

# ANALYSIS OF AMENDED BILL

Franchise Tax Board

Author: Rubio Analyst: David Scott Bill Number: SB 1252

Related Bills: None Telephone: 845-5806 Amended Date: April 9, 2012

Attorney: Patrick Kusiak Sponsor: \_\_\_\_\_

**SUBJECT:** DOF Report On Revenue Derived From Taxes Generated From Capital Gains From Facebook

## SUMMARY

This bill would require the Department of Finance (DOF), with assistance from the Franchise Tax Board (FTB) and the Employment Development Department, to provide reports on the amount of estimated and actual tax revenues from the Facebook IPO to the Controller.

This bill makes changes to the Government Code. This analysis will only address the sections in the bill that affect the department.

## RECOMMENDATION

No position.

## Summary of Amendments

The bill, as introduced on February 23, 2012, made changes to the Public Resources Code.

The April 9, 2012, amendments removed all of the bill's provisions, which related to the Public Resources Code, and replaced them with changes to the Government Code, including the provisions discussed in this analysis. This is the department's first analysis of the bill. This analysis only addresses the provisions of this bill that impact the department's programs and operations.

## REASON FOR THE BILL

According to the author's office, SB 1252 will ensure that one-time revenues derived from the capital gains from the Facebook IPO are spent on one-time infrastructure projects that the state desperately need.

## EFFECTIVE/OPERATIVE DATE

This bill would be effective and operative on January 1, 2013, if signed into law on or before September 30, 2012.

Board Position:  
\_\_\_\_ S      \_\_\_\_ NA       X  NP  
\_\_\_\_ SA      \_\_\_\_ O      \_\_\_\_ NAR  
\_\_\_\_ N      \_\_\_\_ OUA

Executive Officer	Date
Selvi Stanislaus	04/24/12

## **ANALYSIS**

### **STATE LAW**

State law requires the DOF to provide an annual report to the Legislature on tax expenditures, providing details on individual categories of the expenditures and historical information on the enactment and repeal of the expenditures.

### **THIS BILL**

This bill would require the FTB to do the following:

- Provide raw data and analytical support to the DOF, as needed, for the amount of estimated tax payments, for the 2012 tax year, related to the Facebook IPO capital gains, so that the DOF can prepare the revenue estimate report to the Controller before February 1, 2013.
- Reconcile and report to DOF the amount of actual tax revenues from the Facebook IPO capital gains reported on the income tax returns of the participants of the Facebook IPO, compared to the estimated tax revenues from the Facebook IPO capital gains previously reported to DOF, so that DOF can prepare the report to the Controller before December 31, 2013.

### **IMPLEMENTATION CONSIDERATIONS**

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

- The FTB is prohibited from disclosing taxpayer information, including when a very limited amount of data disclosed would infer that it was the tax information of a particular person or corporation. The number of participants in the Facebook IPO needs to be large enough that FTB can pull and analyze more than 10 significant participants to avoid a potential disclosure issue and still provide the raw data and support analysis necessary for DOF to prepare the reports to the Controller.
- Some of the participants in the IPO may not sell their Facebook stock in 2012. Some Facebook IPO participants may hold off and realize the gain in the subsequent year or later, when they actually sell their stock. In the Google IPO, some of the sales occurred up to 24 months later. If the intent is to capture as much of the IPO gain as possible, then the author may wish to amend the bill to extend the dates to include the 2013 calendar year as well.

## **FISCAL IMPACT**

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

## **ECONOMIC IMPACT**

### Revenue Estimate

This bill would not impact state income tax revenues.

## **SUPPORT/OPPOSITION**

Support: None provided.

Opposition: None provided.

## **ARGUMENTS**

Proponents: May say that using the revenues from the Facebook IPO to pay for much needed infrastructure projects would help create jobs needed to help the economy of California.

Opponents: May say that the revenue would be better spent on other programs that have been cut in recent years.

## **LEGISLATIVE STAFF CONTACT**

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