



chair **John Chiang**  
member **Jerome E. Horton**  
member **Ana J. Matosantos**

State of California  
**Franchise Tax Board**

02.16.2012

David Feldman  
ZF Micro Solutions, Inc.  
926 Industrial Ave  
Palo Alto, CA 94303

Dear Mr. Feldman,

Thank you for your proposal submitted for the Taxpayers' Bill of Rights Hearing held on December 1, 2011.

In response to one of the legislative proposals, you requested the FTB to consider legislation that would require all taxpayers to submit proof of payment of taxes and proof of good standing with the Secretary of State prior to any city, county or state agency providing any service, including services such as building permits or fire department inspections.

While the department appreciates your desire to ensure full compliance with the tax laws, this proposal goes far beyond the scope of the FTB with the limits it would place on the ability of local governments to provide services. For this reason, we are unable to recommend that the Board sponsor such a legislative proposal.

At the December 1, 2011, Taxpayer Bill of Rights hearing you indicated you planned to send your proposal to members of the California Legislature for their consideration. If a member of the Legislature is willing to pursue your proposal in a bill, the FTB will provide any technical assistance needed to that legislator.

Additionally, you suggested that FTB consider the potential overall impact of proposed legislation on the State of California.

FTB currently evaluates the impacts of proposed legislation on state income tax revenue. It does so by utilizing state tax data bases, federal tax information where applicable, subject matter research, and the latest economic and revenue projections released by the Department of Finance.

These impact estimates assume a constant Gross State Product—they do not make assumptions regarding revenue changes from increases or decreases in overall economic activity, including payrolls. The impact estimates, however, are not static—they do incorporate anticipated changes in taxpayer behavior that may occur as a result of the law change.

The FTB has no plans to change its revenue estimating methodology, as it would necessitate the development and maintenance of complex computer models and staff trained in the specific skills needed to evaluate the model and its results. Further, it is not certain that employing such a complex model would produce any significant improvements in its revenue impact analyses.

Sincerely,

Steve Sims, EA  
Taxpayers' Rights Advocate

cc: Hon. John Chiang, Chair  
Hon. Jerome E. Horton, Member  
Hon. Ana J. Matosantos, Member