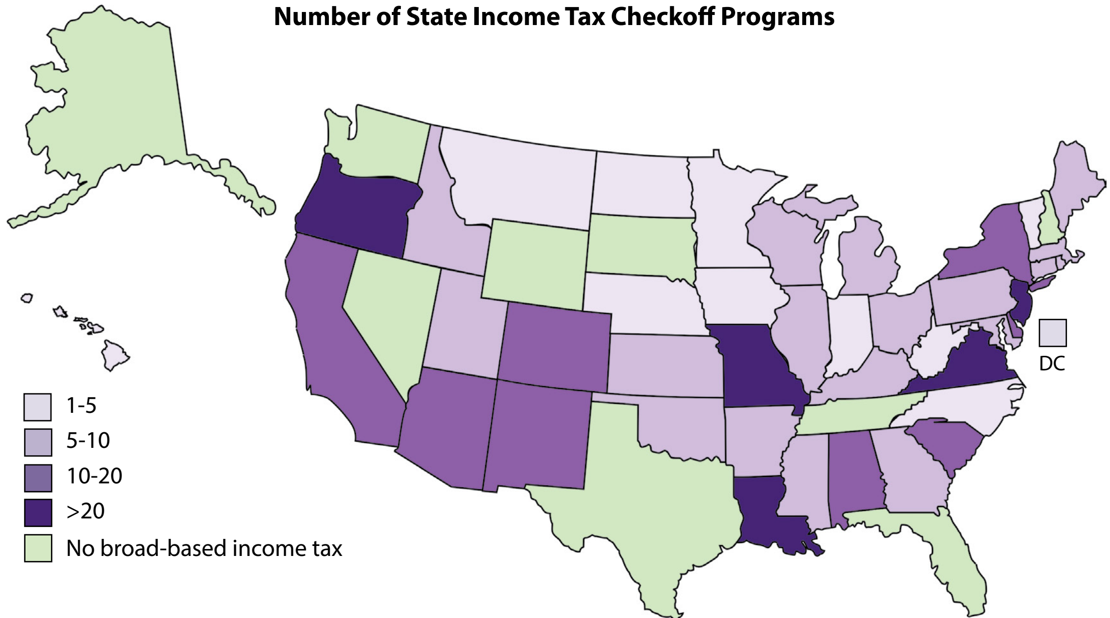
Executive Director
William T. Pound

Denver
7700 East First Place
Denver, Colorado 80230
Phone (303) 364-7700
www.ncsl.org

Washington, D.C.
444 North Capitol Street, NW, Suite 515
Washington, D.C. 20001
Phone (202) 624-5400

checkoff since 2007. The Olympic training center in Lake Placid, N.Y., home to the 1980 Winter Olympics, still holds a place on New York's checkoff list. In addition, while not a checkoff contribution, Maine residents can purchase state park passes in the checkoff portion of its tax return.

Number of State Income Tax Checkoff Programs



Note: Additional territory data was not available for the scope of this report. Puerto Rico levies a personal income tax, but has no check-off programs.

Source: NCSL, 2016

Checkoff programs usually are added through legislation, and have grown in a piecemeal manner. There is little insight into the reasoning behind adding more checkoff programs, and they generally receive very little opposition from state legislators.

In an effort to curb added administrative costs associated with these programs, state lawmakers are beginning to give them a shelf life or set other restrictions. The FTA counted 11 states with a removal procedure in place in 2003; since then, eight additional states have added minimum contribution requirements or sunset dates to their programs.

Colorado has capped the number of checkoffs at15, and employs a minimum contribution requirement and a queue for new programs seeking to make it onto the form. Oregon, the state offering the most checkoffs, has an application process and a "Charitable Checkoff Commission," a five-member committee that determines which checkoffs can be included on each year's state tax return.

Federal Action

The popularity of the federal checkoff for the Presidential Election Campaign fund has been steadily declining since 1980, with just 6 percent of U.S. taxpayers donating in 2012. The popularity of these funds also has decreased among presidential candidates because spending limits incurred with the use of public funds has made private money a more attractive option. For the first time, neither candidate elected to use the publicly available funds during both the 2012 primary and general elections. President Barak Obama signed legislation in April 2014 to end funding for party nominating conventions (one of the three groups funded by the federal program), redirecting the remaining balance of the fund to pediatric cancer research. While state checkoff programs are growing in number, it appears that the sun might be setting on the first income tax checkoff program.

NCSL Contact

Kathleen Quinn
(303) 856-1415

Additional Resources

Federation of Tax Administrators

Wisconsin Legislative Fiscal Bureau