

**Franchise Tax Board**

**ANALYSIS OF ORIGINAL BILL**

Author: Garrick Analyst: William Koch Bill Number: AB 2017  
 Related Bills: See Legislative History Telephone: 845-4372 Introduced Date: February 15, 2008  
 Attorney: Patrick Kusiak Sponsor: \_\_\_\_\_

**SUBJECT:** Family Support Obligation Offsets

**SUMMARY**

This bill would require the State Controller’s Office (SCO) to offset tax refunds and lottery winnings for family support obligations due to the state.

**PURPOSE OF THE BILL**

According to the author’s staff, the purpose of this bill is to codify the existing practice of tax refund and lottery winnings offsets for family support obligations.

**EFFECTIVE/OPERATIVE DATE**

As an administrative measure, this bill would become effective January 1, 2009, and would apply to offsets occurring on or after that date.

**POSITION**

Pending.

**ANALYSIS**

STATE LAW

Under current law, the SCO has the authority to offset any debts a person or entity owes the state against any amounts that the state owes the person or entity. The SCO in conjunction with the Franchise Tax Board (FTB) developed an offset program to provide for multiple offsets for the same debtor with specified and adjustable priorities. Existing law also requires the SCO, to the extent feasible, to offset tax refunds and lottery winnings for delinquent fines, penalties, assessments, bails, vehicle parking penalties, and court-ordered reimbursement for court-related services payable to cities and counties.

THIS BILL

This bill would add family support due and payable to the state to the list of city and county obligations the SCO is required to offset against tax refunds and lottery winnings.

Board Position:	Department Director	Date
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## IMPLEMENTATION CONSIDERATIONS

Implementing this bill would not impact the FTB because the department currently administers the Interagency Intercept Collection Program and the Department of Child Support Services already participates in the program to offset tax refunds and lottery winnings for family support.

## TECHNICAL CONSIDERATIONS

The department has identified the following technical considerations:

1. Government Code section **12419.10** requires the SCO, to the extent feasible, to offset tax refunds and lottery winnings for various delinquent debts owed to cities and counties. This bill amends this code to require the SCO to offset tax refunds and lottery winnings for family support due and payable to the **state**. Government Code section **12419.5** authorizes the SCO to offset debts owed to **state** agencies. If the intent of the author of this bill is to require the SCO to offset tax refunds and lottery winnings for family support owed to the **state**, rather than cities and counties, it may be more appropriate to amend Government Code section 12419.5.
2. Page 2, line 10, delete "Bank and".
3. Page 3, line 9, Part A should be entitled "Block Grants to States for Temporary Assistance for Needy Families".
4. Page 3, line 11, the amendment striking "subchapter" and inserting "Title" is incorrect. Subchapter is the correct subcomponent of federal law.

## **PROGRAM BACKGROUND**

The Interagency Intercept Collection program began in 1975, and while this program is under the jurisdiction of the SCO, the FTB is responsible for administering the program. Through this program, FTB intercepts the tax refunds and California State Lottery winnings of taxpayers who owe delinquent amounts to governmental agencies. Once intercepted, the tax refunds and lottery winnings are offset and redirected to the agencies to which the debts are owed.

The SCO must first approve agencies desiring to participate in the program. To participate, the governmental agency responsible for collection of the debt files a request with the SCO. Once participation is approved, the governmental agency refers its accounts to the FTB by submitting a list of its debtors. There are approximately 300 state, county, city, and federal agencies participating in the Interagency Intercept Collections program. Amounts offset by the FTB are transferred to the agency that referred the account for offset. In 2007, more than \$174 million was offset and redirected to governmental agencies.

## **LEGISLATIVE HISTORY**

AB 1297 (Isenberg, Stats 1991, Ch. 90) added the requirement for the SCO to offset tax refunds and lottery winnings for delinquent fines, bails, and vehicle parking penalties.

## **FISCAL IMPACT**

This bill would not impact the department's costs.

## **ECONOMIC IMPACT**

This bill would not impact state income tax revenues.

## **LEGISLATIVE STAFF CONTACT**

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