

# ANALYSIS OF AMENDED BILL

Franchise Tax Board

Author: Polanco Analyst: Darrine Distefano Bill Number: SB 1961

Related Bills: See Legislative History Telephone: 845-6458 Amended Date: 08/28/02

Attorney: Patrick Kusiak Sponsor: \_\_\_\_\_

**SUBJECT:** FTB Disclosure of Tax Return Information to City Tax Officials

## SUMMARY

This bill expresses the Legislature's intent that the Franchise Tax Board (FTB) will implement the current law that allows FTB to provide city tax officials with tax return information.

## SUMMARY OF AMENDMENTS

The August 23, 2002, amendments add the legislative intent to this bill, which is the only provision in the bill that affects FTB.

The August 28, 2002, amendments change the other provisions of the bill, but not the legislative intent language affecting FTB.

This is FTB's first analysis of this bill.

## PURPOSE OF THE BILL

According to the Assembly Appropriations Committee, the purpose of this bill is to restore the budget change the FTB proposed to the current year's (2002/03) spending authority by enacting a more recent expression of the Legislature's intent.

## EFFECTIVE/OPERATIVE DATE

This bill would be effective and operative on January 1, 2003.

## POSITION

Pending.

## ANALYSIS

### STATE LAW

Current law (AB 63; Stats. 2001, Ch. 915), effective January 1, 2002, allows FTB to disclose to city tax officials certain income tax return information, such as: the taxpayer's name, address, social security or taxpayer identification number, and business activity code. The department's costs to implement this disclosure process and disseminate the tax return information is to be reimbursed by the city requesting the information.

Board Position:

_____ S	_____ NA	_____ NP
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_____ N	_____ OUA	_____ X PENDING

Department Director

Date

Gerald H. Goldberg

9/6/02

## **HISTORY/BACKGROUND**

FTB's analysis of AB 63 reflected a fiscal impact due to FTB's departmental costs to implement the disclosure process during fiscal year 2001/02 and administer the disclosure process during fiscal year 2002/03. Because the bill did not contain an appropriation, upon enactment, FTB issued a letter to Department of Finance (Section 28.5 letter to DOF) requesting an augmentation of the 2001/02 current year budget for the needed expenditures and authority to transfer the funds that would be reimbursed by the requesting city for payment of those expenditures. In addition, FTB submitted a budget change proposal (BCP # 16), which would add ongoing permanent expenditures to FTB's budget for fiscal year 2002/03 and the applicable spending authority. This would permanently allow FTB to transfer the funds that would be reimbursed by the requesting city for the approved departmental costs. This BCP was approved and included in the Governor's Budget. However, during the ensuing budget subcommittee hearings and budget process the BCP was denied.

## **THIS BILL**

This bill expresses the Legislature's intent that the Franchise Tax Board (FTB) will implement the current law that allows FTB to provide city tax officials with tax return information.

## **IMPLEMENTATION CONSIDERATION**

While this bill would implicitly indicate the Legislature's intent to have the spending authority for the current year (2002/03) restored, to achieve this authority the department would still be required to submit a Section 28.5 letter for this current year (2002/03) and a BCP for 2003/04 for the expenditures to be permanently added to FTB's budget. This process is time consuming, additional work for FTB staff, and still provides for uncertainty. Until the BCP is approved and it becomes a permanent part of FTB's budget, it is again subject to denial in the budget process next year.

## **LEGISLATIVE HISTORY**

SB 2051 (Bowen; 2002), which would prohibit taxpayers from amending their income tax returns using the Information Practices Act of 1977 was amended August 28, 2002, to include the same legislative intent language that is in SB 1961. This bill has been sent to enrollment.

## **FISCAL IMPACT**

This bill would not increase departmental costs. However, the intent is to restore the expenditures reflected in FTB's BCP #16 (\$397,000) to FTB's budget for 2002/03.

## **ECONOMIC IMPACT**

This bill would not affect state income tax revenues.

## **LEGISLATIVE STAFF CONTACT**

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