



Bill Analysis

Author: V. Fong

Sponsor:

Bill Number: AB 2486

Related Bills: See Legislative
History

Amended: March 18, 2024,
and April 15, 2024

SUBJECT

Administration of Income Tax Stabilization Fund

SUMMARY

Under the Administration of Franchise and Income Tax Law (AFITL), this bill would create the Income Tax Stabilization Fund.

RECOMMENDATION

No position—The Franchise Tax Board (FTB) has not formally voted or taken a position on this bill.

SUMMARY OF AMENDMENTS

The March 18, 2024, amendments removed provisions of the bill related to the income tax credit for transportation of donated agricultural products and replaced them with the provisions creating the Income and Franchise Tax Fund.

The April 15, 2024, amendments renamed the fund and modified current sections related to disposition of funds.

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

REASON FOR THE BILL

The reason for this bill is to create the Income Tax Stabilization Fund.

ANALYSIS

This bill would, under the AFITL, create the Income Tax Stabilization Fund, within the State Treasury.

Upon order of the Controller, the balance of the moneys in the Personal Income Tax Fund would be used to make refunds or transferred to the Income Tax Stabilization Fund. In addition, moneys in the Corporation Tax Fund, upon order of the Controller, would also be used for refunds or transferred into the Income Tax Stabilization Fund.

On an annual basis, the Controller would be required to transfer from the Income Tax Stabilization Fund to the General Fund an amount not exceeding the sum of the following:

- The average amount deposited into the Personal Income Tax Fund in accordance with Section 1585.5 of the Unemployment Insurance Code, related to penalties and interest collected relating to withholding on wages, and Section 19602 of the AFITL, related to amounts imposed under the Personal Income Tax Law (PITL), less refunds, for the prior five fiscal years.
- The average amount deposited into the Corporation Tax Fund, in accordance with sections 19604, related to moneys deposited into the Corporation Tax Fund under the Corporation Tax Law (CTL), and 19607, related to specific fees collected by the FTB with respect to non-corporate business entities, less refunds, for the prior five fiscal years.

The transfer would be adjusted for inflation as follows:

- The California Department of Industrial Relations would be required to transmit to the Controller on an annual basis, the percentage change in the California Consumer Price index for all items from June of the prior calendar year to June of the current calendar year by no later than August 1 of the current calendar year.
- The Controller would be required to do both of the following:
 - Compute an inflation adjustment factor by adding 100% to the percentage change in the California Consumer Price Index figure and dividing the result by 100.
 - Multiply the sum of the average amounts deposited in the Personal Income Tax Fund and Corporation Tax Fund, less refunds, as determined above, by the inflation adjustment factor determined, and round off the resulting products to the nearest one dollar.

Effective/Operative Date

This bill would be effective and operative January 1, 2025.

Federal/State Law

Federal Law

No comparable provision in federal law.

State Law

Article 8 of Chapter 1 of the AFITL (commencing with Section 19601) governs disposition of revenue collected by the FTB. Current state law provides that all money and remittances received by the FTB imposed under Part 10 (commencing with Section 17001), and all related penalties, additions to tax, and interest imposed under this part, less any remittances, with the exception of specified sections, are to be deposited in the State Treasury and credited to the Personal Income Tax Fund (PIT Fund). Any balance in the PIT Fund, after refunds, upon order of the Controller, is transferred to the General Fund. However, undelivered warrants are redeposited into the PIT Fund when the Controller is notified.

At the request of the Controller, any balance of funds in the PIT Fund, are required to be used to make refunds under the PITL. Undelivered refund warrants are required to be redeposited into the PIT Fund upon receipt.

The estimated revenue from the additional 1% tax imposed on Individual and fiduciary taxpayers subject to tax under Part 10 with taxable income greater than \$1 million is deposited into the Mental Health Services Fund.

For moneys and remittances received by the FTB imposed under the CTL (commencing with Section 23001) and specified sections, and related penalties, additions to tax, fees, and interest imposed under this part, are required to be deposited in the State Treasury, specifically the Corporation Tax Fund (CTL Fund). At the request of the Controller, any balance of funds in the CTL Fund, are required to be used to make refunds under the CTL. Undelivered refund warrants are required to be redeposited into the CTL Fund upon receipt. Any balance in the CTL Fund, after refunds, upon order of the Controller, is transferred to the General Fund. However, undelivered warrants are redeposited into the CTL Fund when the Controller is notified.

Implementation Considerations

The FTB has identified the following implementation consideration and is available to work with the author's office to resolve these and other considerations that may be identified.

This bill would require the SCO to transfer from the Income Tax Stabilization Fund to the General Fund an amount not to exceed the sum of the average amounts deposited into the PIT Fund and the CTL Fund, for the prior five fiscal years. However, the bill is silent on the outcome if the Income Tax Stabilization Fund does not have sufficient funds to transfer to the General Fund. The author may wish to amend the bill to clarify.

Technical Considerations

None noted.

Policy Considerations

None noted.

LEGISLATIVE HISTORY

No legislation similar to this bill has been identified.

PROGRAM BACKGROUND

None noted.

OTHER STATES' INFORMATION

None noted.

FISCAL IMPACT

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

ECONOMIC IMPACT

Revenue Estimate

This bill as amended on April 15, 2024, would not impact state income or franchise tax revenue.

LEGAL IMPACT

None noted.

EQUITY IMPACT

None noted.

APPOINTMENTS

None noted.

SUPPORT/OPPOSITION

Assembly Revenue and Taxation Committee analysis 04-19-2024.

Support:

None on file.

Opposition:

California Federation of Teachers; California School Employees Association

ARGUMENTS

Assembly Revenue and Taxation Committee analysis 04-19-2024.

Proponents:

None on file.

Opponents:

The California School Employees Association, submitted the following statement, which reads in part:

"AB 2486 would restrict California's ability to spend its resources to support the varying needs of its residents. It creates an unnecessary administrative process without any consideration for the state's priorities or potential emergency needs. Furthermore, AB 2486 raises significant constitutionality questions surrounding Proposition (Prop) 98. Will the new calculation for deposit into the state's General Fund affect the calculation in determining the Prop 98 minimum guarantee? What protections are in place to ensure that public education receives its constitutional rightful share?"

LEGISLATIVE CONTACT

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