

SUMMARY ANALYSIS OF AMENDED BILL

Franchise Tax Board

Author: Romero Analyst: Christy Keith Bill Number: AB 1220

Related Bills: See Prior Analysis Telephone: 845-6080 Amended Date: 8/8/2000

Attorney: Patrick Kusiak Sponsor:

SUBJECT: Taxpayers Provide FTB With Specified Information Regarding Various B&CT Credits/FTB Publish Information Annually

DEPARTMENT AMENDMENTS ACCEPTED. Amendments reflect suggestions of previous analysis of bill as introduced/amended _____.

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
 Proposed To Be Amended.

FURTHER AMENDMENTS NECESSARY.

DEPARTMENT POSITION CHANGED TO _____.

REMAINDER OF PREVIOUS ANALYSIS OF BILL AS Proposed To Be Amended STILL APPLIES.

OTHER - See comments below.

SUMMARY OF BILL

Under the Administration of Franchise and Income Tax Law (AFITL), this bill would require corporate taxpayers that claim certain credits to provide the department with specified information regarding those credits. Such taxpayers also would be required to report to the department the number of employees employed by the taxpayer on the first day of the year and the wages and health benefits provided to its employees.

This bill also would require the department to publish the information in a manner that provides the greatest detail while protecting the identity of individual taxpayers. The bill would require the information to be provided in an annual report made available to the public.

SUMMARY OF AMENDMENT

The August 8, 2000, amendments made the changes previously discussed in the department's analysis of the bill "as proposed to be amended." The August 8 amendments also specified that the department must develop a form and method to allow taxpayers to provide the information in a simple and efficient manner.

The department's analysis of the bill "as proposed to be amended" still applies. The implementation and technical considerations still apply and are provided below. The departmental costs are provided to correct a date error in the chart. The costs would first apply to the 2000/01 fiscal year, rather than the 1999/00 year, as noted in the last analysis.

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IMPLEMENTATION CONSIDERATIONS

Staff anticipates that this bill would be implemented as follows:

- ?? Approximately 8,000 corporate taxpayers currently claim one or more of the listed tax credits. Based on prior credits claimed, staff anticipates that these taxpayers likely would be the largest corporations in the state. Many returns for large corporations are so large they are delivered to the department in boxes.
- ?? A check box would be added to the front of the income tax return for taxpayers to indicate that they have claimed one or more of the listed tax credits. A separate form would be developed for taxpayers to provide the specified information.
- ?? Upon initial processing, any returns with the box checked would be pulled out of normal processing and sent to a special unit created to administer the provisions of this bill.
- ?? The special unit would review each pulled return to determine whether the information form is included and is complete.
- ?? If the form is included and is complete, the information reported would be entered into a data base for publication.
- ?? If the form is not included or is not complete, the special unit would issue a notice to the taxpayer to provide the information within 90 days and would hold the return for that period.
- ?? If the taxpayer provides the information within 90 days, no credits would be denied, and the return would be put back into the normal processing system after the information is entered into the data base.
- ?? If the taxpayer fails to provide the information within 90 days, the special unit would issue a notice of proposed assessment that would deny the credits specified in this bill.

TECHNICAL CONSIDERATIONS

The attached amendments would resolve the following technical considerations raised by this bill:

1. Amendment 1 would change the term "corporation" to the correct term "taxpayer." This change inadvertently was omitted from the amendments provided in the department's analysis of the bill as amended May 12, 1999.
2. Amendments 2 and 3 would correct the name of two of the credits to local "agency" military base recovery area.
3. Amendment 4 would delete an unnecessary phrase.

The authorization for the Legislative Analyst's Office (LAO) to evaluate the impact of the Economic Development Area (EDA) credits does not appear linked to the department's reporting requirement. This authorization should be placed in a separate code section more appropriate for the LAO, rather than within the income tax law administered by the department.

DEPARTMENTAL COSTS

Under the above discussed implementation plan, staff estimates that the order of magnitude of the departmental costs would be as shown in the following table:

Franchise Tax Board Order of Magnitude Costs (in millions)		
	2000/01	2001/02
Personal Services (approximately 27 personnel years)	0.9	0.9
Operating Expense and Equipment	0.7	0.2
Departmental overhead	0.1	0.1
Total	\$ 1.7	\$ 1.2

This analysis does not take into account all of the facilities and related costs that might be incurred to create space for the special unit that would be created. These costs have the potential of significantly increasing the costs identified in this analysis.

BOARD POSITION

Neutral.

At its July 6, 1999, meeting, the Franchise Tax Board voted 2-0 to take a neutral, if amended, position on this bill, as amended July 2, 1999. The Board stated they would be neutral on the bill if it were amended to require the department to report the specified information in the aggregate, instead of disclosing individual taxpayer information, which occurred with the August 8, 2000, amendments.

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FRANCHISE TAX BOARD'S
PROPOSED AMENDMENTS TO AB 1220
As Amended August 8, 2000

AMENDMENT 1

On page 3, line 10, strikeout "corporation's" and insert:

taxpayer's

AMENDMENT 2

On page 4, line 3, strikeout "area" and insert:

agency

AMENDMENT 3

On page 4, line 5, strikeout "area" and insert:

agency

AMENDMENT 4

On page 4, strikeout line 34, and insert:

(f) The