

**SUMMARY ANALYSIS OF AMENDED BILL**

Author: Eng/Portantino Analyst: Angela Raygoza Bill Number: AB 1925  
 Related Bills: See Prior Analysis Telephone: 845-7814 Amended Date: May 23, 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 AMENDED

April 23, 2008, STILL APPLIES.

OTHER – See comments below.

**SUMMARY**

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

**SUMMARY OF AMENDMENTS**

The May 23, 2008, amendments would do the following:

- Remove a provision that would limit the suspension process to unpaid liabilities that arise more than 60 days after the date of enactment of the bill.
- Clarify that the suspension of an occupational or professional license is by operation of statute.
- Add language that would allow FTB to postpone a financial hardship hearing and defer a suspension if the licensee can show “good cause.”
- Add a co-author.

Board Position:

S                      \_\_\_\_\_ NA                      \_\_\_\_\_ NP  
 \_\_\_\_\_ SA                      \_\_\_\_\_ O                      \_\_\_\_\_ NAR  
 \_\_\_\_\_ N                      \_\_\_\_\_ OUA                      \_\_\_\_\_ PENDING

Assistant Legislative Director      Date

Patrice Gau-Johnson                      5/28/08

As a result of the amendments, the “This Bill,” “Effective/Operative Date,” and “Economic Impact,” discussions, as provided in the department’s analysis of the bill as amended April 23, 2008, have been revised. Except for the discussion in this analysis, the remainder of the department's analysis of the bill as amended April 23, 2008, still applies.

## **EFFECTIVE/OPERATIVE DATE**

If enacted in the 2008 legislative session, this bill would be effective and operative beginning January 1, 2009, and would apply to all tax liabilities for which a notice of state tax lien has been recorded in any county recorder's office in this state.<sup>1</sup>

## **ANALYSIS**

### THIS BILL

This bill would suspend an individual’s occupational or professional license because of unpaid income tax liabilities. Suspension of a license would occur only after the following have been provided to the debtor:

- Preliminary Notice of State Tax Lien,
- Notice of State Tax Lien (issued when a state tax lien is recorded),
- 60-day preliminary suspension notice.
- In addition, prior to the filing of a notice of state tax lien, delinquent taxpayers would have also received:
  - 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)

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

This bill would specify that FTB staff would provide a hearing, upon request of a debtor, for a license holder who believes he or she would experience a financial hardship as a result of the suspension. “Financial hardship” would be defined by reference to Revenue and Taxation Code (R&TC) section 19008, as determined by FTB, where suspension of a license will result in the licensee being financially unable to pay his or her taxes including penalties, interest, and applicable fees and is unable to qualify for an installment payment arrangement pursuant to R&TC section 19008. In order to establish that a financial hardship exists, the licensee shall submit any information, including information related to reasonable business and personal expenses, requested by FTB for making the determination. FTB would conduct the hearing within 30 days of receipt of the request, unless FTB postpones the hearing upon a showing of good cause. Suspension would be deferred until the hardship hearing was completed. If a debtor substantiates financial hardship, FTB would defer or cancel the suspension.

---

<sup>1</sup> Chapter 14 (commencing with Section 7150) of Division 7 of Title 1 of the Government Code

This bill would define the following:

- “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 individual 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 the Contractors State License Board 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.

**ECONOMIC IMPACT**

Revenue Estimate

This bill would generate the following revenue gains:

| Estimated Revenue Impact of AB 1925<br>Effective On or After January 1, 2009<br>Enactment Assumed After June 30, 2008<br>(\$ in Millions) |         |         |         |
|---|---------|---------|---------|
| Occupational<br>Licensing   | 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. It was assumed that the department would implement the bill by applying it to debtors 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 2009-10, 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.

#### **LEGISLATIVE STAFF CONTACT**

Legislative Analyst

Angela Raygoza

(916) 845-7814

[angela.raygoza@ftb.ca.gov](mailto:angela.raygoza@ftb.ca.gov)

Revenue Manager

Rebecca Schlusser

(916) 845-5986

[rebecca.schlusser@ftb.ca.gov](mailto:rebecca.schlusser@ftb.ca.gov)

Asst. Legislative Director

Patrice Gau-Johnson

(916) 845-5521

[patrice.gau-johnson@ftb.ca.gov](mailto:patrice.gau-johnson@ftb.ca.gov)