

Franchise Tax Board

ANALYSIS OF ORIGINAL BILL

Assembly Committee

Author: on Revenue & Taxation Analyst: Janet Jennings Bill Number: AB 1720

Related Bills: See Legislative Telephone: 845-3495 Introduced Date: March 16, 2017

History Attorney: Bruce Langston Sponsor: _____

SUBJECT: Electronic Communication -- Extend Repeal Date to January 1, 2025

SUMMARY

The bill would allow taxpayers the choice to electronically communicate with the Franchise Tax Board (FTB) until January 1, 2025.

RECOMMENDATION – NO POSITION

REASON FOR THE BILL

The reason for the bill is to extend the sunset provision from January 1, 2018, to January 1, 2025.

EFFECTIVE/OPERATIVE DATE

The bill would be effective January 1, 2018, and operative for electronic communications between taxpayers and the FTB, as specified, until January 1, 2025.

STATE LAW

Current state law allows the FTB to adopt regulations to implement an alternative communication method that would allow the FTB to provide notification to the taxpayer (or their representative) in a preferred electronic communication method designated by the taxpayer.¹ The electronic notification would advise the taxpayer that a notice, statement, bill, or other communication is available for viewing in the taxpayer's secure folder on the FTB's Internet Web site. The current law also allows the FTB to promulgate regulations to allow the taxpayer to file a protest, notification, and other communication through the taxpayer's secure folder on the FTB's Internet Web site.

To coincide with the introduction of MyFTB, the FTB's secure taxpayer access online portal, the regulation to implement the electronic notification process became effective on January 1, 2016.

Current state law authorizes the alternative communication method through January 1, 2018.

¹ CA Revenue and Taxation Code section 18416.5.

THIS BILL

This bill would extend the January 1, 2018, repeal date provision, allowing taxpayers the option to select an alternative electronic communication method with the FTB until January 1, 2025.

IMPLEMENTATION CONSIDERATIONS

Implementing this bill would not significantly impact the department's programs and operations.

LEGISLATIVE HISTORY

AB 2177 (Beall, Chapter 136, Statutes of 2010) allowed taxpayers and the FTB to communicate electronically.

PROGRAM BACKGROUND

In anticipation of the FTB's plan to reconfigure existing systems to implement a secure self-service oriented architecture for taxpayer access to their state tax account information, specifically MyFTB, AB 2177 was chaptered in 2010, to allow taxpayers through MyFTB to select an option to receive notices via the alternative communication method from the FTB.

MyFTB is where information regarding a taxpayer is made available to a taxpayer or their authorized representative. MyFTB contains the accounting data, address data, and account history data for each taxpayer and includes a historical record of every notice or bill issued to the taxpayer. MyFTB is accessible online by all taxpayers or their authorized representative using their social security number and a personal identification number supplied by the FTB that allows the FTB to authenticate the user. At the option of the taxpayer, an electronic communication option is available that allows taxpayers to elect to receive electronic communication of notices or bills issued by the FTB. MyFTB was first made available in 2016.

In lieu of a paper notice sent via United States first-class mail, the taxpayer may elect to receive notices through the electronic communication method, currently available via an email address provided by the taxpayer. Once the taxpayer chooses to receive notices through the alternative communication method, the taxpayer will receive a notification sent to the taxpayer's provided email address advising the taxpayer to log on to their MyFTB and view the notice. Notification(s) on the taxpayer's MyFTB account by way of the taxpayer's chosen alternative communication method is treated as if actual notice was mailed to the taxpayer's last known address via United States first-class mail. A taxpayer (or authorized representative) may use an electronic method to submit a protest, notification, or other correspondence to the FTB by way of their MyFTB.

OTHER STATES' INFORMATION

A review of websites for the Department of Revenue for the states of *Florida, Illinois, Massachusetts, Michigan, Minnesota, and New York* revealed that while each of these states have electronic filing and payment options available for taxpayers, none use an electronic communication option to service their taxpayers income tax needs. These states were chosen due to the similarity to California's tax laws and economy.

FISCAL IMPACT

This bill would not significantly impact the department's costs.

ECONOMIC IMPACT

This bill would not impact state income tax revenue. Taxpayers that prefer electronic communication are not expected to remit tax payments any earlier.

SUPPORT/OPPOSITION

Support: None on file.

Opposition: None on file.

PROGRAM BACKGROUND

The FTB records identified that from 1/1/16-3/28/17, the following taxpayers have signed up for an account to access MyFTB:

- Individuals: 249,947
- Businesses: 54,188
- Tax Preparers: 29,906

During that same timespan, the MyFTB application has been accessed by this pool of taxpayers as follows:

- Individuals: 2,309,889
- Businesses: 972,171
- Tax Preparers: 2,787,666

ARGUMENTS

Proponents: Some would argue that electronic communication allows taxpayers to address any tax issues quickly and conveniently.

Opponents: None identified.

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