

ANALYSIS OF ORIGINAL BILL

Franchise Tax Board

Author: Harman Analyst: William Koch Bill Number: SB 1326
Related Bills: See Legislative History Telephone: 845-4372 Introduced Date: February 23, 2012
Attorney: Patrick Kusiak Sponsor: _____

SUBJECT: BOE, EDD & FTB Collaborate & Focus Information Technology Efforts On Developing Web-Based Portal

SUMMARY

This bill would require the Board of Equalization (BOE), the Employment Development Department (EDD) and the Franchise Tax Board (FTB) to:

- Develop a web-based portal that virtually consolidates the agencies, and
- Consolidate forms, applications, and other documents where feasible.

RECOMMENDATION

No position.

PURPOSE OF THE BILL

According to the author's office, the purpose of this bill is to ease tax reporting burdens, reduce duplicate submission of information, and facilitate tax compliance by providing taxpayers easy and up-to-date access to their tax accounts with the BOE, EDD, and the FTB. In addition, according to the legislative findings contained in the bill, focusing on the customer should be a core element of California's tax administration and virtually consolidating the BOE, EDD, and the FTB would provide a seamless online experience for taxpayers.

EFFECTIVE/OPERATIVE DATE

This bill would be effective and operative January 1, 2013.

ANALYSIS

STATE LAW

Under state law, three separate agencies are involved in the administration of the majority of California tax laws:

- The BOE is a constitutional body that is an agency-equivalent not reporting to the Governor. The BOE administers property tax, sales and use tax, and special taxes including fuel tax, excise tax, environmental fees, insurance gross premiums tax, and electronic waste recycling

Board Position:

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fee. The five-member BOE includes the State Controller and four elected members.¹ The five-member BOE is vested with the authority under the Sales and Use Tax Law to “redetermine,” that is, administratively review, determinations made by the BOE with respect to tax programs it administers. In addition, the five-member BOE is authorized to hear and determine taxpayer appeals of the actions of the FTB on personal income tax, corporation income tax, franchise tax, and home owner’s and renter’s assistance matters.

- The EDD’s Tax Branch administers the collection, accounting, and audit functions of California’s payroll tax program. The program consists of Unemployment Insurance and Employment Training Tax, which are employer contributions, and Disability Insurance and Personal Income Tax, which are withheld from employees’ wages.
- The FTB administers the Personal Income Tax Law (PITL) and Corporation Tax Law (CTL). The FTB collects taxes under the PITL and CTL through withholding from sources other than wages, generally from withholding a percentage of real estate proceeds and payments to nonresidents. The FTB also receives payment of estimated income taxes and other remittances such as payments made at the time of filing a tax return. If necessary, the FTB also collects delinquent balances due by recording property liens or issuing withholding orders on earnings or bank accounts. The FTB also administers non-income tax related programs including: collections of court-ordered debt, vehicle registration debts, industrial health and safety fines; interagency intercepts; Political Reform Audit (PRA); and the Nonadmitted Insurer Tax program. The three-member FTB is comprised of the State Controller, the Director of the Department of Finance, and the Chair of the BOE.

PROGRAM BACKGROUND

The “California Fed State Partnership,” which consists of the BOE, EDD, the FTB, and the IRS, works to streamline and improve taxpayer resources and educational programs. One result of the partnership was the development of the California Tax Service Center website, www.taxes.ca.gov. The goal of the website is to provide one-stop tax help to California taxpayers and guide them to the forms and services they need. The website provides information on income, payroll, sales and use tax, as well as other taxes and fees, and provides links to the appropriate forms, information, requirements, and payment options located on the BOE’s, EDD’s, the FTB’s, and the IRS’ website. However, the website currently does not provide a single logon access to a taxpayer’s BOE, EDD or FTB records.

The BOE, EDD and the FTB also have a long history of working cooperatively to increase efficiencies and ease taxpayer burden. For example, to relieve some of the paperwork burden for taxpayers requesting an offer in compromise, the BOE, EDD and the FTB developed a single offer in compromise application form for taxpayers to submit to any or all three of the agencies.

In addition, the Governor’s proposed budget for fiscal year 2012/2013 includes the consolidation of the FTB and the tax collection functions of EDD into a Department of Revenue. The EDD and the FTB have joined together to develop an implementation plan for the possible consolidation.

¹ For this purpose, the state is divided into four districts. One member is elected from each district.

THIS BILL

This bill would require the BOE, EDD, and the FTB to collaborate and focus current and future information technology efforts on developing a single web-based portal that virtually consolidates the agencies.

The web-based portal would be required to enable online, self-service access through a single logon that would allow taxpayers to:

- Electronically file returns,
- Submit forms or other information,
- Pay amounts due,
- Determine account balances and due dates of taxes, and
- Identify the status of any appeal, claim for refund, or penalty and interest waiver request.

In addition, this bill would require the BOE, EDD and the FTB to, wherever operationally feasible, consolidate forms, applications, and other documents to reduce, or eliminate, the number of multiple submissions of the same information by taxpayers.

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.

Implementing this bill in the near term could add complexities and pose risks to current revenue generating information technology efforts. Because this bill would require the BOE, EDD and the FTB to collaborate and virtually consolidate the agencies, the scope, roles and duties of each agency must be determined before a complete analysis of this bill's impact to the FTB can be ascertained. As this bill moves through the legislative process, the BOE, EDD and the FTB will need to develop an implementation plan that establishes the scope and each agency's roles and duties.

LEGISLATIVE HISTORY

For at least the last 15 years there have been numerous legislative bills that would have consolidated or transferred the duties of the BOE, EDD and the FTB. The most recent legislation is listed below.

AB 77 (Gorell, 2011/12) would have consolidated the FTB, EDD, and the California Department of Insurance into the BOE. This bill was withdrawn from its first policy committee hearing by the author.

SB 1554 (Strickland, 2011/12) would abolish the FTB and transfer its powers and duties, along with the wage withholding duties of the EDD to the BOE. SB 1554 is currently referred to the Senate Governance and Finance Committee.

SB 1133 (Runner, 2009/2010) contained the same consolidation requirements as AB 77. This bill failed to pass out of the Senate Revenue and Taxation Committee.

SB 274 (Dutton, 2007/2008) contained the same consolidation requirements as AB 77. This bill was withdrawn from its first policy committee hearing by the author.

FISCAL IMPACT

The costs to implement this bill, although unknown at this time, could be significant. As indicated above in the "Implementation Considerations" section, the scope, roles and duties of the BOE, EDD, and the FTB need to be identified before a complete analysis of this bill's impact to the FTB can be ascertained. As this bill moves through the legislative process and the BOE, EDD and the FTB develop an implementation plan, costs to implement this bill will be identified.

ECONOMIC IMPACT

Revenue Estimate

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

SUPPORT/OPPOSITION

Support: None provided.

Opposition: None provided.

ARGUMENTS

Pro: This bill could ease taxpayer burden and facilitate tax compliance.

Con: Some taxpayers might say this bill would increase taxpayer confusion because while the BOE, EDD and the FTB would be virtually consolidated by a single web-based portal, three separate taxing agencies would still exist which may leave some taxpayers uncertain of their specific tax responsibilities with each particular agency.

LEGISLATIVE STAFF CONTACT

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