



## **BILL ANALYSIS**

Author: Low & Hill

Bill Number: AB 3143

**Subject:** Tax Preparation Act/California Tax Education Council Can Enter Agreement with FTB to Provide Reimbursement to FTB for Assistance in Carrying Out Enforcement Activities

### **Summary**

Among other things, this bill states that the California Tax Education Council (CTEC) may enter into agreements with the Franchise Tax Board (FTB) to provide reimbursement to the FTB for assistance in carrying out enforcement activities consistent with the Tax Preparation Act.

This bill would, under the Business and Professions Code, rename the Tax Preparer Law administered by the CTEC as the “Tax Preparation Act” (Act), modify provisions of the Act, and extend the Act’s sunset date.

This analysis only addresses the provisions of the bill that impact the department’s programs and operations.

### **Reason for the Bill**

The reason for the bill is to improve the CTEC’s regulatory effectiveness and efficiency consistent with the Assembly Business and Professions Committee staff recommendations made for the purpose of remedying issues identified through CTEC’s Sunset Review process and extend the sunset date of the improved program.

### **Effective/Operative Date**

This bill would become effective and operative January 1, 2019, and before January 1, 2023, except where specifically operative on a different date.

### **State Law**

SB 1077 (Greene, Chapter 1137, Statutes of 1997) shifted responsibility for overseeing tax preparers from the Tax Preparer Program within the Department of Consumer Affairs to a registration program under the newly established CTEC, that is a single nonprofit organization exempt from taxation under Section 501(c)(3) of the Internal Revenue Code.<sup>1</sup>

---

<sup>1</sup> California Business and Professions Code sections 22250-22259.

Under the Business and Professions Code,<sup>2</sup> it is a violation for a tax preparer to fail to register as a tax preparer with the CTEC and requires the FTB to notify the CTEC when it identifies an individual who violated the registration requirement with the CTEC.<sup>3</sup>

Under the Revenue and Taxation Code (R&TC),<sup>4</sup> the FTB may assess a penalty for the failure to register as a tax preparer with the CTEC.

**This Bill**

Among other things, this bill would, until January 1, 2023, specifically authorize the CTEC to enter into an agreement with the FTB to reimburse the FTB for its assistance carrying out enforcement activities consistent with The Tax Preparation Act.

**Legislative History**

A review of the past five legislative sessions did not find any legislation related to this bill’s provisions that impact the department.

**Other States’ Information**

*Oregon, Maryland, and New York* are the only states that set competency and ethical standards for tax preparers similar to California.

**Fiscal Impact**

Reimbursement for providing information, as required in this bill, is normally provided to the FTB through an interagency contract.

**Economic Impact**

Revenue Estimate

This bill would result in the following revenue gain:

Estimated Revenue Impact of AB 3143  
 Assumed Enactment after June 30, 2018

Fiscal Year	Revenue
2018-2019	\$150,000
2019-2020	\$300,000
2020-2021	\$400,000

---

<sup>2</sup> California Business and Profession Code section 22253(a)(1).  
<sup>3</sup> California Business and Profession Code section 22253.2.  
<sup>4</sup> California R&TC section 19167(a)(4).

This analysis does not account for changes in employment, personal income, or gross state product that could result from this bill or for the net final payment method of accrual.

**Revenue Discussion**

This bill extends the sunset date allowing the FTB to issue a penalty to tax preparers that fail to register with the CTEC.

On average, the FTB issues approximately \$700,000 in penalties to tax preparers that fail to register with the CTEC. This amount is grown to account for changes in the economy over time and a collection vintage is applied.

**Appointments**

None.

**Support/Opposition**

Support: None provided.

Opposition: None provided.

**Votes**

Location	Date	Yes Votes	No Votes
Concurrence	August 30, 2018	80	0
Senate Floor	August 27, 2018	39	0
Assembly Floor	May 17, 2018	73	0

**Legislative Staff Contact**

Marybel Batjer  
 Agency Secretary, GovOps  
 Work (916) 651-9024

Khaim Morton  
 Legislative Deputy, GovOps  
 Work (916) 651-9100

Selvi Stanislaus  
 Executive Officer, FTB  
 Work (916) 845-4543

Diane Deatherage  
 Legislative Director, FTB  
 Work (916) 845-6333