

SUMMARY ANALYSIS OF AMENDED BILL

Franchise Tax Board

Author: Committee Rev & Tax Analyst: Gloria McConnell Bill Number: AB 2896

Related Bills: See Prior Analysis Telephone: 845-4336 Amended Date: 04/11/00

Attorney: Patrick Kusiak Sponsor: FTB

SUBJECT: Deficiency Assessments

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 introduced/amended _____.

FURTHER AMENDMENTS NECESSARY.

DEPARTMENT POSITION CHANGED TO _____.

REMAINDER OF PREVIOUS ANALYSIS OF BILL AS INTRODUCED 03/09/00 STILL APPLIES.

OTHER - See comments below.

SUMMARY OF BILL

This bill, which is sponsored by the Franchise Tax Board (FTB), would allow the FTB to continue its current practice of using tax returns (either paper or electronic) or information electronically captured from tax returns to make deficiency determinations. If a tax return or electronically captured return information has been destroyed or cannot be located after reasonable effort by FTB, the taxpayer would be notified and have at least 30 days to provide a paper or electronic copy of the tax return to FTB. Additionally, FTB would be required to provide a statement in tax booklets informing taxpayers that they may be requested to furnish FTB with a copy of the California or federal tax returns that are the subject of or related to a federal audit.

SUMMARY OF AMENDMENT

These amendments make clarifying technical changes that reflect current case law or FTB's current practice. These amendments:

- Clarify that the determination of the deficiency cannot be arbitrary or without foundation.
- Replace the phrase "not available," used in describing the absence of a return or return data, with the phrase "has been destroyed or cannot be located after reasonable effort."
- Specify that the FTB may give the taxpayer an additional 30 days, for reasonable cause, to provide a copy of his/her tax return.

EFFECTIVE DATE

This bill would be effective on January 1, 2001, and expressly would apply to notices of proposed deficiencies issued on or after January 1, 2001.

Board Position:

<input checked="" type="checkbox"/> S	<input type="checkbox"/> NA	<input type="checkbox"/> NP
<input type="checkbox"/> SA	<input type="checkbox"/> O	<input type="checkbox"/> NAR
<input type="checkbox"/> N	<input type="checkbox"/> OUA	<input type="checkbox"/> PENDING

Legislative Director

Date

Johnnie Lou Rosas

5/8/00

Except for these amendments, the remainder of the analysis of the bill as introduced still applies.

BOARD POSITION

Support. The FTB voted at its meeting on December 16, 1999, to sponsor the provision contained in this bill.