

**SUMMARY ANALYSIS OF AMENDED BILL**

Author: Calderon & Dababneh Analyst: Janet Jennings Bill Number: AB 2086  
 Related Bills: See Prior Analysis Telephone: 845-3495 Amended Date: May 7, 2014  
 Attorney: Bruce Langston Sponsor: \_\_\_\_\_

**SUBJECT:** Annual Tax/Annual Fee/ Change Payment Dates

**SUMMARY**

This bill would under the Personal Income Tax Law and Corporation Tax Law modify the due dates for payments of the annual tax and the minimum tax due.

**RECOMMENDATION**

No position.

**SUMMARY OF AMENDMENTS**

The May 7, 2014, amendments resolved the implementation considerations and two of the technical considerations as discussed in the department’s analysis of the bill as amended April 21, 2014, and removed the Limited Liability Company (LLC) fee from the alternative payment method. As a result of the May 7, 2014, amendments, the “This Bill,” “Technical Considerations,” “Fiscal Impact,” and “Economic Impact” sections have been revised. The remainder of the department’s analysis of the bill as amended April 21, 2014, still applies.

**Summary of Suggested Amendments**

Amendments 1 and 2 are suggested to clarify an alternative payment’s due date.

THIS BILL

This bill would revise the specified due date for the LLC annual tax and the corporation minimum franchise tax to allow the three payment options described below:

- Payment in full due on or before the 15<sup>th</sup> day of the fourth month of the taxable year,
- In three equal installments due on or before the 15<sup>th</sup> day of the 4<sup>th</sup>, 8<sup>th</sup>, and 12<sup>th</sup> months of the taxable year, or
- In two equal installments, with the first installment due on or before the 15<sup>th</sup> day of the 4<sup>th</sup> month of the taxable year and the second installment due on or before 12 months of that date.

Board Position: <input type="checkbox"/> S <input type="checkbox"/> NA <input checked="" type="checkbox"/> NP <input type="checkbox"/> SA <input type="checkbox"/> O <input type="checkbox"/> NAR <input type="checkbox"/> N <input type="checkbox"/> OUA	<table style="width: 100%; border: none;"> <tr> <td style="width: 70%;">Legislative Director</td> <td style="width: 30%;">Date</td> </tr> <tr> <td>Gail Hall</td> <td>5/15/14</td> </tr> </table>	Legislative Director	Date	Gail Hall	5/15/14
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This bill precludes penalties and interest from being imposed on a taxpayer electing to use an alternative payment option as described above.

The bill would require the Franchise Tax Board to establish procedures for taxpayers to advise the department of the payment option selected.

### TECHNICAL CONSIDERATIONS

The bill uses the phrase, "and the second installment on or before 12 months of that date" which is not clearly worded. Amendments 1 and 2 are provided to change the phrase to "and the date that is 12 months after the date prescribed for the first installment," which may be less confusing.

### FISCAL IMPACT

This bill would impact the department's programming, printing, call centers, and forms. As the bill continues to move through the legislative process, costs will be identified and an appropriation will be requested, if necessary.

### **ECONOMIC IMPACT**

#### Revenue Estimate

Estimated Revenue Impact of AB 2086 As Amended May 7, 2014 Assumed Enactment After June 30, 2014 (\$ in Millions)		
2014-15	2015-16	2016-17
- \$240.0	- \$23.0	- \$8.3

This analysis does not account for changes in employment, personal income, or gross state product that could result from this bill.

Allowing an alternative payment schedule, the most significant impact, occurs as some of the payments that would have been made in 2014-2015 fiscal year are now being made in the 2015-2016 fiscal year. The loss drops in 2015-2016 fiscal year and then again in the 2016-2017 fiscal year as payments are made on a regular basis.

## **SUPPORT/OPPOSITION<sup>1</sup>**

Support: California Chamber of Commerce, Family Business Association.

Opposition: None on file.

## **LEGISLATIVE STAFF CONTACT**

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<sup>1</sup> According to the Assembly Revenue and Taxation Committee bill analysis dated 04/30/14

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FRANCHISE TAX BOARD  
PROPOSED AMENDMENTS TO AB 2086  
AS AMENDED May 7, 2014

AMENDMENT 1

On page 3, line 17, strike “12 months of that date.” and insert:  
“the date that is 12 months after the date prescribed for the first installment.”

AMENDMENT 2

On page 7, line 6, strike “12 months of that date.” and insert:  
“the date that is 12 months after the date prescribed for the first installment.”