

INITIAL STATEMENT OF REASONS FOR THE  
ADOPTION OF CALIFORNIA CODE OF REGULATIONS,  
TITLE 18, SECTION 19591

PUBLIC PROBLEM, ADMINISTRATIVE REQUIREMENTS, OR OTHER CONDITION OR  
CIRCUMSTANCE THAT THE REGULATION IS INTENDED TO ADDRESS

In 2004, the Legislature passed a new "fee for services" bill authorizing the Franchise Tax Board to impose and collect fees on certain specialized services provided to taxpayers by the Franchise Tax Board. Specifically, Revenue and Taxation Code section 19590 sets forth the Legislative Findings and Declaration as follows:

19590. The Legislature finds and declares all of the following:

(a) In addition to standard services that the Franchise Tax Board provides to all taxpayers and the public, the board also, upon request, provides specialized taxpayer services to individuals and entities.

(b) The provision of specialized taxpayer services imposes additional costs on the agency which are borne by all taxpayers.

(c) The full cost of administering specialized taxpayer services should be paid by the individual or entity that requests and receives the specialized taxpayer services, rather than by all taxpayers.

(d) Establishing a specialized service fee is the most efficient and convenient way to recover the full costs of administering and providing specialized taxpayer services.

(e) The amount of the specialized service fee imposed on an individual or an entity pursuant to this article shall be reasonably related to the actual costs incurred by the board to provide the specialized taxpayer service.

(f) The revenues derived from the fees imposed pursuant to this article are not the proceeds of taxes within the meaning Section 3 of Article XIII A of the California Constitution.

Revenue and Taxation Code section 19590, added by Stats. 2004, ch. 226 (SB 1100), section 10.

SPECIFIC PURPOSE OF THE REGULATION

The proposed regulation is mandated by Revenue and Taxation Code section 19591, subdivision (b)(2), which provides that:

(2) Commencing on January 1, 2006, the amount of the specialized tax services fees shall be established by the board through regulations adopted pursuant to Chapter 3.5 (commencing with Section 11340) of Part 1 of Division 3 of Title 2 of the Government Code, and shall be established in the manner and in the amounts necessary to reimburse the board for the costs of administering the specialized services, including the board's direct and indirect costs for providing specialized tax services.

## NECESSITY

The proposed regulation is mandated by Revenue and Taxation Code section 19591, subdivision (b)(2), as described under "Specific Purpose of the Regulation."

## TECHNICAL, THEORETICAL, AND/OR EMPIRICAL STUDIES, REPORTS, OR DOCUMENTS

As required by Article 4 of Chapter 7 of Part 10.2 of the Revenue and Taxation Code, the Franchise Tax Board has calculated the direct and indirect costs for providing the specific specialized tax services that are the subject of this regulation, and determined the fee amounts necessary to reimburse the Franchise Tax Board for the costs of administering the specialized services.

## ALTERNATIVES TO THE PROPOSED REGULATORY ACTION THAT WOULD LESSEN ANY ADVERSE IMPACT ON PRIVATE PERSONS OR SMALL BUSINESS

In accordance with Government Code section 11346.5, subdivision (a)(13), the Franchise Tax Board has determined that no alternative considered by it would be more effective in carrying out the purpose for which the action is proposed or would be as effective and less burdensome to affected private persons than the proposed regulatory action. In addition, the proposed regulation is specifically mandated by statute.

## ADVERSE ECONOMIC IMPACT ON BUSINESS

The proposed regulatory action will not have a significant adverse economic impact on business.

The costs proposed under this regulation are substantially similar to the fees set forth in FTB Notice 2004-9 (December 17, 2004), with the addition of the installment payment arrangement fee for business entities permitted by Stats. 2005, Ch. 211 (SB 157), which amended Revenue and Taxation Code section 19008. The costs and fee for business entity installment payment arrangements were calculated in the same manner as the previously calculated tax service fees, taking into account direct and indirect costs to the Franchise Tax Board for providing the specialized service.