

# ANALYSIS OF ORIGINAL BILL

Franchise Tax Board

Author: Jones Analyst: Janet Jennings Bill Number: AB 2084

Related Bills: None Telephone: 845-3495 Introduced Date: February 20, 2014

Attorney: Bruce Langston Sponsor: \_\_\_\_\_

**SUBJECT:** FTB Recover Payments Made to Terminated Employees by School Districts

## SUMMARY

This bill would, under the Education Code, allow school districts to notify the Franchise Tax Board (FTB) to recover payments specified in this bill.

This bill would add other provisions in the Education Code. This analysis is limited to the changes that would impact the department.

## RECOMMENDATION

No position.

## REASON FOR THE BILL

The reason for the bill is to revise procedures applicable to school employees suspected of egregious misconduct.

## EFFECTIVE/OPERATIVE DATE

This bill would be effective on and operative as of January 1, 2015, and would apply to egregious misconduct actions occurring on or after that date.

## ANALYSIS

### STATE LAW

Current state law authorizes the FTB to use administrative collection tools to collect delinquent tax and specified nontax debt liabilities. Collection actions include, but are not limited to, attaching bank accounts and garnishing wages.

### THIS BILL

This bill would allow a school district to notify the FTB for the purpose of taking appropriate action to recover the payment specified by the school district. The FTB could seek reimbursement from the school district for the costs incurred in recovering the payment.

Board Position:

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Executive Officer

Date

Selvi Stanislaus

3/7/14

## 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 allow a school district to request the FTB to recover specified payments under the Education Code. The FTB is responsible for administering and enforcing the Revenue and Taxation Code (R&TC).<sup>1</sup> In addition, while certain nontax debts are referred to the FTB for collection, those referrals are pursuant to provisions of the R&TC which include language authorizing the FTB to collect those amounts as if they were unpaid tax liabilities. This bill does not include such language. As a result, the FTB would be unable to administer this bill's provision unless additional statutory language is added to address these concerns. Accordingly, this bill should be amended to place the recovery of school district debts appropriately within the provisions of the R&TC administered by the FTB.

## **LEGISLATIVE HISTORY**

None

## **OTHER STATES' INFORMATION**

A comparison with other states would not be meaningful as this bill pertains to administrative procedures that are specific to California.

## **FISCAL IMPACT**

The department's staff is unable to determine the potential reimbursement amount to administer this bill until the implementation concern has been resolved. As the bill continues to move through the legislative process and the implementation concern is resolved, reimbursement costs will be identified.

## **ECONOMIC IMPACT**

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

## **SUPPORT/OPPOSITION**

Support: None on file

Opposition: None on file

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<sup>1</sup> The FTB is responsible to administer Part 10, Part 10.2, Part 10.7, and Part 11 of the Revenue Taxation Code.

## **ARGUMENTS**

Proponents: Some could argue that utilizing the FTB's collection authority on behalf of school districts would allow district staff to focus on the core mission of education.

Opponents: Some could argue that adding collections on behalf of school districts to the FTB's existing workload could detract from the primary mission of state income tax administration.

## **LEGISLATIVE STAFF CONTACT**

Janet Jennings

Legislative Analyst, FTB

(916) 845-3495

[janet.jennings@ftb.ca.gov](mailto:janet.jennings@ftb.ca.gov)

Mandy Hayes

Revenue Manager, FTB

(916) 845-5125

[mandy.hayes@ftb.ca.gov](mailto:mandy.hayes@ftb.ca.gov)

Gail Hall

Legislative Director, FTB

(916) 845-6333

[gail.hall@ftb.ca.gov](mailto:gail.hall@ftb.ca.gov)