Franchise Tax Board

SUMMARY ANALYSIS OF AMENDED BILL

Author:	Migden	Analyst:	Deborah Barrett	Bill Number:	SB 1752
Related Bills:	See Prior Analysis	Telephone:	845-4301	Amended Date:	April 6, 2006
		Attorney:	Patrick Kusiak	Sponsor:	

SUBJECT: State Agencies Shall Furnish To The Controller Address or Other Identification Or Location Information To Be Used To Locate Owners Of Unclaimed Property

____ DEPARTMENT AMENDMENTS ACCEPTED. Amendments reflect suggestions of previous analysis of bill as introduced/amended ____________.

____ AMENDMENTS IMPACT REVENUE. A new revenue estimate is provided.

__X__ AMENDMENTS DID NOT RESOLVE THE DEPARTMENTS CONCERNS stated in the previous analysis of bill as introduced February 24, 2006 ____________.

____ FURTHER AMENDMENTS NECESSARY.

____ DEPARTMENT POSITION CHANGED TO ____________.

__X__ REMAINDER OF PREVIOUS ANALYSIS OF BILL AS INTRODUCED February 24, 2006 STILL APPLIES.

____ OTHER – See comments below.

SUMMARY

This bill would require state and local agencies to provide confidential information to the Controller to locate owners of unclaimed property.

SUMMARY OF AMENDMENTS

The April 6, 2006, amendments added language requiring interest to be paid on the funds received in the Unclaimed Property Fund after January 1, 2007, to the owners of the unclaimed property. These interest payments have a potential impact on tax revenues, which is discussed in the analysis below under “Economic Impact”, but do not otherwise impact the department’s programs or operations, and are not discussed in this analysis. The April 6, 2006, amendments also made numerous technical changes to the bill language.

The amendments did not resolve the “Implementation Considerations” identified in the analysis of the bill as introduced on February 24, 2006. Those concerns are restated below for the author’s convenience. The remainder of the analysis of the bill as introduced is still applicable.

Board Position:			Legislative Director	Date
____ S	____ NA	____ NP		
____ SA	____ O	____ NAR	Brian Putler	5/10/06
____ N	____ OUA	__X__ PENDING		

POSITION

Pending.

IMPLEMENTATION CONSIDERATIONS

The department has identified the following implementation concerns. Department staff is available to work with the author's office to resolve these and other concerns that may be identified.

Violation of the federal disclosure laws is a felony. The Franchise Tax Board (FTB) is also prohibited by agreement from disclosing any Internal Revenue Service (IRS) sourced taxpayer information, unless express consent has been received from the IRS. Failure to adhere to the express terms of the agreement could result in the IRS terminating its information sharing agreement with the department, resulting in significant loss of state income tax revenue that is generated from use of IRS data. As requested by the author's staff, proposed amendments have been suggested to resolve this concern.

ECONOMIC IMPACT

Based on data and assumptions discussed below, the PIT and Corporation Tax revenue gain from this bill would be as follows:

Estimated Revenue Impact of SB 1752 Effective On Or After January 1, 2007 Enactment Assumed After June 30, 2006 (Whole $ Amounts)			
	2006-07	2007-08	2008-09
Unclaimed Property	No impact	a/	a/

a/ A minor gain is less than $500,000.

This estimate does not consider the possible changes in employment, personal income, or gross state product that could result from this measure.

Revenue Discussion:

Data from the State Controllers' Office showed that $238.5 million was paid out in fiscal year 2004-05 from the Unclaimed Property Fund. A projected $241.5 million will be paid out in fiscal year 2006-07. Assuming a 5% simple interest rate is paid on the $241.5 million, the total amount paid out by the Unclaimed Property fund would be $253.6 million ($241.5 million increased by 5% is $253.6 million). The taxable total is the difference between the amount paid with the 5% interest rate, and the amount paid before the interest is added ($253.6 million minus $241.5 million equals $12 million).

It was assumed that only two-thirds of property owners are taxable, bringing the taxable revenue gain to $8 million ($12 million times 2/3 equals $8 million). A 6% marginal tax rate was then applied to the $8 million taxable amount for a revenue gain of $483,000 in fiscal year 2006-07. Since the proposal would not go into effect until January 1, 2007, and taxes paid on the interest would be paid in the 2008 tax year, the first fiscal year, 2006-07, has no impact. The second fiscal year, 2007-08, reflects the first full year with a revenue gain of $483,000. The 2008-09 fiscal year is revenue gain of $486,000.

In addition to the economic impact discussed above, if the bill remains in its original form, and the flow of Federal Tax Information (FTI) is affected as a result of noncompliance with the information sharing agreements in place with the IRS, significant revenue attributable to the use of FTI data would be lost.

LEGISLATIVE STAFF CONTACT

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