

**SUMMARY ANALYSIS OF AMENDED BILL**

Author: Skinner Analyst: Janet Jennings Bill Number: AB 2666  
 Related Bills: See Prior Analysis Telephone: 845-3495 Amended Date: June 30, 2010  
 Attorney: Patrick Kusiak Sponsor: \_\_\_\_\_

**SUBJECT:** Employer Tax Credits/Information Reporting/Failure To File Information Penalty/FTB Compile Information Received & Submit To State Chief Information Officer For Publication On The Reporting Transparency In Government Internet Web Site

\_\_\_\_ 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 amended May 28, 2010.

FURTHER AMENDMENTS NECESSARY.

\_\_\_\_ DEPARTMENT POSITION CHANGED TO \_\_\_\_\_.

\_\_\_\_ REMAINDER OF PREVIOUS ANALYSIS OF BILL AS AMENDED May 28, 2010, STILL APPLIES.

OTHER – See comments below.

**SUMMARY**

This bill would require the Franchise Tax Board (FTB) annually to compile tax expenditure information claimed on tax returns of publicly-traded companies and submit this information to the State Chief Information Officer (CIO).

**SUMMARY OF AMENDMENTS**

The June 30, 2010, amendments limit the reporting of tax expenditure information to that claimed and reported under the Corporation Tax Law (CTL), provide definitions for several terms, and make other technical corrections. As a result of the amendments, the “This Bill” and “Fiscal Impact” discussions provided in the analysis of the bill as amended May 28, 2010, have been revised. The remainder of the department’s analysis of the bill as amended May 28, 2010, still applies. The “Implementation Considerations” and “Policy Concerns” remain and are restated below for convenience.

**POSITION**

Pending.

Board Position:	Asst. Legislative Director	Date
<input type="checkbox"/> S <input type="checkbox"/> NA <input type="checkbox"/> NP <input type="checkbox"/> SA <input type="checkbox"/> O <input type="checkbox"/> NAR <input type="checkbox"/> N <input type="checkbox"/> OUA <input checked="" type="checkbox"/> PENDING	Patrice Gau-Johnson	07/01/10

## ANALYSIS

### THIS BILL

This bill would require the FTB to compile claimed tax expenditures from tax returns of publicly-traded companies, under the CTL, beginning with the 2010 taxable year.

This bill would define a publicly traded company as a company with securities that are either:

- listed or admitted to trading on a national or foreign exchange, or
- the subject of two-way quotations, such as both bid and asked prices, that are regularly published by one or more broker-dealers in the National Daily Quotation Service or a similar service.

This bill would define tax expenditure as a credit against the tax imposed under Part 11 (commencing with Section 23001).

This bill would require the FTB to report the compiled information from returns with taxable years beginning on or after January 1, 2010, and submit that information to the CIO, by March 30, 2012, and then by March 30 of each year thereafter. The CIO would be required to develop and publish a database searchable by company name and the amount of tax expenditures claimed on the Reporting Transparency in Government Internet Web site.

### IMPLEMENTATION CONSIDERATIONS

The department has identified the following implementation concern. Department staff is available to work with the author's office to resolve this and other concerns that may be identified.

The bill would require FTB to issue the report by March 30 each year; however, personal income tax returns may be filed, with extension, until October 15th. Corporate returns may be filed even later, depending on when the taxpayer's fiscal year ends. The department generally processes returns within six months of receipt. If the author's intent is to have each report contain complete information for the prior taxable year, it is suggested that the due date of the report be changed. For example, the return due date for corporate taxpayers with fiscal years beginning December 1, 2010, and ending November 30, 2011, is February 15, 2012, and with extension, September 15, 2012. The department would complete processing these returns by March, 2013. Thus, the earliest that data from these corporate returns could be compiled and a report generated would be approximately June each year. Suggested language to change the report date is included as Amendment 1.

## FISCAL IMPACT

Staff estimates a one-time cost of approximately \$111,000 in fiscal year 2010/2011 to develop, program, and test system changes in order to produce the report that would be required by this bill and ongoing costs of \$46,000.

Due to the current fiscal environment and the need for increased resources necessary to implement other pending bills, implementation of this bill is contingent on funding. Accordingly, suggested language is provided in Amendment 2 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 could delay implementation of the bill's provisions to July 1, 2011. If approval of a legislative budget change proposal is denied, the department may be unable to implement the provisions of this bill.

## POLICY CONCERNS

California has a self-assessed tax system that relies on the responsiveness of individual and corporate taxpayers to report the proper amount of tax. A self-assessed tax system works in part because the taxpayer has confidence that the information reported to the government will be confidential and used only for the specified purposes. If tax information is used or disclosed for other than the specified purposes, the effectiveness of the state's self-assessed tax system may be impacted.

## LEGISLATIVE STAFF CONTACT

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FRANCHISE TAX BOARD'S  
PROPOSED AMENDMENTS TO AB 2666  
As Amended May 30, 2010

Amendment 1

On page 2, line 20, strikeout "March 30, 2012, and by March 30" and insert:  
June 30, 2013, and by June 30"

Amendment 2

On page 4, after line 12, insert:

Sec.2. The sum of one hundred eleven thousand dollars (\$111,000) is hereby appropriated to the Franchise Tax Board in augmentation of its support budget.