

ANALYSIS OF AMENDED BILL

Franchise Tax Board

Author: Arambula, Solorio Analyst: Janet Jennings Bill Number: AB 2641

Related Bills: See Legislative History Telephone: 845-3495 Amended Date: April 13, 2010

Attorney: Patrick Kusiak Sponsor: _____

SUBJECT: Tax Expenditures/Legislative Review Of Each Tax Expenditure/Add 5 Year Sunset

SUMMARY

This bill would require the Legislature to review all tax expenditures, as specified.

SUMMARY OF AMENDMENTS

The April 13, 2010, amendments removed all of the bill's provisions, which related to the Department of Finance reporting requirement on tax expenditures and replaced them with the provisions discussed in this analysis. This is the department's first analysis of this bill.

PURPOSE OF THE BILL

According to the author's office, the purpose of this bill is to evaluate tax expenditures to ensure they are providing clear benefit to the State and its taxpayers.

EFFECTIVE/OPERATIVE DATE

Assuming enactment before October 1, 2010, this bill would become effective on January 1, 2011, and specifically operative on January 1, 2014, for tax expenditures enacted prior to the effective date of this bill; and specifically operative on January 15, 2015, for tax expenditures enacted after the effective date of this bill.

POSITION

Pending.

Summary of Suggested Amendments

Attachment 1 is provided to clarify the repeal date of newly enacted tax expenditures. Once a statute is repealed, it would not need to be reviewed for repeal again.

Board Position:

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Department Director

Date

Ellie Root

04/21/10

for Selvi Stanislaus

ANALYSIS

THIS BILL

This bill would require, beginning January 1, 2014, and every fifth year thereafter, the Legislature to review, for a measurable benefit, all tax expenditures, regardless of cost, that were enacted prior to and after the effective date of this bill.

If, after review of any tax expenditure enacted prior to the effective date of this bill, the Legislature reduces or eliminates the tax expenditure, revenue increases resulting from the reduction or elimination of that tax expenditure would be required to be offset by new tax expenditure(s) to ensure revenue neutrality of the statute accomplishing the change.

Tax expenditures enacted after the effective date of this bill would be repealed on January 1, 2015, and on January 1 of every fifth year thereafter, unless a later enacted statute that is enacted before that date deletes or extends the date on which it becomes inoperative and is repealed.

FISCAL IMPACT

This bill would require the FTB to provide the Legislature additional information to allow for the review of all tax expenditures. As a result, this bill would impact the department's Economic and Statistical Research Bureau staff. The additional costs have not been determined at this time. As the bill continues to move through the legislative process, costs will be identified and an appropriation will be requested, if necessary.

ECONOMIC IMPACT

This bill does not have a revenue effect because it does not alter any provisions of current tax law.

LEGISLATIVE STAFF CONTACT

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Attachment

Amendment 1

On page 3, revise lines 2 and three to read as follows:

operative and shall be repealed ~~on January 1, 2015, and on~~
January 1 of the every fifth calendar year after the calendar
year of enactment, thereafter, unless a later enacted