

## BILL ANALYSIS

Department, Board, Or Commission <b>Franchise Tax Board</b>	Author <b>Leno</b>	Bill Number <b>SB 1335</b>
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### SUBJECT

Tax Credits/Add General Provisions

### SUMMARY

This bill would require new tax credit legislation to include specific goals, purposes, objectives, and performance measures.

### REASON FOR THE BILL

The reason for the bill is to provide a standard method for the Legislature to periodically evaluate tax credits to ensure that the expenditures are providing the most benefit to the State and its taxpayers.

### EFFECTIVE/OPERATIVE DATE

Assuming enactment before October 1, 2014, this bill would become effective on January 1, 2015, and specifically operative for any bill introduced on or after January 1, 2015, that would authorize a new tax credit.

### FEDERAL/STATE LAW

Existing state and federal laws provide various tax credits and other tax benefits designed to provide tax relief for taxpayers who incur certain expenses (e.g., child adoption) or to influence behavior, including business practices and decisions (e.g., research credits or economic development area hiring credits). These benefits are generally designed to provide incentives for taxpayers to perform various actions or activities that they may not otherwise undertake.

### THIS BILL

This bill would require any bill introduced on or after January 1, 2015, that would authorize a new tax credit to contain language specifying:

- The goals, purposes, and objectives of the tax credit.
- Detailed performance measures for the Legislature to use to measure the goals, purposes, and objectives.
- Data collection and reporting requirements that would allow the Legislature to determine whether the credit is meeting its goals, purposes, and objectives.

Gail Hall, FTB Contact Person (916) 845-6333 (Office)	Executive Officer Selvi Stanislaus	Date 08/21/14
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- Taxpayer information collected pursuant to this section would be subject to the disclosure provisions of Section 19542 of the Revenue and Taxation Code.<sup>1</sup>

## LEGISLATIVE HISTORY

SB 508 (Wolk, Vetoed 2011) included the same provisions as this bill and would have required a sunset date for newly enacted tax credits.

SB 1272 (Wolk, Vetoed 2010) included the same provisions as this bill and would have required a sunset date for newly enacted tax credits.

ACA 6 (Calderon 2009/2010) would have amended the State's constitution to, among other things, limit the operative period to seven years from the date of the enactment of a new or amended tax credit. ACA 6 failed to pass the Assembly by the constitutional deadline.

## OTHER STATES' INFORMATION

The states surveyed include *Florida, Illinois, Massachusetts, Michigan, Minnesota, and New York*. These states were selected due to their similarities to California's economy, business entity types, and tax laws.

Review of these states' laws found no comparable limitation to the one proposed by this bill.

## FISCAL IMPACT

Because this bill would add requirements for future bills, no departmental costs are associated with this bill.

## ECONOMIC IMPACT

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

## APPOINTMENTS

None.

## SUPPORT/OPPOSITION<sup>2</sup>

Support:

California Conference of the Amalgamated Transit Union  
California Conference of Machinists

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<sup>1</sup> Revenue and Taxation Code Section 19542 provides that, unless authorized by a provision of law, it is a misdemeanor for a member, agent, or employee of the Franchise Tax Board to disclose information reported on returns, reports, or documents required to be filed under Personal Income Tax Law and Corporation Tax Law.

<sup>2</sup> According to the 06/24/14 Assembly Revenue and Taxation Committee analysis.

California Nurses Association  
 California School Employees Association  
 Engineers & Scientists, IFPTE Local 20  
 International Longshore and Warehouse Union, Coast Division  
 Professional & Technical Engineers IFPTE Local 21  
 UNITE HERE  
 Utility Workers Union of America, Local 132

Opposition:

None on file.

### VOTES

	Date	Yes	No
Concurrence	08/19/14	24	10
Assembly Floor	08/14/14	54	23
Senate Floor	05/15/14	22	13

### LEGISLATIVE STAFF CONTACT

#### Contact

Marybel Batjer, Agency Secretary, CalGovOps

Nancy Farias, Deputy Secretary for Legislation, CalGovOps

Selvi Stanislaus, Executive Officer, FTB

Gail Hall, Legislative Director, FTB

#### Work

916-651-9024

916-651-9373

916-845-4543

916-845-6333