

SUMMARY ANALYSIS OF AMENDED BILL

Author: Florez Analyst: Janet Jennings Bill Number: SB 1086
 Related Bills: See Prior Analysis Telephone: 845-3495 Amended Date: April 7, 2010
 Attorney: Patrick Kusiak Sponsor: _____

SUBJECT: FTB Compile Specified Business Entity Information And Include On The State Transparency In Government Internet Web Site

DEPARTMENT AMENDMENTS ACCEPTED. Amendments reflect suggestions of previous analysis of bill as introduced February 17, 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 INTRODUCED February 17, 2010, STILL APPLIES.

OTHER – See comments below.

SUMMARY

This bill would require the Franchise Tax Board (FTB) to post certain tax expenditure information on the Reporting Transparency in Government Internet Web site, as specified.

SUMMARY OF AMENDMENTS

The April 7, 2010, amendments removed a provision that would have required the FTB to report certain tax expenditure information to the Department of Finance. The amendments added language to define “business entity” and clarify the information that may be posted. As a result of the amendments, the “Implementation Considerations” and “Technical Considerations,” as discussed in the department’s analysis of the bill as introduced on February 17, 2010, have been resolved. A new technical concern has been identified. With the exception of the “This Bill,” “Fiscal Impact,” and “Technical Consideration” discussions provided below, the remainder of the analysis of the bill as introduced April 7, 2010, still applies.

Board Position:	Asst. Legislative Director	Date
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<input checked="" type="checkbox"/> PENDING	Patrice Gau-Johnson	05/12/10

ANALYSIS

THIS BILL

This bill would require the FTB to compile the following information to be posted on the Reporting Transparency in Government Internet Web site:

1. The name and California corporation number, when applicable, of a business entity that claims credits of \$1,000 or more from corporate tax expenditures.
2. The name of the tax credit claimed.
3. The amount of the tax credit claimed.
4. A description of the initial justification for the expenditure.

This bill defines "business entity" as a corporation, limited liability company, partnership, association, joint venture, or public-private partnership.

This bill specifies that no individual or joint family taxpayer information shall be disclosed. For passthrough entities, such as "S" corporations and limited liability companies owned by individuals, the information would be reported at the level of the pass-through entity. If the passthrough entity is owned by a business entity or multiple business entities, then the information would be reported at the level of that business entity or those business entities.

The report would be compiled on a credit-by-credit basis and searchable by business entity name, corporation number when available, expenditure type, and key word. This bill would require all data from the report to be available for download by the public in Excel or comparable format.

TECHNICAL CONSIDERATION

To clarify the credits reported are Corporate Tax Law expenditures only, suggested Amendments 1 and 2 are provided in Appendix 1.

FISCAL IMPACT

This bill would require the FTB to gather and post the specified information on the Reporting Transparency in Government Internet Web site. The effort to collect and assemble the required information from various sources throughout the department could take away from revenue generating tasks and be time consuming.

Based on corporate income tax return data, approximately 6,600 corporations each claimed at least \$1,000 of tax credits. If, for example, the amount of credits that would trigger the reporting were increased to \$20,000 per corporation, approximately 2,100 corporations would be reported in this database, thus allowing for a more targeted review of credits claimed. The author may wish to amend to bill to narrow the scope of taxpayers affected.

A fiscal estimate will be developed as the bill moves through the legislative process.

LEGISLATIVE STAFF CONTACT

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Appendix 1

Amendment 1

On page 2, strikeout lines 5-7, and insert:

section, "business entity" means any entity defined under Sections 23038, 23038.5 and 23039.

Amendment 2

On page 2, strikeout lines 19-25.