Franchise Tax Board

ANALYSIS OF AMENDED BILL

Author:	Jerome Horton	Analyst:	Anne Mazur	Bill Number:	AB 1029
Related Bills:	See Legislative History	Telephone:	845-5404	Amended Date:	June 29, 2006
		Attorney:	Patrick Kusiak	Sponsor:	California Assessors' Association

SUBJECT:	FTB Include General Question On Returns For All Partnership, Banks & Corporations Regarding Changing Control Or Ownership & If Entity Owns Real Property In California/FTB Provide Names & Addresses To BOE

SUMMARY

This bill would require the Franchise Tax Board (FTB) to include a general question regarding change in ownership or control of entities that own real property in California in lieu of the specific questions mandated under current law.

This bill makes other changes to property tax law. This analysis only discusses the bill to the extent it impacts FTB.

SUMMARY OF AMENDMENTS

The June 29, 2006, amendments made the following changes to this bill:

- Deleted language that would revise the Government Code relating to certain personnel processes of the Board of Equalization (BOE).
- Added changes to the Revenue and Taxation Code relating to property taxation.

PURPOSE OF THE BILL

According to the author's staff, the purpose of this bill is to increase reporting compliance regarding real estate change in ownership by identifying taxpayers that fail to file a change in ownership statement with the BOE when required.

EFFECTIVE/OPERATIVE DATE

As an urgency statute, the provisions of this bill would become effective and operative immediately upon enactment.

POSITION

Pending.

Board Position:			Department Director	Date
_____ S	_____ NA	_____ NP	Selvi Stanislaus	8/23/06
_____ SA	_____ O	_____ NAR		
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ANALYSIS

STATE LAW

Current state law requires FTB to place a question on the tax return for certain entities to indicate if there has been any change of ownership of the entity for purposes of determining a change in the ownership of the taxpayer's real property during the tax year. This requirement applies for partnerships, banks, and corporations. If an entity answers "yes" to the question, FTB sends the names and addresses of the entity to BOE. FTB is also required to furnish the name and addresses of the stock, partnership, or limited liability company ownership interest transferees to BOE.

THIS BILL

This bill would eliminate the current property ownership question specified under current law and instead require FTB to include a question that generally asks: (a) if a change in control or a change in ownership, as defined, of the entity has occurred, and (b) if the entity owns real property in California.

The bill would also eliminate the requirement for FTB to furnish the name and addresses of the stock, partnership, or limited liability company ownership interest transferees to the BOE. FTB would continue to be required to furnish the names and addresses of entities answering affirmatively to the questions described in the previous paragraph.

Because the bill would not materially change the substance of the ownership question, the nature of information provided by FTB to BOE would not be impacted.

IMPLEMENTATION CONSIDERATIONS

Implementing this bill could be accomplished during the department's normal annual updates.

LEGISLATIVE HISTORY

SB 17 (Escutia, 2005/2006) would have required FTB to furnish to the BOE names and addresses of entities that either fail to respond or respond affirmatively to the real property change of ownership question on their income or franchise tax return. This bill was held in its house of origin.

AB 2777 (Stats. 1980, Ch. 1349) added the provision requiring FTB to include the change in ownership question on the forms for applicable entities.

FISCAL IMPACT

This bill would not impact the department's programs and operations.

ECONOMIC IMPACT

This bill would not impact the state's income tax revenue.

LEGISLATIVE STAFF CONTACT

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