

BILL ANALYSIS

Analyst: Deborah Barrett:
Work Phone: 845-4301

Department, Board, Or Commission	Author	Bill Number
Franchise Tax Board	Eng	AB 969

SUBJECT

FTB Revise Income Tax Forms To Require A Person To Report & Pay Qualified Use Tax/Operative for Returns Filed For Taxable Years Beginning On and After January 1, 2007

SUMMARY

This bill would replace the current option for a taxpayer to report use tax on the state income tax return with a requirement to report use tax.

PURPOSE OF BILL

According to the author's staff, the purpose of this bill is to improve voluntary compliance with state use tax laws

EFFECTIVE/OPERATIVE DATE

This bill would be effective January 1, 2008, and operative for 2007 tax year returns required to be filed on or after that date.

ANALYSIS

STATE LAW

California use tax is imposed on any person who purchases tangible personal property for use, consumption, or storage in this state where the purchase is not subject to California sales tax. Generally, use tax is applied in instances where the sale is not made in California, but the property is purchased for use in California, such as purchases shipped from out-of-state retailers to a California consumer. The state use tax rate is the same as the sales tax rate. The State Board of Equalization (BOE) is responsible for collecting sales and use tax. Taxpayers may elect to report and pay state use tax on their state income or franchise tax return or file a use tax return directly with BOE.

THIS BILL

This bill would eliminate the election for a taxpayer to report and pay use tax on the state income or franchise tax return and would instead require that the use tax be reported on and paid through the income or franchise tax return.

Brian Putler, FTB Contact Person (916) 845-6333 (Office)	Executive Officer Selvi Stanislaus	Date 9/10/07
---	---------------------------------------	-----------------

This bill would also require FTB to make changes to its instruction booklets to enable a person to report and pay use tax in a form and manner approved by the Board of Equalization. The bill would include legislative intent language that specifying that rights and remedies currently provided under the Sales and Use Tax Laws would be applicable to use tax reported on the state income or franchise tax return.

IMPLEMENTATION CONSIDERATIONS

Implementing this bill would have minor impact to the department's programs and operations.

LEGISLATIVE HISTORY

SB 1009 (Alpert, Stats 2003, Ch. 718) added the election for taxpayers to report and pay use tax on their state income tax returns.

FISCAL IMPACT

This bill would not significantly impact the department costs.

ECONOMIC IMPACT

This bill would not impact state income tax revenues.

VOTES

Assembly Floor – Ayes: 45, Noes: 33

Senate Floor – Ayes: 21, Noes: 16

Concurrence – Ayes: 46, Noes: 29

LEGISLATIVE STAFF CONTACT

Deborah Barrett
Franchise Tax Board
(916) 845-4301

deborah.barrett@ftb.ca.gov

Brian Putler
Franchise Tax Board
(916) 845-6333

brian.putler@ftb.ca.gov