

SUMMARY ANALYSIS OF AMENDED BILL

Author: Solorio Analyst: Janet Jennings Bill Number: AB 2578
 Related Bills: See Prior Analysis Telephone: 845-3495 Amended Date: May 1, 2012
 Attorney: Patrick Kusiak Sponsor: _____

SUBJECT: FTB Include Information Regarding Tax Advantage Saving Plans On Website and In Publication

SUMMARY

This bill would require the Franchise Tax Board (FTB) to include information regarding tax-advantaged savings plans on the FTB website, and in specified publications.

RECOMMENDATION

No position.

SUMMARY OF AMENDMENTS

The May 1, 2012, amendments resolved the department’s “Implementation Considerations” and a portion of the “Legal Consideration” by limiting the bill’s provisions to individual tax form instructions and relevant publications, and by removing most tax advantaged savings accounts that are restricted to salary reductions, employer contributions, or a combination of both. As a result of the May 1, 2012, amendments the “This Bill”, “Fiscal” and “Legal Consideration” discussions of the department’s analysis of the bill as amended April 9, 2012, have been revised. The “Economic Impact” discussion still applies and is restated for convenience.

THIS BILL

This bill would require the FTB to include information on the FTB website, individual tax form instructions, and publications 737, 776, 1006, 1032, and 1095D for individual taxpayers, that the taxpayer has the option to designate on the tax return a direct deposit of all or a portion of a tax refund into the following IRC plans:

- An IRC section 401(k)
- An IRC section 457
- An IRC section 529
- An IRC section 402A
- An IRC section 408A
- An IRC section 408(k)

Board Position:

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Interim Legislative Director

Date

Titus Toyama

05/08/12

LEGAL CONSIDERATIONS

Taxpayers cannot directly deposit their federal or state income refunds to an IRC section 401(k) plan, an IRC section 402A elective deferral, or an IRC section 457 plan, as deposits are restricted to salary reductions, employer contributions, or a combination of both.

If contributions are made outside of the plan's provisions for an IRC section 401(k) plan, an IRC section 402A elective deferral, or an IRC section 457 plan, the plan would be in violation of both federal and state law, which could result in loss of the tax advantages of the plan.

FISCAL IMPACT

This bill would not significantly impact the department's costs.

ECONOMIC IMPACT

Estimated Revenue Impact of AB 2578 For Taxable Years Beginning On or After January 1, 2013 Assumed Enactment After June 30, 2012		
2012-13	2013-14	2014-15
\$0	-\$100,000	-\$200,000

This analysis does not account for changes in employment, personal income, or gross state product that could result from this bill.

LEGISLATIVE STAFF CONTACT

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