

SUMMARY ANALYSIS OF AMENDED BILL

Author: _____ Analyst: Deborah Barrett Bill Number: AB 2905
 Related Bills: See Prior Analysis Telephone: 845-4301 Amended Date: May 26, 2006
 Attorney: Patrick Kusiak Sponsor: _____

SUBJECT: Ready 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 INTRODUCED February 24, 2006, X STILL APPLIES.

X OTHER – See comments below.

SUMMARY

This bill would allow Franchise Tax Board (FTB) to offer the ReadyReturn filing option to eligible taxpayers.

SUMMARY OF AMENDMENTS

The May 26, 2006, amendments made the following changes:

- Removed provisions that prohibited the mailing of a ReadyReturn to eligible taxpayers,
- Removed requirements to mail notices to taxpayers,
- Removed system navigation requirements,
- Added provisions to emphasize the voluntary nature of ReadyReturn to taxpayers,
- Added legislative intent that a non-Internet option for obtaining the ReadyReturn be available to taxpayers but can be eliminated under certain circumstances, and
- Added express language authorizing the continuation of the ReadyReturn.

Board Position:
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Legislative Director	Date
Brian Putler	6/27/06

The May 26, 2006, amendments resolved the Implementation Concerns identified in the department's analysis of the bill as amended April 17, 2006, and altered the Fiscal Impact identified in that same analysis. A revised Fiscal Impact is provided in the discussion below. The remainder of the department's analysis of the bill as introduced February 24, 2006, still applies.

POSITION

Pending.

THIS BILL

This bill would allow the ReadyReturn Pilot to continue as a filing method option for taxpayers. This bill provides that FTB may provide all eligible taxpayers with a ReadyReturn, as defined, which includes a record of the taxpayer's wages that have been reported by employers and the tax liability attributable to those wages reported.

The bill would require FTB to notify taxpayers that the ReadyReturn is an available filing option for eligible taxpayers and include the following information in the notice:

1. Taxpayers may choose to view or file a ReadyReturn.
2. A description of ReadyReturn that includes, but is not limited to, the following statement:

"ReadyReturn gives a taxpayer access to the wage data received from his or her employer. ReadyReturn gives a taxpayer the option of viewing or filing a 'ReadyReturn.' A ReadyReturn is a completed tax return that is based on the following: wage data received from an employer, the taxpayer's filing status from the prior year, amounts withheld by the employer, and additional taxes owed to the state, or refund owed to the taxpayer."

3. Immediately following the description the following statement, in boldface and large font, is required:

"The ReadyReturn program is an optional service for the convenience of taxpayers with simple returns. You are under absolutely no requirement to use this Program. You may choose not to look at the online program or to look at the online program and not file the ReadyReturn. If you choose not to view or file a ReadyReturn, this will not affect your tax liability in any way."

The bill would require FTB to make this statement viewable on the ReadyReturn Web site, and provided to every taxpayer that uses the online ReadyReturn prior to logging in and prior to electronically signing an electronically submitted ReadyReturn.

The bill would provide that no negative inference will be drawn from a taxpayer's decision not to file a ReadyReturn or to file under a different method.

The bill would provide that if a taxpayer files a ReadyReturn, no late payment penalty will be assessed for any tax that should have been shown on the return that was not so shown.

The bill would provide that an alternate method for obtaining a ReadyReturn in a paper format be developed for taxpayers without Internet access. This method may be eliminated by the Franchise Tax Board if requests for paper returns fall below 10% of the total ReadyReturns filed in the immediately previous taxable year.

The bill would provide legislative intent language for FTB to provide all taxpayers with access to wage data or other tax return information reported by third parties and maintained on the records of the FTB by January 1, 2009.

The bill would provide that contingent upon the successful implementation of an authentication solution to ensure taxpayer privacy and security of taxpayer data, taxpayers shall be able to authorize their preparers or agents to access any information provided as part of ReadyReturn. The bill would require FTB to work with providers of proprietary software to make taxpayer wage data available to taxpayers using the proprietary software.

The bill also provides express language authorizing the continuation of ReadyReturn.

FISCAL IMPACT

The paper return option would utilize an Interactive Voice Response (IVR) function that would interface with the FTB ReadyReturn processes to determine eligibility and initiate a mailing to the taxpayer. The reduction in net costs in subsequent years assumes increased participation in the ReadyReturn by eligible taxpayers.

Cost and Benefit	2006 Tax Year	2007 Tax Year	2008 Tax Year
One-time IT Costs-Online	(\$171,000)		
Yearly Costs- Online	(\$108,000)	(\$122,000)	(\$126,000)
One Time IVR Costs	(\$70,000)		
Yearly Costs-IVR		(\$19,000)	(\$19,000)
Yearly Staff Costs for Calls	(\$72,000)	(\$162,000)	(\$192,000)
Yearly Mailing Costs	(\$21,000)	(\$63,000)	(\$112,000)
Subtotal-Costs	(\$442,000)	(\$366,000)	(\$449,000)
Benefits from Online Filing	\$92,000	\$212,000	\$282,000
Benefits from Paper Filing	\$4,000	\$11,000	\$19,000
Net (Cost)/Benefit	(\$346,000)	(\$143,000)	(\$148,000)

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