

SUMMARY ANALYSIS OF AMENDED BILL

Author: Ackerman Analyst: Rachel Coco Bill Number: SB 157
 Related Bills: See Prior Analysis Telephone: 845-4328 Amended Date: April 6, 2005
 Attorney: Patrick Kusiak Sponsor: Franchise Tax Board

SUBJECT: Installment Agreements for Business Entities/Partial Payment Installment Agreements

- 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 8, 2005, STILL APPLIES.
- OTHER – See comments below.

SUMMARY

This bill would allow taxpayers, including business entities, to enter into partial payment installment agreements to satisfy a tax liability.

SUMMARY OF AMENDMENTS

The April 6, 2005, amendments conformed to federal law by allowing taxpayers to enter into partial payment installment agreements.

As a result of the amendments, the “This Bill” and “Revenue Impact” portions of the prior analysis have been revised. The remainder of the department’s analysis of the bill as introduced February 8, 2005, still applies.

POSITION

Support.

On December 1, 2004, the Franchise Tax Board voted 2-0, with the representative from the Department of Finance abstaining, to sponsor the provisions of this bill as introduced.

Board Position:	Department Director	Date
<input checked="" type="checkbox"/> S	Brian Putler	4/12/05
<input type="checkbox"/> NA		
<input type="checkbox"/> SA		
<input type="checkbox"/> N		
<input type="checkbox"/> NP		
<input type="checkbox"/> O		
<input type="checkbox"/> OUA		
<input type="checkbox"/> NAR		
<input type="checkbox"/> PENDING		

THIS BILL

This bill would allow a business entity to enter into an installment agreement with the Franchise Tax Board (FTB) to satisfy a tax liability.

This bill would provide that any informal payment arrangement made with FTB prior to the effective date of this bill would be treated as an installment agreement for purposes of tax amnesty. Therefore, this bill would exempt a business entity in an informal payment arrangement prior to February 1, 2005, from the amnesty penalty.

This bill would allow installment agreements or informal payment arrangements treated as installment agreements, entered into prior to the later of July 1, 2005, or the effective date of the bill, to be exempt from the \$20 installment agreement set-up fee.

This bill also would allow all taxpayers to enter into installment agreements for less than the full amount of the tax due. In the case of an individual taxpayer, the bill specifies that if the department determines that full payment can be made within 36 months, full payment would be required.

The bill would require FTB to review the partial payment installment agreements at least once every two years.

ECONOMIC IMPACT

Revenue Estimate

This bill would result in the following revenue impact:

Estimated Revenue Impact of Conforming to Partial Payment Installment Agreements (\$ millions)			
Fiscal Year	2005-06	2006-07	2007-08
	\$1	a/	b/

a/ A gain of less than \$250,000

b/ A loss of less than \$500,000

Revenue Discussion

This estimate is based on federal projections for the American Jobs Creation Act. Based on federal data, conformity to this provision in the form of acceleration would yield a \$1 million gain for the first fiscal year, a negligible gain for the 2006-07 year, and a minor loss for fiscal year 2007-08.

LEGISLATIVE STAFF CONTACT

Rachel Coco
Franchise Tax Board
(916) 845-4328
rachel.coco@ftb.ca.gov

Brian Putler
Franchise Tax Board
(916) 845-6333
brian.putler@ftb.ca.gov