

## BILL ANALYSIS

Department, Board, Or Commission	Author	Bill Number
<b>Franchise Tax Board</b>	<b>Butler &amp; Harkey</b>	<b>AB 1044</b>

### SUBJECT

Registered Warrants/Tax Liabilities

### SUMMARY

This bill would allow holders of registered warrants to remit the warrants for payment of their tax liability with the Franchise Tax Board (FTB) or the State Board of Equalization (BOE).

This report only addresses the provisions of this bill that impact the department's programs and operations.

### PURPOSE OF BILL

According to the author's office, the purpose of the bill is to require the FTB and the BOE to accept a registered warrant, at face value, for the payment of any obligation owed to that agency by the warrant holder.

### EFFECTIVE/OPERATIVE DATE

This bill would become effective January 1, 2012, and would apply to registered warrants remitted as payment of obligations on and after that date.

### ANALYSIS

#### STATE LAW

Generally, under state law, the Controller is responsible for issuing warrants drawn from the General Fund for payment of obligations of the state. In instances where the amount payable out of the General Fund is in excess of the balance remaining in the General Fund after deducting amounts earmarked or reserved for payment by law, the Controller can issue a "registered warrant."

A registered warrant is a warrant that carries the State's promise to pay the bearer the amount shown on the warrant, plus interest. There are two types of registered warrants:

1. Registered warrants bearing a redemption date prescribed on the warrant, usually within one year of the date of issuance. Interest accumulates on this type of registered warrant at the rate determined by the Pooled Money Investment Account. A registered warrant that bears a redemption date is paid by the Treasurer upon that date with interest out of any unapplied money in the General Fund.

Anne Maitland, FTB Contact Person (916) 845-6333 (Office)	Executive Officer Geoff Way for Selvi Stanislaus	Date 08/31/11
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2. Registered warrants without a redemption date are paid with interest when the Controller determines, with the approval of specified members of the Legislature,<sup>1</sup> that money in the General Fund is sufficient to cover the debts. Upon approval, the Controller notifies the Treasurer of the numbers of the warrants that are to be paid.

Under state law, if a taxpayer has a California personal income or corporate tax liability and is a payee named in a registered warrant, the taxpayer may pay the tax liability, in whole or in part, either by submitting the registered warrant to the FTB or by remitting a copy of the registered warrant together with a check in an amount not to exceed the amount of the registered warrant. State law provides that the check may not be presented for payment by the state or paid by the bank until the registered warrant is redeemable upon its presentation to the Treasurer. These provisions apply only if the check is presented with a copy of the registered warrant.

## **PROGRAM BACKGROUND**

For a registered warrant without a redemption date, current law is silent on whether submitting the warrant for payment on an FTB account before it is redeemable shall include interest accrued. During 2009, the FTB administratively accepted registered warrants without a redemption date as follows:

- If the registered warrant was submitted before the redemption date, it was credited at face value, with no accrued interest, or
- If the registered warrant was submitted after the redemption date, it was credited at face value, plus accrued interest. Interest accumulates on registered warrant at the rate determined by the Pooled Money Investment Account.

## **THIS BILL**

This bill would allow a taxpayer that receives a registered warrant without a redemption date the following options:

1. Submit the registered warrant for payment at face value, with no accrued interest, on an FTB account if submitted before the redemption date, or
2. Submit the registered warrant for payment at face value, plus accrued interest, on an FTB account if submitted on or after the redemption date.

This bill would also repeal the requirement that a taxpayer submit a copy of their registered warrant along with a check to the tax authority when making a payment on a tax debt.

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<sup>1</sup> The committee consists of the Chair and Vice Chair of the Assembly and Senate Budget and Fiscal Review Committees, the Chair and Vice Chair of the Assembly and Senate Appropriations Committees.

**LEGISLATIVE HISTORY**

SB 11 (Anderson, 2011/2012) would prohibit a state entity from assessing a fine, interest, or penalty on a debt owed to the state for the payee of a registered warrant if the debt owed to the state was imposed between January 1, 2006, and December 31, 2009, and would change the due date of a state debt to 30 days after the payable date of registered warrants. SB 11 is unlike AB 1044 in that AB 1044 adds the BOE as a state agency that accepts warrants. This bill held under submission in the Senate Committee on Appropriations on May 26, 2011.

SB 506 (Simitian, 2011/2012) would provide a procedure for a beneficial owner of a state bond who receives a registered warrant to utilize the warrant to pay an FTB liability and would recast the interest provisions. This bill was placed in the suspense file in the Assembly Committee on Appropriations on August 25, 2011.

AB 1506 (Anderson, 2009/2010) would have required state agencies to accept a registered warrant for payment of any state obligation. This bill was vetoed September 30, 2010, by Governor Schwarzenegger, stating that requiring state departments to accept IOUs in lieu of cash payments defeats the purpose of issuing IOUs.

**OTHER STATES' INFORMATION**

A comparison with other states would not be meaningful for this bill because only California has issued registered warrants.

**FISCAL IMPACT**

This bill would not impact the department's costs.

**ECONOMIC IMPACT**

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

**APPOINTMENTS**

None.

**SUPPORT/OPPOSITION<sup>2</sup>**

Support: Board of Equalization (source)  
State Controller John Chiang

Opposition: None provided.

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<sup>2</sup> As reported by the Senate Floor Analysis Dated August 17, 2011 [http://www.leginfo.ca.gov/pub/11-12/bill/asm/ab\\_1001-1050/ab\\_1044\\_cfa\\_20110817\\_154540\\_sen\\_floor.html](http://www.leginfo.ca.gov/pub/11-12/bill/asm/ab_1001-1050/ab_1044_cfa_20110817_154540_sen_floor.html) [As of August 17, 2011].

**VOTES**

Assembly Floor	06/01/11	Y: 77	N: 1
Senate Floor	08/30/11	Y: 38	N: 0

**LEGISLATIVE STAFF CONTACT**

<b>Contact</b>	<b>Work</b>
Anna Caballero, Agency Secretary, SCSA	916-653-3358
Christine J. Lally, Deputy Secretary, Legislative Affairs, SCSA	916-653-2656
Selvi Stanislaus, Department Director	916-845-4543
Anne Maitland, Interim Legislative Director	916-845-6333