

Franchise Tax Board

**SUMMARY ANALYSIS OF AMENDED BILL**

Author: V. Manuel Perez Analyst: Janet Jennings Bill Number: AB 576

Related Bills: See Prior Analysis Telephone: 845-3495 Amended Date: May 1, 2013

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

**SUBJECT:** Revenue Recovery and Collaborative Enforcement Team Act

**SUMMARY**

This bill would establish, until January 1, 2019, a pilot program, named the Revenue Recovery and Collaborative Enforcement Team (Team) by adoption of the Revenue Recovery and Collaborative Enforcement Team Act, to create a multiagency team to collaborate in combating criminal tax evasion associated with the underground economy.

**RECOMMENDATION**

No position.

**Summary of Amendments**

The May 1, 2013, amendments changed the name of the pilot program from the Centralized Intelligence Partnership Act to the Revenue Recovery and Collaborative Enforcement Team Act, and modified other provisions of the bill as introduced February 20, 2013. As a result of the amendments the "This Bill", "Fiscal Impact," and "Implementation Considerations" sections of the department's analysis of the bill as introduced February 20, 2013, have been revised. The "Economic Impact," section has been restated for convenience. The remainder of the analysis still applies.

**ANALYSIS**

THIS BILL

The bill would establish, until January 1, 2019, a pilot program named the Revenue Recovery and Collaborative Enforcement Team (Team). The Team would include the Department of Justice (DOJ), the Franchise Tax Board (FTB), and the Board of Equalization (BOE). The following agencies may choose to participate in an advisory capacity to the Team:

- The California Health and Human Services Agency
- The Department of Consumer Affairs
- The Department of Industrial Relations
- The Department of Insurance
- The Employment Development Department
- The Department of Motor Vehicles

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| Board Position:                       | Legislative Director | Date    |
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The bill states that when an agency with the option to participate in the Team, through the normal course of their investigation, discovers a violation of law that would result in increased tax revenues to the state, the agency may notify the appropriate tax agency within the Team.

The Team would be required to meet at least quarterly.

The Team shall do all of the following to combat criminal tax evasion associated with the underground economy:

- Develop a plan for a central intake process and organizational structure to document, review, and evaluate data and complaints.
- Evaluate the benefits of a processing center to receive and analyze data, share complaints, and research leads.
- Provide participating and nonparticipating agencies with investigative leads where collaboration opportunities exist for felony level criminal investigations, including, but not limited to, referring leads to agencies with appropriate enforcement jurisdiction.

The bill would allow duly authorized Team members and representatives of other participating agencies, to exchange intelligence, data, documents, information, complaints, or lead referral for the purpose of investigating criminal tax evasion associated with underground economic activities. Information authorized to be exchanged by this bill would retain its confidential status.

The bill would require the Team to issue a report on its activities and accomplishments to the Legislature and each participating agency on or before July 1, 2015, and annually thereafter.

The bill would require the Team to issue a report to the Legislature on or before December 1, 2017, that includes the number of leads or complaints received by the Team, the number of cases investigated or prosecuted either through civil action or criminal prosecution as a result of team collaboration, and recommendations for modifying, eliminating, or continuing the operation of any or all of the provisions of this bill.

### IMPLEMENTATION CONSIDERATIONS

Implementing this bill would not significantly impact the department's programs and operations.

### **FISCAL IMPACT**

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

## **ECONOMIC IMPACT**

Once the Team is fully implemented, it is estimated that revenue gains of approximately \$1 million per year in direct revenues could be realized with an additional \$11 million increase per year in revenues as a result of deterrence, for a total revenue gain of \$12 million annually.

## **LEGISLATIVE STAFF CONTACT**

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