

SUMMARY ANALYSIS OF AMENDED BILL

Author: Parra Analyst: Jennifer Bettencourt Bill Number: AB 831
 Related Bills: See Prior Analysis Telephone: 845-5163 Amended Date: March 26, 2007
 Attorney: Tommy Leung Sponsor: _____

SUBJECT: Tax Expenditures Report/DOF Review All Tax Expenditures That Exceed \$5 Million & Provide Annual Report To Legislature

- 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 INTRODUCED February 22, 2006, STILL APPLIES.
- OTHER – See comments below.

SUMMARY

This bill would require the Department of Finance (DOF) to review tax expenditures for effectiveness and provide recommendations to the Legislature.

SUMMARY OF AMENDMENTS

The March 26, 2007, amendments added language that would require DOF to review all tax expenditures annually that exceed \$5 million and report to the Legislature on the effectiveness. Except for the discussion in this analysis, the remainder of the department’s analysis of the bill as introduced February 22, 2007, still applies.

THIS BILL

This bill would require DOF to provide an annual report to the Legislature on tax expenditures that exceed \$5 million per year and have been in existence since January 1, 2008.

Board Position:	Legislative Director	Date
<input type="checkbox"/> S	Brian Putler	4/4/07
<input type="checkbox"/> NA		
<input type="checkbox"/> SA		
<input type="checkbox"/> N		
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<input type="checkbox"/> NAR		
<input checked="" type="checkbox"/> PENDING		

This bill would require DOF to review 10% of the tax expenditures each year for 10 years by July 1 of each year. A review of all tax expenditures would need to be completed by July 1, 2018.

This bill would require the report to include an estimate of the revenue losses, an evaluation of the benefits related to revenue losses, and a recommendation of whether modification or repeal is necessary for each tax expenditure reviewed.

In addition, this bill would require for any legislative measure on or after January 1, 2008, that creates a new or extends the operation of any existing tax expenditure to include all of the following:

- A legislative finding and declaration of the purposes to be served,
- An estimate of the revenue losses,
- A methodology for measuring the benefits, including performance criteria that establish minimum benefits and maximum costs for retaining each tax expenditure,
- A repeal of the expenditure no later than five years after the effective date of the measure.

This bill would define "tax expenditure" as a credit, deduction, exclusion, exemption, or any other tax benefit as provided by State law.

IMPLEMENTATION CONSIDERATIONS

This bill would not require any change to the department's programs or operations or impact state income tax revenues.

LEGISLATIVE STAFF CONTACT

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