

REVISED ANALYSIS

Author: Leno Analyst: Deborah Barrett Bill Number: AB 799
 Related Bills: See Legislative History Telephone: 845-4301 Original Analysis Date: June 21, 2006
 Attorney: Patrick Kusiak Sponsor: _____

SUBJECT: Local Vehicle License Fee Deduction/FTB Report To Controller & San Francisco City & County Auditor Amount Of Revenue Loss & Costs Incurred By FTB

- REVENUE ESTIMATE CHANGED.
 FURTHER CONCERNS IDENTIFIED.
 REMAINDER OF PREVIOUS ANALYSIS OF BILL AS INTRODUCED February 18, 2005, STILL APPLIES.
 OTHER – See comments below.

SUMMARY OF BILL

This bill would require the Franchise Tax Board (FTB) to report the amount of revenue loss to the state as a result of increased itemized deductions taken by residents of the City and County of San Francisco for a local vehicle license fee.

SUMMARY OF REVISION

FTB has finished review of this bill's requirements and is able to refine the costs associated with implementing the provisions of this bill. The department requests that the author amend the bill to include appropriation language for the department's costs to implement the bill. The remainder of the department's analysis of the bill as introduced February 18, 2005, still applies. The Fiscal Impact is restated below for convenience.

POSITION

Pending.

Summary of Suggested Amendments

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

FISCAL IMPACT

Based on the information provided by the Department of Motor Vehicles (DMV), the department has identified two implementation schemes that may occur under the provisions of this bill.

Board Position:	Legislative Director	Date
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<input type="checkbox"/> SA		
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<input type="checkbox"/> NA		
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<input type="checkbox"/> NAR		
<input checked="" type="checkbox"/> PENDING	Patrice Gau-Johnson for Brian Putler	7/24/06

Implementation Scheme 1

If DMV is able to provide the primary identifier needed for an automated match of taxpayers that take the local VLF deduction, the department estimates that the annual cost to determine the amount of revenue loss to the state resulting from the provisions of this bill would be approximately \$170,000. This amount includes the required programming, personnel, and equipment costs to develop data extraction and matching programs to provide the data this bill would require.

Implementation Scheme 2

If DMV is unable to provide the primary identifier that could be utilized on existing FTB systems, additional programming, personnel, and equipment costs would be required to determine the amount of revenue loss that would result from this bill. These costs are expected to be approximately \$300,000. Based on previous data matches of DMV data to FTB data where primary identifiers were not required, the department estimates that about 60% of the applicable taxpayers would be identified. That relatively low percentage of matches is due to the inaccuracies associated with name and address matches. Consequently, the department would be unable to identify 40% of the potential revenue loss to the state that would result from taxpayers taking the additional deduction on state returns.

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 799
As Amended 06-21-2006

AMENDMENT 1

On Page 5, after line 35, insert:

SEC 3. The sum of three hundred thousand dollars (\$300,000) is hereby appropriated to the Franchise Tax Board in augmentation of item 1730-001-0001 of Chapter 47, Statutes of 2006.