

ANALYSIS OF ORIGINAL BILL

Franchise Tax Board

Author: Gomez Analyst: Brian Werking Bill Number: AB 1012

Related Bills: None Telephone: 845-5103 Introduced Date: February 22, 2013

Attorney: Patrick Kusiak Sponsor: State Controller's Office

SUBJECT: Repeal Notification Requirement for Property Tax Postponement for Senior Citizens

SUMMARY

This bill would eliminate the Franchise Tax Board's (FTB's) obligation to prepare a notice regarding the Property Tax Postponement (POSTPONEMENT) program.

RECOMMENDATION

No position.

REASON FOR THE BILL

The reason for the bill is to reduce taxpayer confusion that results when taxpayers receive information regarding a program that is suspended.

EFFECTIVE/OPERATIVE DATE

This bill would become effective and operative January 1, 2014.

PROGRAM BACKGROUND

The POSTPONEMENT program, administered by the State Controller, was created to allow eligible claimants to postpone payment of a portion of their property taxes. The postponed taxes become a lien against the property with simple interest accruing. When the home is sold or passes through inheritance, the accumulated postponed taxes plus interest must be repaid. Claimants are individuals who are 62 years of age or older, or blind, or disabled.

The Homeowner and Renter Assistance (ASSISTANCE) program, administered by the FTB, was enacted to provide claimants with an annual payment from the State of California that was based in part on the property taxes assessed and paid on claimants' homes or on the property taxes assessed and paid indirectly through their rent. Claimants are defined as individuals who are 62 years of age or older, or blind, or disabled.

Board Position:

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Executive Officer

Date

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The 2007/2008 Budget Act eliminated funding for the POSTPONEMENT and ASSISTANCE programs and the programs remain suspended to date. New POSTPONEMENT applications were specifically barred as of 2009.¹

ANALYSIS

FEDERAL/STATE LAW

Current law requires the FTB to prepare the text of a notice informing individuals of the ASSISTANCE and POSTPONEMENT programs for counties to include with property tax bills. The funding to administer these programs has been eliminated, but the obligation to prepare the notice regarding the programs remain.

THIS BILL

This bill would eliminate the FTB's obligation to prepare the text of a notice informing individuals of the POSTPONEMENT program and would eliminate the notice requirement for the POSTPONEMENT program.

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.

This bill would not eliminate FTB's role in preparing a notice regarding the ASSISTANCE program. Eliminating the FTB's notice preparation requirement for the POSTPONEMENT program without also eliminating the notice preparation requirement for the ASSISTANCE program would not reduce the FTB's notice preparation workload. To eliminate the notification requirements for both programs, the author may wish to repeal Section 2615.6 of the Revenue and Taxation Code instead of amending it.

OTHER STATES' INFORMATION

Since this bill would only eliminate an internal administrative procedure a review of other states' income tax laws is not relevant.

FISCAL IMPACT

This bill would not impact the department's costs.

ECONOMIC IMPACT

Revenue Estimate

This bill would not impact the state's income or corporation tax revenues.

¹ Rev. & Tax. Code, § 20623, added by Stats. 2009, 3d Ex. Sess., ch 4, §19.

SUPPORT/OPPOSITION

Support: State Controller's Office (Sponsor).

Opposition: None provided.

ARGUMENTS

Proponents: Some could argue that this bill would prevent unnecessary notices regarding unfunded programs from being sent to property taxpayers.

Opponents: Some could argue that the elimination of the notice would lead to taxpayer confusion regarding the status of the two unfunded programs.

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