



## Bill Analysis

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Sponsor:

Bill Number: AB 1519

Related Bills: See Legislative  
History

Amended: April 28, 2026

### SUBJECT

Modify Statute of Limitations on Collections

### SUMMARY

This bill would, under the Administration of the Franchise and Income Tax Law (AFITL):

- **Redefine “tax liability” for purposes of the 20-year statute of limitations (SOL) for collection activities.** The revised definition of “tax liability” would mean a liability due and payable and would no longer include interest, penalties, costs, and fees (with the exception of the limited liability company (LLC) fee, and
- Specify that the SOL for those excluded items would run concurrently with the related underlying tax liability.

### RECOMMENDATION

No position—The three-member Franchise Tax Board has not formally voted or taken a position on this bill.

### SUMMARY OF AMENDMENTS

The April 28, 2026, amendments removed the provisions of the bill which would have, under the AFITL, required employers to update employee notices to include information about the Internal Revenue Services’ (IRS) Direct File program and was replaced with the provisions discussed in this analysis.

### REASON FOR THE BILL

The reason for the bill is to exclude interest, penalties, costs, or fees (other than the fee and tax assessed on LLC’s), from the definition of tax liability so that the 20-year SOL would be unaffected by a subsequent imposition of interest, penalties, costs, or fees, as specified, to provide that the SOL period for any imposition of interest, penalties, cost, or fee would run concurrently with the related tax liability.

## ANALYSIS

This bill would, under the AFITL, redefine "tax liability" to exclude interest, penalties, costs, or fees other than the LLC fee. As a result, the imposition of any of these items would no longer have an impact on the determination of the 20-year SOL on the underlying tax liability.

This bill would also specify that the 20-year SOL on collection activities for the related interest, penalties, costs, or fees, other than the LLC fee, would run concurrently with the underlying tax liability.

This bill would also update a cross reference within the Revenue and Taxation Code (RTC) to more specifically define "due and payable."

### *Effective/Operative Date*

This bill would become effective and operative January 1, 2027, and would apply to any liability "due and payable" before, on, or after July 1, 2006.

### *Federal/State Law*

#### *Federal Law*

Under federal law, the IRS is precluded from taking any collection action 10 years after the assessment of tax, unless the taxpayer agrees to waive this period of limitation. The 10-year limitation on collection is extended or suspended under a number of circumstances, such as bankruptcy actions, installment agreements, offers in compromise, levies, or pending court actions. The federal 10-year limitation on collection applies to all taxpayers.

#### *State Law*

California has stand-alone law that precludes the Franchise Tax Board (FTB) from collecting any tax liabilities, as defined, in which 20 years have lapsed after the date the latest tax liability, for that taxable year, becomes due and payable, as defined.

Under current state law "tax liability" means a liability imposed under the Personal Income Tax Law, Corporation Tax Law, or the AFITL, including any additions to tax, interest, penalties, fees and any other amounts relating to the imposed liability.

"Due and payable" is defined, pursuant to RTC section 19221, as the date a self-assessed liability is established on the FTB's records, the date the notice of a jeopardy assessment is mailed, or, for all other assessments, the date the assessment is final. In other words, the "due and payable date" is the date that the FTB may legally initiate collection activity.

If more than one tax liability is “due and payable” for a particular taxable year, the “due and payable” date that is later in time is the date the 20-year collection period begins.

The 20-year SOL for collection activities is suspended under a number of circumstances, such as bankruptcy actions, installment agreements, suspensions, postponements, or extensions by operation of law.

#### *Implementation Considerations*

None noted.

#### *Technical Considerations*

None noted.

#### *Policy Considerations*

None noted.

#### LEGISLATIVE HISTORY

AB 911 (Chu, Chapter 398, Statutes of 2005) limited the collection period to 20 years beginning from the date the last tax liability became due and payable, except for a liability related to the amnesty penalty assessed under RTC section 19777.5.

AB 357 (Nazarian, 2019/2020) and AB 2369 (Nazarian, 2019/2020) identical to this bill, would have under the AFITL, redefined “tax liability” for purposes of the 20-year SOL for collection activities; and would have specified that the revised definition of “tax liability” would have excluded interest, penalties, costs, and fees with the exception of the fee and tax assessed on LLC), and would have specified that the SOL for those excluded items would run concurrently with the related underlying tax liability.

AB 2369 did not pass out of the Assembly by the constitutional deadline. AB 357 was vetoed by the Governor, whose message read in part:

“This bill excludes interest, penalties, costs, or fees from the definition of tax liability, thereby changing the date when the current 20-year statute of limitations on tax collections begins. The bill would apply retroactively to cover any liability due and payable before, on, or after July 1, 2006.

The intent of the bill is to provide some certainty to taxpayers that have longstanding tax liabilities and, in some cases, complete relief from those liabilities. However, AB 357 significantly limits the FTB's ability to collect valid tax liabilities and at a significant cost to the state general fund. For these reasons, I cannot sign this bill."

#### PROGRAM BACKGROUND

None noted.

#### **OTHER STATES' INFORMATION**

None noted.

#### FISCAL IMPACT

The FTB's estimated costs to implement this bill are approximately \$855,000 for fiscal year 2026-2027; \$1,562,000 for fiscal year 2027-2028; \$1,547,000 for fiscal year 2028-29; \$844,000 for fiscal year 2029-30; and \$355,000 for fiscal year 2030-2031 and ongoing.

#### ECONOMIC IMPACT

##### *Revenue Estimate*

This bill as amended April 28, 2026, would not change the way state income or franchise tax is calculated under the RTC. However, the provisions of the bill could impact the general fund from decreases in average annual collections of approximately \$10 million.

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

None noted.

#### EQUITY IMPACT

None noted.

#### APPOINTMENTS

None noted.

SUPPORT/OPPOSITION

To be determined.

ARGUMENTS

To be determined.

LEGISLATIVE CONTACT

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