

**Franchise Tax Board**

**ANALYSIS OF ORIGINAL BILL**

Author: Maldonado Analyst: Deborah Barrett Bill Number: SB 1606

Related Bills: See Legislative History Telephone: 845-4301 Introduced Date: February 24, 2006

Attorney: Patrick Kusiak Sponsor: \_\_\_\_\_

**SUBJECT:** State Budget/Two Year Budget

**SUMMARY**

This bill would provide for a two-year state budget.

This bill contains provisions related to the Department of Transportation, Controller, Department of Finance, and State Board of Equalization that do not impact this department and are not discussed in this analysis.

**PURPOSE OF THE BILL**

According to the author's staff, the purpose of the bill is to comply with the California Performance Review recommendations to adopt a two-year budget to obtain administrative savings and reduce administrative costs.

**EFFECTIVE/OPERATIVE DATE**

This bill would become effective on January 1, 2007, and if an Assembly Constitutional Amendment is submitted to and approved by the voters at a statewide election, it would be operative commencing with the fiscal year beginning in the next calendar year after that approval.

**POSITION**

Pending

**ANALYSIS**

STATE LAW

Under current state law, the Governor is required to submit a budget for the ensuing fiscal year to the Legislature within the first ten days of the calendar year. The budget is required to include an itemized statement for recommended state expenditures and estimated state revenues.

Current state law requires the department to impose a Collection Cost Recovery Fee if a taxpayer fails to pay any amount of tax, penalty, and additions to tax, interest, or other liability imposed and delinquent after a notice for payment has been mailed to the taxpayer. Current state law requires the department to impose a Filing Enforcement Cost Recovery (FECR) fee if the taxpayer fails to file a tax return within 25 days after the department mails a Demand for Tax Return. The amount of the Collection fee and the FECR fee is based on the actual cost of the collection and filing enforcement programs. The fees authorized under state law are set in the annual Budget Act.

Board Position:	Department Director	Date
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## THIS BILL

This bill would change the annual budget act to a two-year budget act. This bill provides that the costs that determine the collection and filing enforcement recovery fees will be determined every two years, in accordance with the two-year budget.

This bill requires that a constitutional amendment approved by the voters in a statewide election be enacted for the provisions of this bill to become operative.

## IMPLEMENTATION CONSIDERATIONS

Implementation of this bill would not significantly impact the department's programs or operations.

## **LEGISLATIVE HISTORY**

ACA 6 (Leach 1999/2000) was a constitutional amendment requiring the Governor to submit, in each odd-numbered calendar year, a budget for the two-year period commencing July 1, and that the Budget Bill passed by the Legislature also encompass that two-year period. This bill was referred to various committees but was never heard.

ACA 8 (Davis, 1999/2000) was a constitutional amendment requiring the Governor to submit, in each odd-numbered calendar year, a budget for the two-year period commencing July 1, and that the Budget Bill passed by the Legislature also encompass that two year period. This bill also included provisions for midterm budget rebalancing measures. This bill was referred to various committees but was never heard.

## **OTHER STATES' INFORMATION**

The states reviewed include *Florida, Illinois, Massachusetts, Michigan, Minnesota, and New York*. These states were selected due to their similarities to California's economy, business entity types, and tax laws. Only *Minnesota* has a biennium budget cycle.

## **FISCAL IMPACT**

The department anticipates that any fiscal cost or savings derived from the provisions of this bill would be dependent on what interim budget reporting requirements are developed by the Department of Finance (DOF). It is anticipated that any savings would be offset by the number of budgetary revisions that may be required if a two-year budget cycle were to be implemented. Until DOF requirements are established, potential savings or costs are unknown.

## **ECONOMIC IMPACT**

This bill would not impact the state's income tax revenues.

## **LEGISLATIVE STAFF CONTACT**

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