

ANALYSIS OF AMENDED BILL

Franchise Tax Board

Author: Jones Analyst: Jennifer Bettencourt Bill Number AB 1517

Related Bills: See Legislative History Telephone: 845-5163 Amended Date: March 28, 2007

Attorney: Douglas Powers Sponsor: _____

SUBJECT: Public Utilities Commission Determine Amount Of State & Federal Income Taxes Paid By Each Electrical, Gas, & Water Corporation & Annually Report to Legislature & DOF

SUMMARY

This bill would require the Public Utilities Commission (PUC) to report to the Legislature and the Department of Finance (DOF) on the amount of state and federal income taxes paid by utility companies.

SUMMARY OF AMENDMENTS

The bill as introduced, February 23, 2007, would require the PUC to provide an annual report regarding taxes paid by utility companies.

The March 28, 2007, amendments would specify which public utilities and information to be included in the report, and which expenses could be included in rates charged.

This is the department's first analysis of this bill.

PURPOSE OF THE BILL

According to the author's office the purpose of this bill is to provide a method to verify that rate-payer dollars paid for state and federal income tax to public utilities coincides with the actual amounts of tax paid.

EFFECTIVE/OPERATIVE DATE

If enacted during the 2007 legislative session, this bill would be effective and operative on or after January 1, 2008.

POSITION

Pending.

Board Position:

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_____ N _____ OUA X PENDING

Department Director

Date

Brian Putler
For Selvi Stanislaus

5/17/07

ANALYSIS

STATE LAW

Under current law, Chapter 7 Article 2 of the Revenue & Taxation Code, the Franchise Tax Board (FTB) is prohibited from disclosing any confidential taxpayer information unless an exception to the general disclosure law specifically authorizes the disclosure. Any FTB employee responsible for the unauthorized disclosure of state or federal tax information is subject to criminal prosecution. Improper disclosure of state tax information is a misdemeanor and improper disclosure of federal tax information is a felony.

THIS BILL

This bill would require the PUC to provide an annual report to the Legislature and the DOF that contains the amount of state and federal income taxes actually paid by each electrical, gas, and water corporation.

Based on the most recently available filings of both federal and state income tax returns, this bill specifies that the annual report should include:

- The taxable income and actual income taxes paid by each public utility,
- The taxable income and actual income taxes paid by each owner and affiliate that relate directly to the service by the public utility, and
- The expense for income tax the PUC authorized the public utility to include in rates for the same year as the most recent tax filings.

IMPLEMENTATION CONSIDERATIONS

As discussed above, current law expressly prohibits the department from disclosing taxpayer information. As a result, the department would be unable to provide the necessary information for the PUC annual report. As such, this bill would not impact the department's programs or operations.

OTHER STATES' INFORMATION

This bill would not make any changes to the Revenue and Taxation Code. As such, a comparison to the tax laws of other states would not be meaningful for this bill.

FISCAL IMPACT

This bill would not impact the department's costs.

ECONOMIC IMPACT

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

LEGISLATIVE STAFF CONTACT

Jennifer Bettencourt
Franchise Tax Board
(916) 845-5163
jennifer.bettencourt@ftb.ca.gov

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