

BILL ANALYSIS

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Department, Board, Or Commission	Author	Bill Number
Franchise Tax Board	Calderon	SB 314

SUBJECT

Interagency Intercept/Change Priority For Payment

SUMMARY

This bill would revise the priority for refund offsets to place the nonpayment of penalties owed to the Restitution Fund in a higher priority than benefit overpayment accounts administered by the Employment Development Department and amounts owed to other state agencies.

This bill would make changes to provisions administered by the Victims Compensation and Government Claims Board that do not impact the department and are not discussed in this analysis.

PURPOSE OF BILL

According to the author's office, the purpose of this bill is to provide alternate reimbursements to the Victims Restitution Fund.

EFFECTIVE/OPERATIVE DATE

If passed in the first year of the two-year session, this bill would be effective January 1, 2010, and would be operative for refund offsets on or after that date.

ANALYSIS

STATE LAW

Under state law, the State Controller is authorized to collect money that is due to one state agency by an individual by deducting the amount owed from credits due to such individual by another state agency. This procedure is called an interagency intercept.

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Franchise Tax Board (FTB) operates the Interagency Intercept Collection program on behalf of the State Controller. Annually, FTB's intercept process receives requests from state agencies, local governments, and the IRS to intercept tax refunds or lottery winnings of individuals or business entities that owe delinquent amounts to those federal, state and local agencies. Refunds are available for intercept after all existing tax debts have been satisfied. If there is more than one agency-offset request, the priority is as follows:

1. Delinquent child or family support cases enforced by a district attorney.
2. Delinquent child or family support cases enforced by someone other than a district attorney.
3. Delinquent spousal support cases enforced by a district attorney.
4. Delinquent spousal support cases enforced by someone other than a district attorney.
5. Unemployment benefits overpayment cases.
6. All other state agencies.
7. Cities and counties.
8. Private and post secondary education.
9. IRS.

THIS BILL

This bill would revise the priority for payment on refund offsets and lottery winnings to allow offset requests for nonpayment of penalties owed to the Restitution Fund to take priority after debts owed for delinquent child, family, or spousal support and before debts owed for unemployment benefit overpayments, debts owed to other state agencies, cities or counties, debts owed for private and post secondary education, and debts owed to the IRS.

LEGISLATIVE HISTORY

SB 92 (Aanestad, 2009/2010) would, among other things, authorize a hospital or health care provider to submit a claim for unreimbursed medical services to the Department of Health Care Services, who would then be authorized to submit those claims for refund offsets. This bill was held in the Senate Committee on Health.

AB 1175 (Torlakson, 2009) would authorize debts owed for unpaid bridge tolls to be submitted for offsets of tax refunds. This bill was referred to the Senate transportation and Housing Committee and has not yet been heard.

FISCAL IMPACT

The accounting systems that facilitate the interagency intercept program would need to be reprogrammed to reflect the change in priority for payment prescribed under this bill's provisions. These changes can be done during the annual system changes and are absorbable to the department.

ECONOMIC IMPACT

Implementing the provisions of this bill would not impact state income tax revenues.

Appointments

None.

Support/Opposition

According to the Assembly Committee on Public Safety analysis of June 30, 2009, the following support and opposition are noted:

Support

California Coalition Against Sexual Assault
California Probation, Parole and Correctional Association
Chief Probation Officers of California
Crime Victims United of California
Los Angeles County District Attorney's Office

Opposition

Taxpayers for Improving Public Safety

VOTES

Assembly Floor – Ayes: 79, Noes: 0
Senate Floor – Ayes: 38, Noes: 0

LEGISLATIVE STAFF CONTACT

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