

BILL ANALYSIS

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Department, Board, Or Commission	Author	Bill Number
Franchise Tax Board	Steinberg/John A. Perez, et al.	SB 657

SUBJECT

FTB Provide AG with Company Name & California Identification Numbers For Retailers & Manufacturers With Gross Receipts Over \$100 million

SUMMARY

The August 20, 2010, amendments added a provision that would require the FTB to provide a list of retail sellers and manufacturers to the AG. The amendments would also provide definitions and add coauthors.

This bill addresses sections of the Civil Code only as they pertain to the FTB.

This is the department's first analysis of the bill.

PURPOSE OF BILL

According to the author's office, the purpose of this bill is to provide consumers with easily accessible information about the voluntary efforts of businesses' to eradicate slavery and human trafficking that could be in their product supply chains.

EFFECTIVE/OPERATIVE DATE

This bill would be effective January 1, 2011, and specifically operative January 1, 2012, for retailer sellers and manufacturers to disclose their efforts to eradicate slavery and human trafficking. The provision requiring the FTB to make available to the AG a list of retail sellers and manufacturers would be operative for original returns filed for taxable years beginning on or after January 1, 2011.

ANALYSIS

FEDERAL/STATE LAW

Current federal and state law provides that tax returns and tax information are confidential and may not be disclosed unless authorized specifically by statute. Any FTB employee or member responsible for the improper disclosure of federal or state tax information is subject to criminal prosecution. Improper disclosure of federal tax information is punishable as a felony and improper disclosure of state tax information is punishable as a misdemeanor.

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Current state law permits disclosure of tax return information to other state and local tax agencies, the Multistate Tax Commission, and tax officials from other states and Mexico. All exchanges of tax information with these entities carry strict confidentiality rules and are prohibited from being released to the public, unless authorized by statute.

Current state law allows the FTB to disclose, among other things, the business entity name, address, and business entity account number.

THIS BILL

This bill would require the FTB to annually make available to the AG a list of retail sellers and manufacturers with worldwide gross receipts that exceed \$100 million. The list would first be submitted to the AG by November 30, 2012, and each November 30 thereafter.

The list would be based on tax returns filed for taxable years beginning on or after January 1, 2011, and derived from original tax returns received by the FTB on or before December 31, 2011 and each December 31 thereafter.

The list would be required to include the entity name and California identification number.

This bill defines the following:

- “Doing business in this state” has the same meaning as set for in the Revenue and Taxation Code (RTC) section 23101.¹
- “Gross Receipts” has the same meaning as set forth in RTC section 25120.²
- “Manufacturer” means a business entity with manufacturing as its principal business activity code, as reported on the entity’s tax return.
- “Retail Seller” means a business entity with retail trade as its principal business activity code, as reported on the entity’s tax return.

LEGISLATIVE HISTORY

AB 2230 (Calderon, 2009/2010) would require the FTB to post specified information on the 100 largest publicly traded corporations on the FTB’s public Web site. This bill failed passage out of the Assembly.

SB 920 (Oropeza, Stats. 2007, Ch. 666) authorizes the FTB to disclose specified information from business entity returns to the State Controller’s Office (SCO) for use in SCO’s administration of the Unclaimed Property Law.

¹ RTC section 23101—defines “doing business” in this state.

² RTC section 25120--- defines “gross receipts.”

FISCAL IMPACT

The department estimates it would have one-time cost of \$49,000 (1/2 PY) to extract and electronically transmit the data to the AG. On-going costs would be \$48,000 (1/2 PY) to maintain and update the list. It is recommended that the bill be amended to include appropriation language that would provide funding to implement this bill. Lack of an appropriation would require the department to secure the funding through the normal budgetary process, which could delay implementation of this bill.

ECONOMIC IMPACT

This bill would not impact the state's income tax revenues.

Support/Opposition

Support: Alliance to Stop Slavery and End Trafficking (co-sponsor), Coalition to Abolish Slavery & Trafficking (co-sponsor), Consumer Federation of California (co-sponsor), Alliance to End Slavery and Trafficking, California Catholic Conference, California Commission on the Status of Women, California Labor Federation, AFL-CIO, California School Employees Association, California Teamsters Public Affairs Council, Free the Slaves, Los Angeles District Attorney's Office, Not For Sale, Planned Parenthood Affiliates of California, Polaris Project

Opposition: California Chamber of Commerce, California Grocers Association, California Manufacturers and Technology Association, California Retailers Association, Corona Chamber of Commerce.

VOTES

Assembly Floor – Ayes: 44, Noes: 24

Senate Floor – Ayes: 24, Noes: 13

Concurrence – Ayes: 22 , Noes: 14

LEGISLATIVE STAFF CONTACT

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