



## **Analysis of Amended Bill**

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|--------------------------|--|-------------------------|
| Author: Burke            | Sponsor:                               | Bill Number: AB 2690    |
| Analyst: Janet Jennings  | Phone: (916) 845-3495                  | Amended: March 22, 2018 |
| Attorney: Bruce Langston | Related Bills: See Legislative History |                         |

**Subject:** FTB & EDD Develop Report to Legislature Regarding Imposing Payroll Charges on Employers

### **Summary**

This bill would require the Franchise Tax Board (FTB) and the Employment Development Department (EDD) to develop a report for submission to the Legislature, with recommendations for the enactment of a voluntary payroll charge imposed on employers.

**Recommendation – No position.**

### **Summary of Amendments**

The March 22, 2018, amendments removed language that would have made a nonsubstantive technical change to the Revenue and Taxation Code and replaced the language with the provisions discussed in this analysis.

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

### **Reason for the Bill**

The reason for the bill is to study a voluntary payroll charge on employers.

### **Effective/Operative Date**

This bill would become effective and operative on January 1, 2019, with the report due July 1, 2019.

### **State Law**

Government Code section 9795 provides the method of delivery for reports required or requested by law to be submitted by a state or local agency to the Members of either house of the Legislature and requires a state agency report and summary include an Internet Web site where the report can be downloaded and telephone number to call to order a hard copy of the report. The report submitted by a state agency is also posted on the agency's Internet Web site.

Under current state law, the FTB is required to make available or submit to the Legislature the following reports:

- Annual Taxpayers' Bill of Rights
- Audit and Compliance Activities
- State Leadership Accountability Act
- Enterprise Data to Revenue Project
- IT Contracts and Software License Agreements
- Summary of Federal Income Tax Changes
- New Employment Credit
- Governor's Economic Development Initiative - California Competes Credit
- California Earned Income Tax Credit
- Utilization of the Fresh Fruits and Vegetables credit (beginning 2019)

### **This Bill**

This bill would require the EDD and the FTB to develop a written report, by July 1, 2019, to be submitted to the Legislature with recommendations for the enactment of a voluntary payroll charge imposed on employers.

The report would be required to be submitted in compliance with Government Code section 9795.

The bill would be repealed by its own terms on January 1, 2023.

### **Implementation Considerations**

The department has identified the following implementation concern. Department staff is available to work with the author's office to resolve this and other concerns that may be identified.

This bill uses the undefined term, "voluntary payroll charge." Absent a definition, it is unclear how the department and the EDD could develop and submit the report this bill would require.

### **Legislative History**

SB 337 (Bates and Nguyen, 2017/2018) would have required the Department of Finance in consultation with the FTB to estimate on an annual basis on or before November 1st the amount of revenue to be received by state taxes in the next fiscal year as a consequence of enactment of a federal corporation repatriation statute. SB 337 failed passage from the Senate Governance and Finance Committee.

AB 1007 (Ting, 2017/2018) would have modified the due date of the annual Taxpayers' Bill of Rights report. AB 1007 failed passage from the Assembly Revenue and Taxation Committee.

AB 1345 (Ridley-Thomas, 2017/2018) would modify the due date of the annual Taxpayers' Bill of Rights report. AB 1345 is currently in the Senate Rules Committee.

### **Other States' Information**

Review of *Florida, Illinois, Massachusetts, Michigan, Minnesota, and New York* laws found no comparable voluntary payroll charge reporting requirement. These states were selected and reviewed due to their similarities to California's economy, business entity types, and tax laws. These states were selected and reviewed due to their similarities to California's economy, business entity types, and tax laws.

### **Fiscal Impact**

Department staff is unable to determine the costs to administer this bill until the implementation concern has been resolved.

### **Economic Impact**

This bill would not impact the state's income tax revenue.

### **Support/Opposition**

Support: None provided.

Opposition: None provided.

### **Arguments**

Proponents: Some may argue that the required report would provide valuable recommendations regarding income and franchise tax policy for Legislative consideration.

Opponents: Some may argue that the report this bill would require is overly broadly described and unnecessary.

### **Legislative Staff Contact**

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