

SUMMARY ANALYSIS OF AMENDED BILL

Author: Walters Analyst: Deborah Barrett Bill Number: AB 2786
 Related Bills: See Prior Analysis Telephone: 845-4301 Amended Date: June 15, 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 17, 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 June 15, 2006, amendment deleted the requirement for domestic service employers to submit an annual reconciliation report to the Employment Development Department. These amendments would increase the amount of employment data to be reported by eligible employers through their personal income tax returns and would increase the processing costs to FTB. A new technical concern, a suggestion for language to allow a direct appropriation to fund FTB costs, and a revised fiscal cost estimate are provided in the analysis below. The remainder of the department's analysis of the bill as amended on April 17, 2006, still applies.

Summary of Suggested Amendments

Amendment 1 is provided to suggest appropriation language to fund the department's costs.

Board Position:	Legislative Director	Date
<input type="checkbox"/> S	Brian Putler	6/23/06
<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		

POSITION

Pending.

TECHNICAL CONCERN

On page 20, line 14, "2007" should be changed to "2008" because the election referred to is for wages paid on or after January 1, 2008.

FISCAL IMPACT

Eliminating the annual reconciliation report to EDD will require FTB to collect additional data for EDD to properly administer employment taxes for domestic service employers. The additional data will require changes to department systems, forms, instructions, and applications and would add to FTB processing and storage costs. The bill's provisions would require the department to incur an estimated one time implementation cost of \$679,125 and ongoing annual costs estimated at \$317,493.

Amendment 1 is provided to suggest appropriation language to fund the department's costs.

LEGISLATIVE STAFF CONTACT

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FRANCHISE TAX BOARD'S
PROPOSED AMENDMENTS TO AB 2786
As Amended June 16, 2006

AMENDMENT 1

On page 20, after line 31, insert:

SEC.13. The sum of six hundred seventy nine thousand, one hundred and twenty five dollars (\$679,125) is hereby appropriated to the Franchise Tax Board in augmentation of its support budget (item of the Governor Budget- Chap __, Statutes of 2006).