

SUMMARY ANALYSIS OF AMENDED BILL

Author: Saldana Analyst: David Scott Bill Number: AB 2458
 Related Bills: See Prior Analysis Telephone: 845-5806 Amended Date: June 29, 2010
 Attorney: Patrick Kusiak Sponsor: _____

SUBJECT: Underpayment Penalty For Small Businesses\Due Date Extension

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/AMENDED

May 3, 2010 STILL APPLIES.

OTHER – See comments below.

SUMMARY

This bill would extend the due date for paying the underpayment penalty imposed on limited liability companies (LLCs) that qualify as a small business.

SUMMARY OF AMENDMENTS

The June 29, 2010, amendment modified the definition of a small business to be a business with total California source income of less than \$500,000.

As a result of the amendment, the “This Bill” and “Revenue Estimate” discussions as provided in the department’s analysis of the bill as amended May 3, 2010, have been revised. The “Fiscal Impact” discussion remains unchanged and has been included below for convenience. The remainder of the May 3, 2010, analysis still applies.

POSITION

Pending.

Board Position:

_____ S _____ NA _____ NP
 _____ SA _____ O _____ NAR
 _____ N _____ OUA PENDING

Legislative Director

Date

Brian Putler

07/29/10

ANALYSIS

THIS BILL

This bill would allow a small business, as defined, pay the 10 percent penalty for underpayment of the estimated LLC fee 60 days from the date the small business is notified of imposition of the penalty by the Franchise Tax Board. The 60 day extension period shall apply to penalties imposed on or after January 1, 2011, and before January 1, 2016.

“Small Business” would be defined as a business with total income from or attributable to California sources that is less than \$500,000 during the taxable year.

FISCAL IMPACT

Staff estimates costs of approximately \$40,000 to develop, program, and test revisions to existing systems to make the changes needed to implement this bill. Due to the current fiscal environment and the pending bills that would require systems changes to implement, the department may be unable to implement this bill without this additional funding. Accordingly, suggested language is provided in Amendment 1 to fund the department’s implementation costs for this bill. If this bill is enacted without appropriation language, the department will pursue a budget augmentation (“legislative budget change proposal”) through the normal budgetary processes, which would delay implementation of the bill’s provisions. If approval of a legislative budget change proposal is denied, the department may be unable to implement the provisions of this bill.

ECONOMIC IMPACT

Revenue Estimate

Estimated Revenue Impact of AB 2458 Assumed Enactment by September 30, 2010 Operative as of January 1, 2011		
2009-10	2010-11	2011-12
-\$20,000	-\$1,000	-\$1,000

This analysis does not account for changes in employment, personal income, or gross state product that could result from this bill.

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FRANCHISE TAX BOARD'S
PROPOSED AMENDMENTS TO AB 2458
As Amended June 29, 2010

Amendment 1

On page 4, after line 4, insert:

SEC. 2. (a) The sum of forty thousand dollars (\$40,000) 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.

(b) Implementation of the 60 day extension authorized by section one of this bill is contingent upon receipt of an appropriation.