

SUMMARY ANALYSIS OF AMENDED BILL

Author: Eng Analyst: Angela Raygoza Bill Number: AB 1925
 Related Bills: See Prior Analysis Telephone: 845-7814 Amended Date: March 24, 2008
 Attorney: Patrick Kusiak Sponsor: Franchise Tax Board

SUBJECT: Failure To Resolve Outstanding Liabilities As Grounds For Revoking a Professional or Occupational License

- 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 12, 2008, STILL APPLIES.
- OTHER – See comments below.

SUMMARY

This bill would allow the Franchise Tax Board (FTB) to suspend occupational and professional licenses because of unpaid income tax liabilities and notify the applicable licensing agency of the suspension.

SUMMARY OF AMENDMENTS

The March 24, 2008, amendments would do the following:

- Remove the provision that would eliminate the Contractor’s State License Board’s (CSLB’s) current authority to receive state income tax delinquency information from FTB and to suspend those licensees with FTB income tax delinquencies.
- Add a provision that would allow CSLB and FTB to have concurrent authority to suspend contractor’s licenses.
- Add a provision that would require licensing boards to provide FTB information upon request.
- Provide a limited hearing by FTB for license holders with outstanding tax liabilities as of the date of enactment on the issue of whether the license holder has failed to pay the tax liability reflected in the notice of state tax lien.
- Make technical non-substantive changes.

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| Board Position: | Asst. Legislative Director | Date |
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| <input type="checkbox"/> NAR | Patrice Gau-Johnson | 3/28/08 |
| <input type="checkbox"/> PENDING | | |

As a result of the amendments, the “This Bill” and “Fiscal Impact” discussions, as provided in the department’s analysis of the bill as introduced February 12, 2008, have been revised. Except for the discussion in this analysis, the remainder of the department’s analysis of the bill as introduced still applies. The revenue analysis has been repeated for convenience.

The Appendix has been revised to exclude licensing agencies that only license businesses. The excluded agencies are as follows:

- Bureau of Private Postsecondary and Vocational Education
- Bureau of Home Furnishings and Thermal Insulation
- Bureau of Electronic and Appliance Repair
- Bureau of Automotive Repair
- Division of Investigation (reviews complaints for Department of Consumer Affairs)

ANALYSIS

THIS BILL

This bill would allow FTB to suspend an occupational or professional license because of unpaid income tax liabilities. FTB would suspend a license only after the following have been provided to the debtor:

- Notice of State Income Tax Due,
- Final Notice Before Levy,
- Order To Withhold (OTW) is issued (if debtor’s bank information is available to FTB),
- Notice of State Tax Lien (issued when a state tax lien is recorded),
- 60-day preliminary suspension notice.

This bill would allow FTB to disclose to the licensing boards the reason for the suspension – unpaid taxes.

- This bill specifies that FTB staff would provide a hearing, upon request, for license holders who would experience a financial hardship as a result of the suspension.

This bill would define the following:

- “Hardship” means financial hardship, as determined by FTB, where the licensee is financially unable to pay any part of their taxes including penalties, interest, and applicable fees and is unable to qualify for an installment payment arrangement pursuant to Section 19008 of the Revenue and Taxation Code.
- “License” includes certificate, registration, or any other authorization to engage in a business or profession issued by a state governmental licensing entity.

- “Licensee” means any entity authorized by a license, certificate, registration, or other authorization to engage in a business or profession issued by a state governmental licensing entity.
- “State governmental licensing entity” means any entity included in Sections 101, 1000, or 19420 of the Business and Professions Code (approximately 36 licensing entities), the Office of Attorney General, the Department of Insurance, the State Bar of California, the Department of Real Estate, and any other state agency, board, or commission that issues a license, certificate, or registration authorizing a person to engage in a business or profession. “State governmental licensing entity” excludes the Department of Motor Vehicles. Please see the Appendix for a list of licenses that would be affected by this provision.

This bill would allow CSLB and FTB to have concurrent authority to suspend a contractor’s license.

This bill requires licensing boards to provide FTB information at a time requested by FTB.

This bill would allow a limited hearing for license holders with outstanding tax liabilities as of the date of enactment to substantiate that the license holder has paid the tax liability reflected in the notice of state tax lien.

FISCAL IMPACT

Staff estimates a one-time cost of approximately \$2.6 million (30.1 PYs) to program, develop, and test a new process within existing systems and add collection staff to review, process, and suspend accounts that have been matched to licensees. Staff estimates on-going annual costs of approximately \$1.1 million (12.4 PYs) for mailing notices and responding to taxpayer inquiries resulting from those notices. This new function would be operative in the latter part of the 2009-10 fiscal year. Implementing this bill would be contingent upon funding approval.

ECONOMIC IMPACT

Revenue Estimate

This bill would result in the following revenue gains:

| Estimated Revenue Impact of AB 1925 Effective On or After January 1, 2009 Enactment Assumed After June 30, 2008 (\$ in Millions) | | | |
|---|---------|---------|---------|
| Suspend Occupational Licenses | 2008-09 | 2009-10 | 2010-11 |
| | +\$16 | +\$29 | +\$13 |

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

Revenue Discussion

The revenue impact of this bill would depend on the number of delinquent taxpayers that possess an occupational or professional license. This estimate was calculated using the actual account balances of the department's accounts receivables for the affected taxpayers, excluding accounts in bankruptcy and installment agreements. Taxpayers subject to this proposal are those with an outstanding liability of \$1,000 or more and have owed that debt for one year or more.

It is estimated that 17,200 taxpayers with occupational and professional licenses will enter the collection process annually. Of the 17,200 taxpayers, it is estimated 38%, or 6,600, are expected to pay their delinquent debts upon notice from FTB. Current departmental data indicates the average payment amount for compliant taxpayers would be approximately \$2,000, resulting in an annual revenue increase of approximately \$13 million ($6,600 \times \$2,000 = \13.2 million). The average payment amount was calculated by the amount of payments made in response to filing enforcement notices.

Current departmental data also indicates unresolved cases of approximately 25,000 delinquent taxpayers with occupational and professional licenses in the collection process. Based on the 25,000 taxpayers, it is estimated that nearly 9,500 taxpayers would comply upon notice from FTB resulting in a revenue increase of \$19 million in the first year ($\$2,000 \times 9,500 = \19 million). The revenue for fiscal year ending 2009-10 is estimated to total \$32 million ($\19 million + $\$13$ million). It is assumed that 50 percent of the \$32 million would be collected in fiscal year 2009-2010, reducing revenue to \$16 million. The remaining \$16 million from fiscal year 2009-10 would be collected in 2010-11, in addition to the \$13 million that is assessed annually, for a revenue impact of \$29 million ($\16 million + $\$13$ million = $\$29$ million) in 2010-11. Thereafter, the annual fiscal impact of \$13 million would be collected. Because the revenue from this bill would be from tax liabilities from prior years, the estimates in the table are all accrued back one year.

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APPENDIX
Governmental Licensing Entities
(Licensing Boards that are effected by this bill)

1. Section 101 of the Business and Professions Code

| Licensing Board |
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| The Dental Board of California |
| The Medical Board of California |
| The State Board of Optometry |
| The California State Board of Pharmacy |
| The Veterinary Medical Board |
| The California Board of Accountancy |
| The California Architects Board |
| The Bureau of Barbering and Cosmetology |
| The Board of Professional Engineers and Land Surveyors |
| The Contractors' State License Board |
| The Structural Pest Control Board |
| The Board of Registered Nursing |
| The Board of Behavioral Sciences |
| The State Athletic Commission |
| The Cemetery and Funeral Bureau |
| The State Board of Guide Dogs for the Blind |
| The Bureau of Security and Investigative Services |
| The Court Reporters Board of California |
| The Board of Vocational Nursing and Psychiatric Technicians |
| The Landscape Architects Technical Committee |
| The State Board of Registration for Geologists and Geophysicists |
| The Respiratory Care Board of California |
| The Acupuncture Board |
| The Board of Psychology |
| The California Board of Podiatric Medicine |
| The Physical Therapy Board of California |
| The Arbitration Review Program |
| The Committee on Dental Auxiliaries |
| The Hearing Aid Dispensers Bureau |
| The Physician Assistant Committee |
| The Speech-Language Pathology and Audiology Board |
| The California Board of Occupational Therapy |
| The Osteopathic Medical Board of California |
| The Bureau of Naturopathic Medicine |

2. Section 1000 of the Business and Professions Code

State Board of Chiropractic Examiners

3. Section 19420 of the Business and Professions Code

California Horse Racing Board

4. Office of Attorney General

5. Department of Insurance

6. State Bar of California

7. Department of Real Estate