

# ANALYSIS OF ORIGINAL BILL

Franchise Tax Board

Author: Lieu Analyst: Deborah Barrett Bill Number: AB 2123  
Related Bills: See Legislative History Telephone: 845-4301 Introduced Date: February 20, 2008  
Attorney: Patrick Kusiak Sponsor: \_\_\_\_\_

**SUBJECT:** California Financial Literacy Initiative/FTB Coordinate Promotion And Activities Of The California Financial Services Corps With FTB's Tax Assistance Programs

## SUMMARY

This bill would establish the California Financial Services Corps (FSC) to provide financial information to certain low or middle income Californians and would require Franchise Tax Board (FTB) to coordinate promotion and activities of FSC with its tax assistance programs.

This bill would also establish, under the office of the State Controller, the Financial Literacy Initiative whose provisions do not impact FTB and are not included in this analysis.

## PURPOSE OF THE BILL

According to the author's office, the purpose of this bill is to enable all Californians to be financially literate.

## EFFECTIVE/OPERATIVE DATE

This bill would become effective on January 1, 2009 and would be operative on that date.

## POSITION

Pending.

## ANALYSIS

### FEDERAL/STATE LAW

Under federal law, the Volunteer Income Tax Assistance Program (VITA) and Tax Counseling for the Elderly Program (TCE) exist to assist low to moderate income persons prepare and file their federal and state personal income tax returns. Certified volunteers sponsored by various organizations receive training to help prepare basic tax returns in communities across the country. VITA sites are generally located at community and neighborhood centers, libraries, schools, shopping malls, and other convenient locations. Most locations offer free electronic filing.

Board Position:

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\_\_\_\_\_ SA      \_\_\_\_\_ O      \_\_\_\_\_ NAR  
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Department Director

Date

Selvi Stanislaus

3/25/08

TCE provides free tax help to people age 60 and older. Additionally, the Armed Forces Tax Council (AFTC) consists of the tax program coordinators for the Army, Air Force, Navy, Marine Corps, and Coast Guard. The AFTC oversees the operation of the military tax programs worldwide and serves as the main resource for outreach by the IRS to military personnel and their families.

Under state law, the Homeowners and Renters Assistance (HRA) program allows a once-a-year payment from the State of California to qualified individuals based on part of the property taxes assessed and paid on their homes or taxes indirectly paid as rent. A person may be eligible to file a claim under this program if all of the following apply:

- They are a United States citizen or other alternately prescribed designation when they file the claim,
- They are 62 years of age or older, blind, or disabled, and
- They lived in a qualified rented residence in California and paid \$50 or more per month in rent on that residence, or owned and lived in their own home.

FTB administers the VITA, VITA-Military, and TCE programs in partnership with the Internal Revenue Services (IRS) to assist in the preparation and filing of federal and state income tax returns. FTB's tax assistance programs also help taxpayers in filing HRA claims.

### THIS BILL

This bill would require the Controller to establish and oversee, as resources are available, the California Financial Services Corps (FSC). The purpose of the FSC is to provide clear, professional, and objective financial information, without promotion of any financial products, to low or middle income Californians who are not currently using a financial advisor. The Controller would invite volunteers with professional certifications in financial planning or comparable professional training to serve in the FSC. Financial information made available through the FSC would pertain to consumer purchases of automobiles, homes, or any other loan or investment under \$10,000.

This bill would require FTB to coordinate the promotion and activities of the FSC with FTB's existing tax assistance programs.

### IMPLEMENTATION CONSIDERATION

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

Because the requirement that FTB "coordinate FSC activities with its tax assistance programs" is so broadly stated, the extent of FTB's involvement in the "coordination" of FSC activities is unclear. As written, "coordinate" could vary from minimal involvement, such as passing out literature provided by the Controller's office, to extensive involvement, such as actively recruiting volunteers for FSC or marketing FSC products or services. Until this requirement is made clearer, FTB is unable to determine the extent of the bill's impact on the department's programs or operations.

## **PROGRAM BACKGROUND**

In addition to information specific to federal income tax, IRS provides additional information through IRS income tax assistance programs to assist taxpayers with issues of predatory lending, reverse mortgages, refund anticipation loans, and other information pertinent to elderly and low income taxpayers. Due to resource constraints, FTB provides services relating only to federal and state income tax law through FTB's income tax assistance programs.

## **OTHER STATES' INFORMATION**

Laws from *Illinois, Massachusetts, Michigan, Minnesota, and New York* were reviewed. These states were selected due to their similarities to California's economy, business entity types, and tax laws. These states operate a VITA program; however, only *Illinois* identified that their tax-counseling program included information on student financial aid and first-time homebuyer loan programs.

## **FISCAL IMPACT**

While many of the provisions of this bill are conditioned upon resources being available, the provision for FTB's participation does not include this same condition. The department's costs to administer this bill cannot be determined until the implementation concern has been resolved. If FTB should incur fiscal costs to implement this bill, an appropriation would be requested to cover resulting costs to the department's programs or operations.

## **ECONOMIC IMPACT**

This bill would not impact state income tax revenues.

## **LEGISLATIVE STAFF CONTACT**

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