STATE OF CALIFORNIA
Franchise Tax Board

Bill Analysis

Author: Committee on Revenue and Taxation	Sponsor:	Bill Number: AB 3289
	Related Bills: See Legislative History	Introduced: March 19, 2024

SUBJECT

Section 41 – Gross Income Exclusions Exemption

SUMMARY

Under the Revenue and Taxation Code (RTC), this bill would provide an exemption from the Section 41 reporting requirements for a bill that would authorize a new tax expenditure that is a gross income exclusion.

RECOMMENDATION

No position.

SUMMARY OF AMENDMENTS

Not applicable.

REASON FOR THE BILL

The reason for this bill is to exempt gross income exclusions from the Section 41 reporting requirements.

ANALYSIS

This bill, under the RTC, would provide an exemption for a bill that would authorize a new tax expenditure that is a gross income exclusion from the Section 41 reporting requirements, if the Legislature determines that there is no available data to collect and report.

Effective/Operative Date

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

Federal/State Law

Federal Law

No provision comparable in federal law.

State Law

Under RTC section 41, legislation that would create a new tax expenditure, which includes a credit, deduction, exclusion, exemption, or any other tax benefit as provided for by the state, is required to include specific goals, purposes, objectives, and performance measures to allow the Legislature to evaluate the effectiveness of the tax expenditure.

Implementation Considerations

None noted.

Technical Considerations

None noted.

Policy Considerations

None noted.

LEGISLATIVE HISTORY

AB 263 (Burke, Chapter 743, Statutes of 2020) required new legislation that would create a tax expenditure to include specific goals, purposes and objectives, detailed performance indicators, and data collection requirements.

SB 1335 (Leno, Chapter 845, Statutes of 2014) required any bill introduced on or after January 1, 2015, that would authorize a new tax credit to contain language specifying certain performance measures.

PROGRAM BACKGROUND

Every bill introduced on or after January 1, 2020, that authorizes a tax expenditure under the Personal Income Tax Law, Corporation Tax Law, or Sales and Use Tax Law to specify the goals, purposes, and objectives that will be achieved by the benefit authorized. A tax expenditure for this purpose is defined as a credit, deduction, exclusion, exemption, or any other tax benefit provided by the state.

Section 41 requires the following information in order for the Legislature to determine if the specified performance measures are being met:

- A performance indicator for the Legislature to determine if the expenditure's related policy goals are met.
- The specific data and baseline measurements to be collected and remitted for each year the tax expenditure is in effect.
- The specific entity, or entities, required to collect and remit data.

Franchise Tax Board (FTB) created form FTB 4197, which taxpayers may use to report tax expenditures items they have a reporting requirement for. This form is in addition to any other credit forms or expenses schedules that are required to be filed with your tax return. The FTB uses information from form FTB 4197 for reports required by the California Legislature.

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 introduced on March 19, 2024, would not impact state income or franchise tax revenue.

LEGAL IMPACT

None noted.

APPOINTMENTS

None noted.

SUPPORT/OPPOSITION

The April 19, 2024, Assembly Revenue and Taxation Committee analysis did not include any support or opposition for the bill.

ARGUMENTS

To be determined.

LEGISLATIVE CONTACT

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