

SUMMARY ANALYSIS OF AMENDED BILL

Author: Skinner Analyst: Janet Jennings Bill Number: AB 2666
 Related Bills: See Prior Analysis Telephone: 845-3495 Amended Date: August 17, 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 amended June 30, 2010.
- 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 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 August 17, 2010, amendments changed the reporting due date to June 30, 2013, and each June 30 thereafter. As a result of the amendment, the department’s “Implementation Consideration” as provided in the analysis of the bill as amended June 30, 2010, has been resolved. The “This Bill” section has been revised and the remainder of the analysis of the bill as amended June 30, 2010, still applies and is restated below for convenience.

POSITION

Pending.

Board Position:	Asst. Legislative Director	Date
<input type="checkbox"/> S		
<input type="checkbox"/> SA		
<input type="checkbox"/> N		
<input type="checkbox"/> NA		
<input type="checkbox"/> O		
<input type="checkbox"/> OUA		
<input type="checkbox"/> NP		
<input type="checkbox"/> NAR		
<input checked="" type="checkbox"/> PENDING	Patrice Gau-Johnson	8/25/10

ANALYSIS

THIS BILL

This bill would require the FTB to compile claimed tax expenditures from tax returns of publicly-traded companies, under the Corporation Tax Law, 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 June 30, 2013, and then by June 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.

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 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 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.

ECONOMIC IMPACT

This proposal would not impact the state's income tax revenue or the Franchise Tax Board's administration of state income tax.

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 August 17, 2010

Amendment 1

On page 2, after line 28, insert:

Sec.2. The sum of one hundred eleven thousand dollars (\$111,000) is hereby appropriated to the Franchise Tax Board in augmentation of item 1730-001-0001 of the Governor's Budget Chapter xxx, Statutes of XXXX.