

SUMMARY ANALYSIS OF AMENDED BILL

Author: Ma Analyst: Deborah Barrett Bill Number: AB 361
 Related Bills: See Prior Analysis Telephone: 845-4301 Amended Date: June 4, 2007
 Attorney: Tommy Leung Sponsor: _____

SUBJECT: Notice to FTB of the Administration Of A Decedent's Estate Required By Estate Representative

- 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 DEPARTMENT'S 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 March 22, 2007, STILL APPLIES.
- OTHER – See comments below.

SUMMARY

This Franchise Tax Board (FTB) sponsored bill would require estate representatives to provide notice to FTB that the administration of a decedent's estate has been opened.

SUMMARY OF AMENDMENTS

The June 4, 2007, amendments changed the operative date of the bill from January 1, 2008, to July 1, 2008. As a result of the amendments, the "Effective/Operative Date," "This Bill," and "Economic Impact" discussions of the department's analysis have been revised. The remainder of the department's analysis of the bill as amended March 22, 2007, still applies.

EFFECTIVE/OPERATIVE DATE

This bill would be effective January 1, 2008, and specifically operative for estates opened on or after July 1, 2008, or for estates that have not received an order for final distribution by July 1, 2008.

Board Position:	Legislative Director	Date
<input checked="" type="checkbox"/> S	Brian Putler	6/22/07
<input type="checkbox"/> NA		
<input type="checkbox"/> SA		
<input type="checkbox"/> N		
<input type="checkbox"/> NP		
<input type="checkbox"/> O		
<input type="checkbox"/> NAR		
<input type="checkbox"/> OUA		
<input type="checkbox"/> PENDING		

POSITION

Support.

On December 4, 2006, FTB voted 2-0, with the member from the Department of Finance abstaining, to sponsor the language included in this bill.

THIS BILL

This bill would require an administrator, executor, or estate attorney of a deceased's estate to provide notice of the administration of the estate to FTB no later than 90 days after the date letters are first issued to a general personal representative. This bill would require notice to be provided by any estate as follows:

- estates opened on or after July 1, 2008, or
- estates that have not filed a petition for final distribution by July 1, 2008.

ECONOMIC IMPACT

This bill would result in the following revenue gains:

Estimated Revenue Impact of AB 361 Effective On Or After July 1, 2008 Enactment Assumed After June 30, 2007 (\$ in Millions)			
Probate	2007-08	2008-09	2009-10
Claims	+\$3	+\$5	+\$5

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

Revenue Discussion:

In fiscal year 2005-06, FTB's Decedent Unit collected \$4.5 million from claims filed with Probate Courts. The Decedent Unit estimates that it is properly notified, and in a timely manner, in only about 25% of probate cases that have unresolved tax issues.

If FTB were properly notified in all probate cases, additional collections would potentially be \$13.5 million. ($\$4.5 \text{ million} / 25\% = \18 million . $\$18 \text{ million} - \$4.5 \text{ million currently collected} = \13.5 million .) The cases on which FTB is not properly notified will tend to have smaller debts than the group for which FTB is properly notified. The Decedent Unit estimates that, on average, the value of income tax debts of the cases that would be impacted by this bill would be about 40% of the value of the debts for which FTB is properly notified.

Additional collections from probate claims would be \$5.4 million (\$13.5 million potential revenue x 40% of the value of the debts). The additional collection from this bill of \$5.4 million is reduced by approximately \$0.3 million for the amount that would have been collected from decedent's heirs after disbursements from probate. Under this bill, net new collections of \$5.1 million would result in the first full taxable year in 2009.

This bill would apply to disbursements made from probate after July 1, 2008. Estimates are rounded and accrued back one year as they relate to tax liabilities from prior years. The first fiscal year is further reduced by about 50% because it is assumed that it would take a year for the probate community to become fully aware of this law (\$5.1 million x 50% = \$2.55 million, which is rounded to \$3 million).

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