

SUMMARY ANALYSIS OF AMENDED BILL

Author: Anderson Analyst: Janet Jennings Bill Number: SB 11
 Related Bills: See Prior Analysis Telephone: 845-3495 Amended Date: May 3, 2011
 Attorney: Patrick Kusiak Sponsor: _____

SUBJECT: State Entities Prohibited From Assessing Fine, Interest, Or Penalty On Debt Owed To State By Individual Or Entity That Is Payee Of Registered Warrant

SUMMARY

This bill would prohibit a state entity from assessing certain fines, interest, or penalties on debts owed to the state by a payee of a registered warrant (RW).

This analysis only addresses the impact to personal income and corporate tax debts.

RECOMMENDATION AND SUPPORTING ARGUMENTS

No position.

SUMMARY OF AMENDMENTS

The May 3, 2011, amendments removed the provision that would have changed the due date for debts owed to the state by a payee of an RW that were incurred between January 1, 2006, and December 31, 2009. As a result of the amendments, the "Effective/Operative Date," "This Bill," "Implementation Considerations," and the "Economic Impact" sections of the department's analysis of the bill as introduced December 6, 2010, have been revised. The "Policy Concerns" section is no longer applicable. The "Fiscal Impact" section has been restated for convenience. The remainder of the department's analysis of the bill as introduced December 6, 2010, still applies.

EFFECTIVE/OPERATIVE DATE

This bill would be effective January 1, 2012, and operative for payees named on RWs that, in the absence of this legislation, would be subject to a fine, interest, or penalty based on a debt owed to the state. This bill would be operative from the date the RW is issued until 30 days after the date the RW is payable.

Board Position:	Legislative Director	Date
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ANALYSIS

THIS BILL

This bill would prohibit the Franchise Tax Board (FTB) from assessing a fine, interest, or penalty based on any debt owed to the department by an individual or entity that is a payee of an RW, in an amount not to exceed the amount of the RW. The FTB would be prohibited from assessing a fine, interest, or penalty on any debt owed from the date the state issued the RW until 30 days after the date the RW is payable.

IMPLEMENTATION CONSIDERATIONS

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

The bill is silent about the hierarchy for penalty and interest relief, including relief for debts of multiple state entities. It is recommended that the bill be amended to indicate the hierarchy of relief. If, for example, a taxpayer was issued a registered warrant on June 30, 2011, for \$500 and owed a qualified individual FTB tax debt of \$600 and a Board of Equalization debt of \$800, should the first \$500 of both debts have the interest and or associated fee's waived?

FISCAL IMPACT

This bill would require the department to secure data from the State Controllers' Office to determine which individuals and business entities issued RWs were also subject to a penalty or interest on a debt imposed by the department. Department systems would need to be reprogrammed to reverse previously assessed penalties or interest and issue appropriate refunds. Notices to advise the affected taxpayers would need to be developed, tested, and issued. As a result, this bill would significantly impact the department's resources. The additional costs have not been determined at this time. As the bill continues to move through the legislative process, costs will be identified and an appropriation will be requested.

ECONOMIC IMPACT

Information is not readily available that would enable the department to match RW amounts against taxpayer liabilities. If, for example, RWs are issued in June 2011, and 10 percent of the RW holders had outstanding tax liabilities equal to the average amount of warrants previously issued in 2009, abatement of interest and penalties for this group would result in a one-time revenue loss of approximately \$13 million in fiscal year 2010/2011.

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