

**SUMMARY ANALYSIS OF AMENDED BILL**

Author: Florez Analyst: Janet Jennings Bill Number: SBX6 19  
 Related Bills: See Prior Analysis Telephone: 845-3495 Amended Date: June 30, 2010  
 Attorney: Patrick Kusiak Sponsor: \_\_\_\_\_

**SUBJECT:** FTB Compile Specified Corporation Tax Expenditure Information & Include On The State Reporting Transparency In Government Internet Web Site

DEPARTMENT AMENDMENTS ACCEPTED. Amendments reflect suggestions of previous analysis of bill as introduced/amended \_\_\_\_\_.

AMENDMENTS IMPACT REVENUE. A new revenue estimate is provided.

AMENDMENTS DID NOT RESOLVE THE DEPARTMENT'S CONCERNS stated in the previous analysis of bill as introduced May 26, 2010.

FURTHER AMENDMENTS NECESSARY.

DEPARTMENT POSITION CHANGED TO \_\_\_\_\_.

REMAINDER OF PREVIOUS ANALYSIS OF BILL AS INTRODUCED May 26, 2010, STILL APPLIES.

OTHER – See comments below.

**SUMMARY**

This bill would require the Franchise Tax Board (FTB) to post tax expenditure information of publicly traded corporations on the Reporting Transparency in Government Internet Web site.

**SUMMARY OF AMENDMENTS**

The June 30, 2010, amendments would limit the reporting of tax expenditure information to publicly traded corporations and would define several terms. As a result of the amendments, the "This Bill" and "Fiscal Impact" discussions provided in the analysis of the bill as introduced May 26, 2010, have been revised. The "Implementation Considerations," "Technical Considerations," and "Policy Concerns" remain and are restated below for convenience. The "Economic Impact" still applies and is repeated for convenience. The remainder of the department's analysis of the bill as introduced May 26, 2010, still applies.

**POSITION**

Pending.

Board Position:	Asst. Legislative Director	Date
<input type="checkbox"/> S		
<input type="checkbox"/> NA		
<input type="checkbox"/> NP		
<input type="checkbox"/> SA		
<input type="checkbox"/> O		
<input type="checkbox"/> NAR		
<input type="checkbox"/> N		
<input type="checkbox"/> OUA		
<input checked="" type="checkbox"/> PENDING	Patrice Gau-Johnson	07/14/10

## **ANALYSIS**

### **THIS BILL**

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

1. The name, mailing address, and California corporation number of any publicly traded corporation receiving credits of \$20,000 or more allowed from corporate tax expenditures.
2. The amount claimed by a publicly traded corporation for the corporate tax expenditures.

Additionally, this bill requires the FTB to compile the above information on a credit-by-credit basis and to be searchable by a publicly traded corporation's name, corporation number, when available, expenditure type, and key word; a description of the initial justification for the expenditure is to be included. This bill requires all data from the report to be available for download by the public in Excel or comparable format.

This bill would define corporate tax expenditure as any credit allowed under Part 11 (commencing with Section 23001) or otherwise available to a corporation.

This bill would define a publicly traded corporation as a corporation 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.

### **IMPLEMENTATION CONSIDERATIONS**

The department had identified the following implementation concern. Department staff is available to work with the author's office to resolve this concern and other concerns that may be identified.

To avoid confusion and provide clear direction, the language of the bill should specify if the tax expenditures are to be reported from original, amended, and/or audited corporate tax returns.

### **TECHNICAL CONSIDERATIONS**

To remove unnecessary language Amendment 1 is provided in Appendix 1.

To clarify that the aggregate credit threshold is based on credits claimed on the return, Amendment 2 is provided in Appendix 1.

To clarify the information captured for the report is based on each tax expenditure, Amendment 3 is provided in Appendix 1.

#### **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 4 in Appendix 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 bill would not impact state income tax revenues.

#### **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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Appendix 1

FRANCHISE TAX BOARD'S  
PROPOSED AMENDMENTS TO SBX6-19  
As Amended June 30, 2010

Amendment 1

On page 2, lines 5 and 6, ~~strikeout "or otherwise available to a corporation."~~

Amendment 2

On page 2, line 18, ~~strikeout "receiving"~~ and insert:  
claiming

Amendment 3

On page 2, line 21, after "for", ~~strikeout "the"~~ and insert:  
each

Amendment 4

On page 3, after line 3, 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 XX, Statutes of XXXX.