

SUMMARY ANALYSIS OF AMENDED BILL

Author: Migden Analyst: Colin Stevens Bill Number: AB 511

Related Bills: See prior analyses Telephone: 845-3036 Amended Date: 4/29/98

Attorney: Doug Bramhall

Sponsor:

SUBJECT: Bank Tax Rate Excess Over General Tax/Local Agency Financial Aid Fund/In-lieu Provision

- DEPARTMENT AMENDMENTS ACCEPTED. Amendments reflect suggestions of previous analysis of bill as amended March 5, 1998.
- AMENDMENTS IMPACT REVENUE. A new revenue estimate is provided.
- AMENDMENTS DID NOT RESOLVE THE DEPARTMENT'S CONCERNS stated in the previous analysis of bill as introduced/amended _____.
- FURTHER AMENDMENTS NECESSARY.
- DEPARTMENT POSITION CHANGED TO _____.
- REMAINDER OF PREVIOUS ANALYSIS OF BILL AS AMENDED March 5, 1998, STILL APPLIES.
- OTHER - See comments below.

SUMMARY OF BILL

Under Bank and Corporation Tax Law (B&CTL), this bill would make the following changes to the in-lieu tax for banks and financial corporations:

- require that a percentage of the revenues from the in-lieu tax be deposited into the Financial Aid to Local Agencies Fund (the Fund), which would be created by the bill, for disbursement to all cities and unincorporated areas of counties based on a specified formula;
- require that banks and financial corporations in each city semi-annually provide to the Franchise Tax Board (FTB) a report of total gross wages;
- require the FTB to notify the Controller of the amount of collected taxes attributable to the bank tax; and
- specify that the tax would not be in-lieu of nondiscriminatory parcel taxes.

SUMMARY OF AMENDMENT

The April 29, 1998, amendment would require that every bank and financial corporation transmit to the FTB by January 31 and July 31 a report of total gross wages for the prior six months. The amendment also expresses the Legislature's intent that the report be prepared by every bank and financial corporation without undue burden by adapting information reported to the Employment

DEPARTMENTS THAT MAY BE AFFECTED:

___ STATE MANDATE

___ GOVERNOR'S APPOINTMENT

Board Position: <input type="checkbox"/> S <input type="checkbox"/> O <input type="checkbox"/> SA <input type="checkbox"/> OUA <input type="checkbox"/> N <input type="checkbox"/> NP <input type="checkbox"/> NA <input type="checkbox"/> NAR <input checked="" type="checkbox"/> X PENDING	Agency Secretary Position: <input type="checkbox"/> S <input type="checkbox"/> O <input type="checkbox"/> SA <input type="checkbox"/> OUA <input type="checkbox"/> N <input type="checkbox"/> NP <input type="checkbox"/> NA <input type="checkbox"/> NAR DEFER TO _____	GOVERNOR'S OFFICE USE Position Approved ___ Position Disapproved ___ Position Noted ___ By: _____ Date: _____
Department/Legislative Director Date Johnnie Lou Rosas 5/19/98	Agency Secretary Date _____ _____	

Development Department (EDD). The April 29, 1998, amendments also remove the formula for distribution of in-lieu funds to cities and insert the following formula:

- 50% to each city, city and county, and unincorporated area of each county based on the proportion that the payroll of banks and financial corporations located within the boundary bears to the total payroll of all banks and financial corporations in California; and
- 50% to each city, city and county, and unincorporated area of each county based on the proportion that the population located within the boundaries bears to the total population of all residents in California.

The amendments also adopted technical amendments suggested in the department's prior analysis.

With the exception of the changes noted above, the department's prior analysis of this bill as amended March 5, 1998, still applies. The change in the distribution formula has raised the implementation and technical considerations identified below.

Implementation Considerations

This bill raises a number of implementation considerations related to the transmission of data by banks and financial corporations to the FTB and the calculation of amounts distributed to cities, counties and cities and counties. These concerns are:

- Banks and financial corporations would be required to report to the FTB gross wages paid. The bill indicates the Legislature's intent that the necessary information be adapted from information currently submitted to the EDD. However, according to EDD staff, reports provided to that department contain some, but not all, of the information required by the bill. Moreover, one of the reports, the Business Establishment Listing report, is filed by only 50% of businesses that should submit the report.
- FTB would be required to determine the payroll that each governmental unit's banks and financial corporations bears to the total payroll of all California banks and financial corporations, but would have no means to compel accurate reporting by banks and financial corporations. If the FTB is expected to provide accurate calculations for distributions to municipalities, the bill should provide for a penalty in the event banks and financial corporations fail to report needed information.
- The method of transmission of data by banks to the FTB is not specified, nor is it clear whether the FTB could specify the medium of transmission. Transmission by a means other than electronic data interchange or magnetic media would add to the department's cost to administer the bill.

Technical Considerations

This bill would distribute funds to an "unincorporated area" of a county based upon the proportion that the population and the payroll of banks and financial corporations in the unincorporated area bears to the total population or payroll in the state. However, according to the staff at the author's office, funds are intended to be distributed to each county in proportion to the population or payroll attributable to the unincorporated area of a county bears to the total population of banks and financial corporations in the state. Amendments 1 and 2 would clarify that funds would go to each county based upon proportions of payroll or population in the unincorporated areas of the county.

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FRANCHISE TAX BOARD'S
PROPOSED AMENDMENTS TO AB 511
As Amended April 29, 1998

AMENDMENT 1

On page 4, line 40, strike "unincorporated area of each"

AMENDMENT 2

On page 5, line 13, strike "unincorporated area of each"