

SUMMARY ANALYSIS OF AMENDED BILL

Author: Harman Analyst: Deborah Barrett Bill Number: SB 978
 Related Bills: See Prior Analysis Telephone: 845-4301 Amended Date: June 27, 2007
 Attorney: Tommy Leung Sponsor: _____

SUBJECT: Require Cities To Report City Business Tax Data To FTB

_____ 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 _____.

X _____ REMAINDER OF PREVIOUS ANALYSIS OF BILL AS INTRODUCED February 23, 2007, STILL APPLIES.

_____ OTHER – See comments below.

SUMMARY

This bill would require cities that assess a city business tax or require a city business license to report certain information annually to the Franchise Tax Board (FTB).

SUMMARY OF AMENDMENTS

The June 27, 2007, amendments clarified that the cities are to report information that is collected in the course of administration of their respective city business tax and added language that would allow the Principal Business Activity code (PBA) to be reported as an alternative to the North American Industry Classification System code (NAICS). The "This Bill" discussion has been revised to include the June 27, 2007, amendments. The "Summary of Suggested Amendments" and "Fiscal Costs" discussions are repeated here for convenience. The remainder of the department's analysis of the bill as introduced February 23, 2007, still applies.

POSITION

Support.

On June 27, 2007, the Franchise Tax Board voted 2-0, with the member from the Department of Finance abstaining, to support the provisions of this bill.

Board Position:	Legislative Director	Date
<u> X </u> S	Brian Putler	6/29/07
_____ NA		
_____ SA		
_____ N		
_____ NP		
_____ O		
_____ NAR		
_____ OUA		
_____ PENDING		

Summary of Suggested Amendments

Amendment 1 is provided to suggest appropriation language to fund the department's costs.

THIS BILL

This bill would require cities that assess a city business tax or require a city business license to furnish to FTB, on an annual basis, information collected in the course of administering the city business tax programs. The information required to be provided is limited to the following:

- Name of the business if a corporation, partnership, or limited liability company, or the owner's name if a sole proprietorship
- Business mailing address
- Federal employer identification number, if applicable, or the business owner's social security number
- NAICS code or PBA code
- Business start date
- Business cease date
- Status of license
- City number
- Ownership type

This bill would require the specified information to be provided to FTB on magnetic media, such as tapes or compact discs, through a secure electronic process, or in other machine-readable form, according to standards prescribed by regulations issued by FTB. The cities would begin providing information as soon as feasible, but no later than December 31, 2008. Use of the data is limited to state tax enforcement or as otherwise authorized by law.

FISCAL IMPACT

The provisions of this bill would result in approximately 480 cities providing files on an annual basis to FTB that would require additional staffing to coordinate the receipt of the files, establish secure electronic communication protocols with the cities, and test the quality of the data for department use. Additional staffing would be required to respond to additional notices issued as a result of the data received. FTB estimates one-time costs of approximately \$749,000 with annual ongoing costs estimated at \$630,000. It is recommended that the bill be amended to include appropriation language that would provide funding to implement this bill. Lack of an appropriation will require the department to secure the funding through the normal budgetary process, which will delay implementation of this bill.

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

Analyst Deborah Barrett
Telephone # 845-4301
Attorney Tommy Leung

FRANCHISE TAX BOARD'S
PROPOSED AMENDMENTS TO SB 978
As Amended June 27, 2007

AMENDMENT 1

On page 3, after line 2, insert:

SEC. 3: The sum of seven hundred forty nine thousand dollars (\$749,000) is hereby appropriated to the Franchise Tax Board in augmentation of item 1730-001-0001 of the Governor's Budget, Chapter XX, Statutes of XXXX.