

# ANALYSIS OF AMENDED BILL

Franchise Tax Board

Author: Escutia Analyst: Darrine Distefano Bill Number: SB 17

Related Bills: None Telephone: 845-3627 Amended Date: 04-21-03

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

**SUBJECT:** FTB Notify BOE If An Entity Doesn't Respond To The Question On The Income Tax Return Regarding Change In Ownership Of Real Property

## SUMMARY

This bill would require the Franchise Tax Board (FTB) to report the name and address of an entity that fails to respond to the real property change of ownership question on its income or franchise tax return. The report would be made to the Board of Equalization (BOE).

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

## SUMMARY OF AMENDMENTS

The April 21, 2003, amendment added a provision requiring FTB to report to BOE business entities that fail to respond to a real property ownership question on its income or franchise tax return. The amendment also made other changes to property tax law. This is the department's first analysis of this bill.

## PURPOSE OF THE BILL

It appears the purpose of the bill is to inform BOE of the entities that fail to respond to the property ownership question on the income tax return.

## EFFECTIVE/OPERATIVE DATE

This bill would be effective and operative January 1, 2004.

## POSITION

Pending.

## ANALYSIS

### FEDERAL/STATE LAW

Current state law requires FTB to place a check box on the return for certain entities to indicate if there has been any change of ownership of the taxpayer's real property during the year. This requirement applies for partnerships, limited liability companies (LLCs), banks, and corporations. If an entity answers "yes" to the question, FTB sends the names and addresses of the entity to BOE.

Board Position:

\_\_\_\_\_ S                      \_\_\_\_\_ NA                      \_\_\_\_\_ NP  
\_\_\_\_\_ SA                      \_\_\_\_\_ O                      \_\_\_\_\_ NAR  
\_\_\_\_\_ N                      \_\_\_\_\_ OUA                      \_\_\_\_\_ X PENDING

Department Director  
Gerald H. Goldberg

Date  
05/01/03

## THIS BILL

This bill would require FTB to report the names and addresses of the corporation, bank, partnership, or LLC to BOE if the entity fails to respond to the change of ownership question on its income or franchise tax return.

## IMPLEMENTATION CONSIDERATIONS

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

## **OTHER STATES' INFORMATION**

The states surveyed include *Florida, Illinois, Massachusetts, Michigan, Minnesota, and New York*. These states were selected due to their similarities to California's economy, business entity types, and tax laws. These states income tax returns did not have a question related to the transfer of ownership of property.

## **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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