



Summary Analysis of Amended Bill

Author: Committee on
Governance & Finance

Sponsor:

Bill Number: SB 790

Analyst: Elaine Warneke

Phone: (916) 845-7746

Introduced: June 20, 2019

Attorney: Shane Hofeling

Related Bills: See Legislative
History

Subject: State Only Election/Partnership Audit Adjustments

Summary

This bill would, under the Administration of Franchise and Income Tax Law, clarify when the Franchise Tax Board (FTB) would be required to grant a partnership's request to make a state election to report federal audit adjustments different from its federal election.

Recommendation – No position.

Summary of Amendments

The June 20, 2019, amendments resolved the technical consideration discussed in the department's analysis of the bill as introduced on March 21, 2019, made a non-substantive technical change, and added language clarifying requirements for the partnerships eligible to make the separate election in light of recently-enacted changes to federal law in the area by P.L. 115-141.

Except for the "Reason for the Bill," "This Bill," and "Technical Consideration" sections, the remainder of the department's analysis of the bill as introduced on March 21, 2019, still applies. The "Fiscal Impact" and "Economic Impact" sections have been restated for convenience.

Reason for the Bill

The reason for the bill is to clarify the circumstances when the FTB must grant a partnership's or tiered partnership's request to make a state election to report federal audit adjustments different from the federal election to report those adjustments.

This Bill

This bill would require the FTB to grant a partnership's or a tiered partnership's request to make a separate state election for purposes of reporting its federal audit adjustments.

Where an audited partnership or a tiered partnership with a federal election for alternative payment that pays the tax at the federal level and has required adjustments to be taken into account by the partners, the FTB shall grant the request for a separate state election provided that the partnership or tiered partnership properly computes the amount of the California tax due, and can demonstrate to the FTB that the FTB's ability to collect any state income or franchise taxes would not be impeded and the partnership or tiered partnership properly follows the partnership reporting provisions.

Fiscal Impact

The department's costs to implement this bill have yet to be determined. As the bill moves through the legislative process, costs will be identified.

Economic Impact

Revenue Estimate

This bill as introduced on March 21, 2019 and amended June 20, 2019 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.

Legislative Staff Contact

Elaine Segarra Warneke
Legislative Analyst, FTB
(916) 845-7746

elaine.warneke@ftb.ca.gov

Jame Eiserman
Revenue Manager, FTB
(916) 845-7484

jame.eiserman@ftb.ca.gov

Jahna Carlson
Acting Legislative Director, FTB
(916) 845-5683

jahna.carlson@ftb.ca.gov