

ANALYSIS OF AMENDED BILL

Franchise Tax Board

Author: Machado Analyst: Christy Keith Bill Number: AB 2869

Related Bills: See Legislative History Telephone: 845-6080 Amended Date: 6/15/2000

Attorney: Patrick Kusiak Sponsor: _____

SUBJECT: Sales Tax Rebate

SUMMARY OF BILL

This bill would authorize a sales and use tax rebate to a qualified taxpayer, as defined. The rebate would be \$50 or a variable amount based on the taxpayer's filing status and federal adjusted gross income.

SUMMARY OF AMENDMENT

The June 15, 2000, amendment deleted the bill's previous language regarding regional water quality control boards and added the sales and use tax rebate language discussed in this analysis.

This is the department's first analysis of this bill.

EFFECTIVE DATE

As an urgency statute, this bill would be effective immediately and apply to rebates issued after September 1, 2000.

LEGISLATIVE HISTORY

AB 2609 (Stats. 1987, Ch. 915) and SB 47 (Stats. 1987, Ch. 908) authorized a tax rebate of excess funds for the 1986 taxable year. Qualified taxpayers were allowed a tax rebate of 15% of the tax imposed by the income tax law, as defined, with specified minimum dollar limits and maximum dollar limits. The rebate was calculated and administered by the Franchise Tax Board (FTB). The law required rebate checks to be sent by the Controller to taxpayers by January 15, 1988.

SPECIFIC FINDINGS

This bill would require a sales and use tax rebate to be paid to certain qualified taxpayers as described in the following categories:

1. An individual who filed a 1999 California personal income tax (PIT) return as a resident or part-year resident by the due date, including extension, but no later than October 15, 2000;
2. An individual who received property tax assistance under the Homeowners and Renters Assistance (HRA) program for the 1999-2000 fiscal year;
3. An individual who resided in California during 1999 who was not required to file a 1999 California personal income tax return, but was required to and did file a 1999 federal income tax return;

Board Position:

_____ S	_____ NA	_____ NP
_____ SA	_____ O	_____ NAR
_____ N	_____ OUA	_____ X PENDING

Department Director

Date

Alan Hunter for GHG

7/27/00

4. A resident who was not required to file a 1999 California personal income tax return or a 1999 federal income tax return, but filed a federal return for that year to receive the federal earned income tax credit;
5. A resident who was not required to file a 1999 California personal income tax return or a 1999 federal income tax return, but received Social Security or railroad retirement benefits during that taxable year; and
6. Any nonresident who filed a 1999 California personal income tax return by the due date, including extension, but no later than October 15, 2000, and who can produce proof of having paid California sales and use tax of at least three hundred dollars (\$300) during the 1999 taxable year.

A qualified taxpayer would not include any individual who filed a 1999 California personal income tax return and whose personal exemption credit was disallowed because the individual was claimed as a dependent on another taxpayer's tax return.

For a qualified taxpayer who fits the first category above, the rebate would be based on federal adjusted gross income, as modified, and filing status, specifically:

For taxpayers using the status of married filing joint, the rebate would be:

<u>Adjusted Gross Income</u>	<u>Rebate Amount</u>
Less than \$20,000	\$100
\$20,000 but less than \$150,000	\$200
\$150,000 and more	\$250

For all other filing statuses:

<u>Adjusted Gross Income</u>	<u>Rebate Amount</u>
Less than \$20,000	\$50
\$20,000 but less than \$150,000	\$100
\$150,000 and more	\$125

The rebate amount for part-year residents would be prorated according to the ratio of their California adjusted gross income to total adjusted gross income from all sources, but in no event less than \$10.

This bill would specify that all other qualified taxpayers would receive a rebate amount of \$50.

This bill would require the FTB to determine the amount of rebate for each qualified taxpayer and certify the names, addresses, and rebate amount to the Controller. For the first category of taxpayers, the certification must be provided between September 1 and December 31, 2000. For all others, the certification must be provided by December 31, 2000.

This bill would authorize the FTB to adopt regulations allowing those taxpayers who do not fall into the first category to file a claim for the rebate and provide proof of eligibility. These regulations may be adopted without having to comply with the provisions of the California Administrative Procedure Act contained in the Government Code.

The Controller would be required to issue sales and use tax rebate payments within 45 days following receipt of the certification from the FTB.

This bill would specify that the sales and use tax rebate is not included in gross income for purposes of the personal income tax law.

This bill would provide rules regarding sales and use tax rebates that are erroneously granted or denials of rebates protested by claimants. A claim filed for the sales tax rebate would be deemed a tax return and disclosure would be prohibited unless required for the FTB or Controller's administrative purposes.

This bill also expresses legislative findings and declarations which do not impact the department.

Implementation Considerations

The department would be required to develop two different processes to implement this bill. For taxpayers who filed a PIT return, HRA return or received a payment from the Social Security Administration (SSA), the department would program the system to run a tape from existing taxpayer information and SSA information, providing the recipient's name, address, and amount of rebate, based on their adjusted gross income and filing status or other requirements of the law.

For the remainder of the claimants, the department would have to create a new form, establish a filing program and establish a manual verification process. This process would be time consuming to implement and labor intensive.

REGULATIONS

This bill would authorize the FTB to develop procedures to allow taxpayers to file a claim for the sales and use tax rebate and to adopt regulations to implement provisions of the law without complying with the requirements of the California Administrative Procedure Act.

FISCAL IMPACT

Departmental Costs

Based on the assumption that the department would be able to access data from the SSA, but not from the IRS, the department's costs to administer the bill would be \$7.9 million for implementation. These costs are based on:

?? 1.2 million paper claims.

?? 15.4 million rebates determined from electronic data.

Tax Revenue Estimate

This bill would not impact state income tax revenue.

BOARD POSITION

Pending.

