

Franchise Tax Board

ANALYSIS OF ORIGINAL BILL

Author: Cedillo Analyst: Raul Guzman Bill Number: SB 1374

Related Bills: See Legislative History Telephone: 845-4624 Introduced Date: February 21, 2006

Attorney: Patrick Kusiak Sponsor: _____

SUBJECT: FTB Disclosure Of Tax Return Information to Cities/Delete Repeal Date

SUMMARY

This bill would remove the sunset date from current law that allows the Franchise Tax Board (FTB) to provide tax information to tax officials of any city in California.

PURPOSE OF THE BILL

According to the author's office, the intent of this bill is to remove the repeal date so that the FTB can continue to disclose taxpayer information to city tax officials.

OPERATIVE DATE

This bill would become effective January 1, 2007, and would apply to taxable years beginning on or after that date.

POSITION

Pending.

ANALYSIS

FEDERAL/STATE LAW

Federal law provides that returns and tax information are confidential and may not be disclosed to federal or state agencies or employees, except for authorized purposes.

State law prohibits the disclosure of any taxpayer information, except as specifically authorized by statute. An FTB employee or member who is in possession of state tax information or federal tax information received under the fed-state information sharing agreement that improperly releases state or federal tax information is subject to criminal prosecution.

Passage of Section 19551.1 allowed FTB to disclose a taxpayer's name, address, social security or taxpayer identification number, and business activity code to tax officials of a city. Use of this information was limited to employees of the taxing authority of a city, and a repeal date of December 31, 2008, was provided for the purpose of adding double-jointing language with AB 2005.

Board Position:			
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<input type="checkbox"/> SA	<input type="checkbox"/> O	<input type="checkbox"/> NAR	
<input type="checkbox"/> N	<input type="checkbox"/> OUA	<input checked="" type="checkbox"/> PENDING	

Department Director	Date
Selvi Stanislaus	4/4/06

Section 19551.1 describes how information can be exchanged between FTB and the cities. Information under this agreement can be used only for tax administration purposes as required by existing law. Any unauthorized disclosure or willful browsing of the information received by the city pursuant to this bill would be considered a misdemeanor.

Improper disclosure of state tax information is a misdemeanor and improper disclosure of federal tax information is a felony.

THIS BILL

This bill would make the current law permanent that allows FTB to provide taxpayer information to city officials by removing the December 31, 2008 repeal date.

This bill also includes a second section; the second section applies to the Employment Development Department (EDD).

LEGISLATIVE HISTORY

AB 63 (Cedillo, Stats. 2002, Ch. 915), was held in the assembly floor, would have permitted FTB to disclose income tax information to tax officials of charter cities.

AB 1992 (Cedillo 1999/2000), was held on the Assembly Floor, would have permitted FTB to disclose income tax information to tax officials of charter cities.

AB 385 (Knox 1999/2000), failed passage in Senate Revenue and Taxation, would have permitted FTB to disclose income tax information to tax officials of charter cities.

PROGRAM BACKGROUND

Prior to enactment of Revenue and Taxation Code Section 19551.1, Stats. 2001, Ch. 915 (AB 63), California law prohibited FTB from disclosing a taxpayer's name, address, social security or taxpayer identification number, and business activity code to tax officials of a city except by specific request and supporting affidavit. The affidavit was required to state the purpose of the request and demonstrate that the information would be used only for authorized purposes.

FISCAL IMPACT

Departmental Costs

Since Section 19551.1 was added, FTB requested two personnel years (PYs) at an annual cost of \$150,000 for periodic audits of the California cities that are in contract with FTB to ensure that recipients of the tax information are complying with the statutory confidentiality requirements.

ECONOMIC IMPACT

Revenue Estimate

This bill would have no identifiable revenue effect on state income tax receipts.

LEGISLATIVE STAFF CONTACT

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