



Bill Analysis

Author: Cmte. on Budget	Sponsor: None	Bill Number: AB 107
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SUBJECT

Committee on Budget-State Government –California Economic Improvement Tax Voucher Program and Data Sharing

SUMMARY

California Economic Improvement Tax Voucher Program

This bill would add provisions to the Government Code to authorize the Franchise Tax Board (FTB) to consult with the Department of Finance (DOF) and Treasurer to develop a plan for a California Economic Improvement Tax Voucher Program to be considered by the legislature.

Data Sharing

In addition, in Section 25 this bill adds to the Revenue and Taxation Code to allow the FTB to share tax return information upon request with the Employment Development Department (EDD) for administration of unemployment programs. Also included in Section 26, is an uncodified provision requiring the Department of Social Services (DSS) to share information with the FTB for Earned Income Tax Credit (EITC) purposes and allowing the FTB to share information with DSS for purposes of the federal economic stimulus payments.

RECOMMENDATION

No position

SUMMARY OF AMENDMENTS

The August 27, 2020, amendment added the provisions of this bill and the August 28, 2020, amendment made nonsubstantive changes to this bill.

This is the department's first analysis of the bill and only addresses the provisions that impact the department.

REASON FOR THE BILL

The reason for the bill is to make various statutory changes related to implementing the 2020 Budget Act.

ANALYSIS

The California Economic Improvement Tax Voucher Act

This bill establishes, the California Economic Improvement Tax Voucher Act. This act requires the FTB, in consultation with the DOF and the Treasurer, to develop a comprehensive plan for a California Economic Improvement Tax Voucher Program. The plan would be considered for future enactment by the Legislature. The plan, including proposed statutory language and estimated costs of administering the program, is required to be submitted to the state budget committees for the Assembly and the Senate no later than March 1, 2021. The plan shall include, but is not limited to, the following:

- Tax vouchers that would be periodically created through statute as assets of the state and require that the vouchers be created in small increments to ensure widespread participation,
- For taxable years beginning after the year in which the voucher is sold, the taxpayer will be allowed a credit against their income tax liability,
- The vouchers will be able to be carried over to future taxable years, up to an established maximum number of year's
- Vouchers will be fully transferrable,
- Vouchers will be allowed to be used for tax liabilities under the Personal Income Tax or Corporation Tax Law,
- The value of the tax voucher shall be considered proceeds of taxes in the year that they are claimed,
- Authority for the Treasurer, or other state entity to allocate tax vouchers to incentivize participants to contribute to the state to provide immediate resources to the state. This would be considered a prepayment of taxes. Allocation of vouchers will be limited to circumstances that provide reasonable fiscal benefit, taking into account the future use of the vouchers and up front resources,
- Exclusion of any capital gain from the sale of vouchers from state income taxes.
- A special fund for which the proceeds from the allocation of the vouchers are deposited, or
- The FTB will maintain a confidential registry to track the ownership of the tax vouchers.

Moneys deposited in the special fund shall be available upon appropriation by the Legislature for one-time or short-time purposes that provide long-term benefits to the state which may include, but are not limited to, all of the following:

- Economic stimulus investments,
- Affordable housing investments,
- Homelessness reduction investments,
- Emergency preparation investments,
- Short-term program costs to avoid program reductions that cause long-term economic loss,
- Infrastructure investments, or
- Green economy investments.

These provisions would remain in effect until January 1, 2022, and as of that date would be repealed.

Data Sharing

Section 25 requires the FTB to share return or return information with the EDD, when requested, for unemployment program administration. The disclosure of information is limited to the information necessary to verify income to administer various unemployment programs.

The return or return information authorized to be disclosed to verify income includes but is not limited to:

- Earnings,
- Identifying information,
- Net profit and loss,
- Self-employment, or
- Other information needed for the administration of the unemployment programs administered by the EDD.

Section 26 requires the DSS to exchange data with the FTB upon request. The information exchanged would include, but not be limited to the names, addresses, and contact information of individuals that may qualify for the California EITC. The information disclosed must remain confidential and only to be used for purposes directly related to the California EITC.

The FTB may disclose individual income tax return information from taxable years beginning on or after January 1, 2018, through January 1, 2020, to the DSS. This information is to remain confidential shall be used for informing residents of the availability of federal economic stimulus payments.

Effective/Operative Date

As a provision within a bill providing for an appropriation related to the budget bill, these provisions would be effective and operative immediately upon enactment.

Federal/State Law

Under the federal law, there is no comparable economic improvement voucher plan.

Regarding data sharing, current federal law provides that returns and tax information are confidential and may not be disclosed to federal or state agencies or employees except for authorized purposes. Agencies allowed access to federal return information include certain federal and state agencies, such as the FTB. A federal return is defined as any tax return, information return, declaration of estimated tax, or claim for refund under the Internal Revenue Code.

Current state law prohibits the disclosure of any taxpayer information except as specifically authorized by statute. California law permits the FTB to release individual tax return information to specific state agencies. Agencies must have a specific reason for requesting the information, including investigating items of income disclosed on any return or report, verifying eligibility for public assistance, locating absent parents to collect child support, or locating abducted children. For some agencies, only limited information may be released, such as the taxpayer's social security number and address.

Implementation Considerations

None noted.

Technical Considerations

None noted.

Policy Concerns

None noted.

LEGISLATIVE HISTORY

SB 815 (Committee on Budget and Fiscal Review 2019/2020) would, establish the California Economic Improvement Tax Voucher Act, which requires the Franchise Tax Board, to work with the Treasurer and the DOF to develop a comprehensive plan for a California Economic Improvement Tax Voucher Program to be considered by the Legislature. As of August 31, 2020, the bill was withdrawn from the Committee on Budget and Fiscal Review and ordered to a third reading.

SB 85 (Committee on Budget and Fiscal Review, Chapter 23, statutes of 2017) requires, under the Government Code, the FTB to provide tax return information to the Scholarshare Investment Board upon request.

PROGRAM BACKGROUND

The California Economic Improvement Tax Voucher Act

No previous voucher studies have been produced by the FTB.

Data Sharing

Information received, generated, and maintained by the FTB is generally considered confidential unless specifically provided otherwise by statute. The FTB has stringent departmental policies and procedures regarding privacy and disclosure. All employees receive training annually about ensuring the confidentiality of taxpayer information and are given updated procedures on a regular basis. Any violation of these policies and procedures is subject to disciplinary action, punishable by law, or both.

FISCAL IMPACT

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

ECONOMIC IMPACT

This bill as amended August 28, 2020, would not impact state income or franchise tax revenue.

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.

LEGAL IMPACT

N/A

APPOINTMENTS

None noted.

SUPPORT/OPPOSITION

None noted.

ARGUMENTS

None noted.

LEGISLATIVE STAFF CONTACT

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