

BILL ANALYSIS

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Department, Board, Or Commission	Author	Bill Number
Franchise Tax Board	Skinner	AB 2666

SUBJECT

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

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).

PURPOSE OF BILL

According to the author's staff, the purpose of this bill is to bring needed transparency and accountability of tax credits and the jobs they create and retain by providing information on the Reporting Transparency in Government Internet Web site.

EFFECTIVE/OPERATIVE DATE

This bill would become effective January 1, 2011, and would be specifically operative for credits claimed on tax returns beginning with the 2010 taxable year, with the report due to the CIO beginning June 30, 2013, and each June 30 thereafter.

ANALYSIS

FEDERAL/STATE LAW

Existing state and federal laws provide various tax credits designed to give tax relief for taxpayers who incur certain expenses (e.g., child adoption) or to influence behavior, including business practices and decisions (e.g. research credits or economic development area hiring credits). These credits generally are designed to provide incentives for taxpayers to perform various actions or activities that they may not otherwise undertake.

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.

Brian Putler, FTB Contact Person (916) 845-6333 (Office)	Executive Officer Selvi Stanislaus	Date 8/26/10
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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.

LEGISLATIVE HISTORY

SB 1086 (Florez, 2009/2010) would require corporate tax credits of \$1,000 or more to be reported on the Reporting Transparency in Government Internet Web site. This bill was re-referred to the Senate Committee on Revenue and Taxation on April 7, 2010.

SB 1391 (Yee, 2009/2010) would disallow certain credits that reduce tax if specific employment requirements are not achieved. This bill is currently at the Senate for concurrence.

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. 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 bill would not impact state income tax revenues.

Appointments

None.

Support/Opposition

According to the Senate Revenue and Taxation Committee's analysis the following are in support and opposition to AB 2666:

Support: California Labor Federation, American Federation of State and County and Municipal Employees, American Federation of Labor and Congress of Industrial Organizations, California Nurses Association, Sierra Club CA, Asian Health Services, California Professional Firefighters, State Building and Construction Trades Council of CA.

Opposition: California Chamber of Commerce, California, Taxpayers' Association, California Business Properties Association, California Retailers Association, California Bankers Association, California Manufacturing and Technology Association, California Aerospace Technology, Association, TechAmerica.

VOTES

Assembly Floor – Ayes: 45, Noes: 28

Senate Floor – Ayes: 22, Noes: 14

Concurrence – Ayes: 48, Noes: 26

LEGISLATIVE STAFF CONTACT

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