

**SUMMARY ANALYSIS OF AMENDED BILL**

Author: Lieu/Jones Analyst: Jennifer Bettencourt Bill Number: AB 650  
 Related Bills: See Prior Analysis Telephone: 845-5163 Amended Date: April 30, 2007  
 Attorney: Tommy Leung Sponsor: \_\_\_\_\_

**SUBJECT:** Earned Income Tax Credit Information Act/Employers Notify All Employees Of Federal Earned Income Credit (EITC) & FTB Notify Any Qualified Taxpayer That May Qualify For EITC

- DEPARTMENT AMENDMENTS ACCEPTED. Amendments reflect suggestions of previous analysis of bill as amended March 29, 2007.
- 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 29, 2007, STILL APPLIES.
- OTHER – See comments below.

**SUMMARY**

This bill would require notification to qualified employees and taxpayers of the potential availability of the federal earned income tax credit (EITC).

**SUMMARY OF AMENDMENTS**

The April 30, 2007, amendments added language to define “qualified taxpayer,” made a technical correction, and resolved the department’s “Implementation Considerations” and “Technical Considerations.” Except for the “This Bill,” “Implementation Considerations,” and “Fiscal Impact” sections, the department’s analysis of the bill as amended March 29, 2007, still applies.

**POSITION**

Pending.

Board Position:	Legislative Director	Date
<input type="checkbox"/> S		
<input type="checkbox"/> SA		
<input type="checkbox"/> N		
<input type="checkbox"/> NA		
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<input type="checkbox"/> OUA		
<input type="checkbox"/> NP		
<input type="checkbox"/> NAR		
<input checked="" type="checkbox"/> PENDING	Patrice Gau-Johnson for Brian Putler	5/17/07

## **ANALYSIS**

### **THIS BILL**

This bill would require an employer, as defined, to notify all employees that they may be eligible for the EITC. The employer would be required to provide notification by either handing it to the employee or mailing it to their last known address within one week before, after, or at the same time that the employer provides an annual wage summary (i.e., W-2 or 1099).

This bill would require that the notice be either of the following:

- Any notice available from the IRS, including but not limited to IRS Notice 797, or any succeeding notice or form, or
- Any notice created by the employer, as long as it contains substantially the same language as IRS Notice 797, or the same language as referenced in Revenue and Taxation Code section 19854 (a).

Upon request of the employee, this bill would also require every employer to provide and process, in accordance with federal law, Form W-5 for advance payments of the EITC.

This bill includes a sample notice to be furnished to employees, and requires the employer to update the notice annually to include all appropriate updates to the EITC program as determined by the federal government.

This bill would also require the Franchise Tax Board (FTB) to notify any qualified taxpayer who may qualify for the federal EITC by sending a notice in a form prescribed by FTB to the taxpayer's last known address.

This bill would define the following terms:

- "Employer" means any California employer who is subject to and is required to provide unemployment insurance to his or her employees under the Unemployment Insurance Code.
- "Employee" means any person who is covered by unemployment insurance by his or her employer.
- "Earned income tax credit" means the federal earned income tax credit, as defined in section 32 of the Internal Revenue Code.
- "Qualified taxpayer" means any individual who timely files a return with the FTB for the taxable year by the extended due date and appears to satisfy the requirements for claiming the EITC based on the information provided by the individual on that return.

## IMPLEMENTATION CONSIDERATIONS

The definition of a "qualified employee" would require the department to make a preliminary determination of whether the taxpayer would qualify for the federal EITC. In order to identify and send notification to "qualified taxpayers," this bill would require some changes to information systems, development of a form letter, and would significantly impact the department's programs, operations, and costs.

## **FISCAL IMPACT**

The additional costs have not been determined at this time, but are anticipated to be significant. As the bill continues to move through the legislative process, costs will be identified and an appropriation will be requested.

## **LEGISLATIVE STAFF CONTACT**

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