

SUMMARY ANALYSIS OF AMENDED BILL

Author: Eng Analyst: Janet Jennings Bill Number: AB 2638
 Related Bills: See Prior Analysis Telephone: 845-3495 Amended Date: April 17, 2012
 Attorney: Patrick Kusiak Sponsor: _____

SUBJECT: Report Of Revenue Loss From Tax Expenditures Exceeding \$5 Million

SUMMARY

This bill would expand the information included in the annual Tax Expenditure Report (TER) prepared by the Department of Finance (DOF) by requiring the Franchise Tax Board (FTB) and the Board of Equalization (BOE) to report on the fiscal and tax effect of the tax expenditures.

This analysis addresses provisions of the bill only as they impact the department.

RECOMMENDATION

No position.

SUMMARY OF AMENDMENTS

The April 17, 2012, amendments resolved the department’s Implementation and Technical Considerations by accepting the amendments suggested in the department’s analysis of the bill as amended on March 28, 2012. As a result of the amendments, the “This Bill” and “Fiscal Impact” sections have been revised. The “Economic Impact” still applies and is included below for convenience.

THIS BILL

This bill would require the FTB to submit by January 10 of each year a report to the DOF and the Legislature on the revenue loss for personal income tax expenditures and corporation income and franchise tax expenditures that exceed five million dollars.

The report would be prepared using the most recent tax year that full year data is available, the current state fiscal year, and the budget year, in the following categories:

- By the adjusted gross income of the claimants.
- By the tax liability of the taxpayer.
- By region.
- By industry code.

Board Position: <input type="checkbox"/> S <input type="checkbox"/> NA <input checked="" type="checkbox"/> NP <input type="checkbox"/> SA <input type="checkbox"/> O <input type="checkbox"/> NAR <input type="checkbox"/> N <input type="checkbox"/> OUA	<table style="width: 100%; border: none;"> <tr> <td style="border: none;">Interim Legislative Director</td> <td style="border: none;">Date</td> </tr> <tr> <td style="border: none;">Titus Toyama</td> <td style="border: none;">04/17/12</td> </tr> </table>	Interim Legislative Director	Date	Titus Toyama	04/17/12
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Additionally, the report on the expenditures for the most recent tax year that full year data is available is to include the following information:

- The average, median, highest, and lowest amounts claimed by taxpayer bracket.
- The amounts claimed and as of the time the report is prepared, amounts disallowed.

Where deemed appropriate by the FTB, the report shall also include the following information about the expenditures:

- Any citations of academic studies pertaining to the tax expenditure or similar tax expenditures.
- The usage for the same or similar tax expenditures adopted by other states with similar economies, business entity types, and tax laws, or the federal government.
- Any distinguishing tax characteristic, including other tax expenditures claimed.

This bill would also require the FTB to provide sufficient data to support a subsequent analysis of the revenue loss of the tax expenditure.

FISCAL IMPACT

This bill would require additional information to be included in the department's TER. As a result, this bill would impact the department's Economic and Statistical Research Bureau staffing. As the bill continues to move through the legislative process, costs will be identified and an appropriation will be requested, if necessary.

ECONOMIC IMPACT

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

LEGISLATIVE STAFF CONTACT

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