

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: August 12, 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 August 12, 2013, amendments removed a reporting requirement¹ and added a prohibition from seeking additional funding until the report due to the legislature is completed. Except for the "This Bill" section, the department's analysis of the bill as amended May 1, 2013, still applies. The "Implementation Considerations," "Fiscal Impact," and "Economic Impact" sections have been restated for convenience.

THIS BILL

The bill would establish, until January 1, 2019, a pilot program named the Revenue Recovery and Collaborative Enforcement Team. The Team would include the Department of Justice, the Franchise Tax Board, and the Board of Equalization (core members). 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

¹ The report would have required the team to report its activities and accomplishments to the Legislature and each participating agency on or before July 1, 2015, and annually on each January 1, thereafter.

Board Position: _____ S _____ NA <u> X </u> NP _____ SA _____ O _____ NAR _____ N _____ OUA	<table style="width: 100%; border: none;"> <tr> <td style="width: 60%;">Legislative Director</td> <td style="width: 40%;">Date</td> </tr> <tr> <td>Gail Hall</td> <td>8/28/13</td> </tr> </table>	Legislative Director	Date	Gail Hall	8/28/13
Legislative Director	Date				
Gail Hall	8/28/13				

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 of that violation.

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 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 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.

The core members would be required to use existing funding to operate the pilot program and would be prohibited from requesting additional funding until after the report to the Legislature is released.

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

Janet Jennings

Legislative Analyst, FTB

(916) 845-3495

janet.jennings@ftb.ca.gov

Mandy Hayes

Revenue Manager, FTB

(916) 845-5125

mandy.hayes@ftb.ca.gov

Gail Hall

Legislative Director, FTB

(916) 845-6333

gail.hall@ftb.ca.gov