

SUMMARY ANALYSIS OF AMENDED BILL

Author: Walters Analyst: Deborah Barrett Bill Number: AB 2786
 Related Bills: See Prior Analysis Telephone: 845-4301 Amended Date: May 3, 2006
 Attorney: Patrick Kusiak Sponsor: _____

SUBJECT: Domestic Service Wages and Withholding Reported On Employer's Tax Return

- DEPARTMENT AMENDMENTS ACCEPTED. Amendments reflect suggestions of previous analysis of bill as introduced/amended _____.
- AMENDMENTS IMPACT REVENUE. A new revenue estimate is provided.
- AMENDMENTS DID NOT RESOLVE THE DEPARTMENTS CONCERNS stated in the previous analysis of bill as introduced/amended _____.
- FURTHER AMENDMENTS NECESSARY.
- DEPARTMENT POSITION CHANGED TO _____.
- REMAINDER OF PREVIOUS ANALYSIS OF BILL AS AMENDED April 3, 2006, STILL APPLIES.
- OTHER – See comments below.

SUMMARY

This bill would allow an employer to withhold and report domestic service employment tax, as defined, on the employer's income tax return filed with the Franchise Tax Board (FTB).

SUMMARY OF AMENDMENTS

The May 3, 2006, amendments revised portions of the Unemployment Insurance Code (UIC) related to employers of domestic service employees that do not impact the department and are not discussed in this analysis. The May 3, 2006, amendments also revised the Revenue and Taxation Code to allow an individual who employs a domestic service employee to report and remit domestic service employment tax, as defined, on his or her annual personal income tax return. The Fiscal Impact of this bill is restated for convenience. The remainder of the department's analysis of this bill as amended April 17, 2006, still applies.

POSITION

Pending.

Board Position:	Legislative Director	Date
<input type="checkbox"/> S	Brian Putler	5/16/06
<input type="checkbox"/> NA		
<input type="checkbox"/> SA		
<input type="checkbox"/> N		
<input type="checkbox"/> NP		
<input type="checkbox"/> O		
<input type="checkbox"/> NAR		
<input checked="" type="checkbox"/> PENDING		

THIS BILL

As it relates to FTB, this bill would allow individuals who employ a domestic service employee to elect with Employment Development Department to report and remit domestic service employment tax, as defined, on his or her annual personal income tax return filed with FTB. This bill would require FTB to receive and transfer to EDD the wage and withholding information and funds within 60 days from the date the tax is received or the tax return is processed, whichever is later.

This bill would provide that for those who elect to report and remit wages and withholding on the personal income tax return, the domestic service employee tax payment is due by the time fixed for filing the return without regard to extension, while the information required by this annual reporting would not be delinquent if filed by the time required for filing (including extensions).

This bill would require FTB to revise the tax forms and booklets to include information regarding the election provided under this bill. This bill would be operative for taxable years beginning on or after January 1, 2008, and would be repealed on January 1, 2013, unless a later enacted statute deletes or extends that date.

FISCAL IMPACT

Implementation of this bill would require changes to existing tax forms and electronic applications that could require the current tax return to expand to an additional page. If the forms did increase to three pages, the department would incur costs of over \$2 million for revising the forms and instructions, printing, systems changes, processing, and storage.

This bill would require the development of an additional form to be sent with the return, also impacting departmental printing, processing, and storage costs. The additional costs will be identified and, if needed, an appropriation requested as the bill moves through the legislative process.

TECHNICAL CONSIDERATION

Page 5, line 14, "enactment" should be changed to "enacted".

LEGISLATIVE STAFF CONTACT

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