

SUMMARY ANALYSIS OF AMENDED BILL

Franchise Tax Board

Author: Speier Analyst: Gloria McConnell Bill Number: SB 240

Related Bills: _____ Telephone: 845-4336 Amended Date: 07-13-99

Attorney: Patrick Kusiak Sponsor: _____

SUBJECT: Child Support Enforcement

SUMMARY OF BILL

This bill would require:

1. the Franchise Tax Board (FTB) to establish a two-year pilot project (beginning January 1, 2000, and concluding December 31, 2001) with up to six counties to assess the feasibility, risks and benefits of referring to the FTB all child support obligations presently being enforced by county district attorneys (DAs) pursuant to the Welfare and Institutions Code. The pilot would include case management, enforcement and collection of current child support obligations and arrearages. The pilot project would consist of a statistically significant number of child support cases with established orders, drawn by random sample from the county's existing workload. FTB expressly would not have responsibility for establishing paternity for pilot cases. During the two-year pilot period, the FTB would be responsible for all federal and state-mandated case processing requirements.
2. certain persons, currently required under federal law to report non-employee personal services for which \$600 or more was paid, to accelerate the reporting of those services and payments to Employment Development Department (EDD), operative July 1, 2000. The reporting to the independent contractor registry (ICR) would be required by the earlier of 20 days after entering into a personal service contract with aggregate payments in excess of \$600 or when payments made exceed \$600. The information could be used for child support enforcement, tax enforcement and EDD purposes.

This analysis will not address the provisions in the bill that do not directly relate to FTB's child support program. The remainder of the previous analysis of the bill as amended April 21, 1999, still applies.

SUMMARY OF AMENDMENT

The July 13, 1999, amendments replace Los Angeles county in FTB's pilot project with up to six counties.

The May 28, 1999, amendments did not directly affect FTB's programs or operations.

The May 18, 1999, amendments remove the provision that would have required the Governor to appoint a Secretary of Statewide Child Support (SCSS) to have oversight and authority over all aspects of child support orders being enforced under Title IV-D of the federal Social Security Act.

Board Position:

_____ S	<u> X </u> NA	_____ NP
_____ SA	_____ O	_____ NAR
_____ N	_____ OUA	_____ PENDING

Department Director

Date

Johnnie Lou Rosas

8/03/1999

EFFECTIVE DATE

This bill would be effective and operative January 1, 2000.

SPECIFIC FINDINGS

Policy Considerations

- Even though the volume of payments and documents to be processed under the statistically significant number of cases referred to FTB for the pilot may not compete against FTB's core responsibilities and processes for taxes, the case management and nature of the processing are not the expertise of FTB's staff. Case management of support obligations would take FTB into a social services role and move beyond FTB's recognized core competencies. If the pilot were successful and FTB were to undertake, on a statewide basis, the case management, processing and other workloads proposed for the pilot, the statewide child support workloads would dramatically compete against FTB's core responsibilities and processes for taxes.
- In the event a personal income tax (PIT) tax debtor also owes current or past-due child support, FTB's enforcement priority is unclear. Currently enforcement of PIT takes priority over delinquent child support enforcement. However, federal regulations require that once an employer is located, an earnings assignment must be issued and take precedent over any other earnings assignment, withhold order and/or other levy.

FISCAL IMPACT

This amended version of the bill that replaces LA county with up to six counties for FTB's pilot project is not anticipated to significantly change FTB's implementation plan, departmental costs or collection estimate reflected in the previous analysis.

BOARD POSITION

Neutral if amended. In its meeting of July 6, 1999, the FTB took a position of "neutral, if amended" on the May 28th version of this bill, specifically pointing out the concern raised as the first of the policy considerations.