



Bill Analysis

Author: Valladares, et al.

Sponsor:

Bill Number: SB 591

Related Bills: See Legislative
History

Amended: March 26, 2025

SUBJECT

Electronic Funds Transfer - Penalties

SUMMARY

This bill would, under the Administration of Franchise and Income Tax Law (AFITL), modify the penalties for taxpayers required to remit payment by electronic funds transfer that makes payment by other means.

RECOMMENDATION

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

SUMMARY OF AMENDMENTS

The March 26, 2025, amendment removed intent language related to the Revenue and Taxation Code and replaced it with the provisions discussed in this analysis.

This is the Franchise Tax Board's (FTB) first analysis of the bill.

REASON FOR THE BILL

The reason for this bill is to modify the penalties for taxpayers required to remit electronic fund payments that make a payment using an alternate form.

ANALYSIS

Under the AFITL, this bill would modify the penalties applicable to corporations and individuals required to remit payment by electronic funds transfer to the FTB that make a payment by other means. The penalties would be \$100 for their first failure, and \$500 for each subsequent failure.

Effective/Operative Date

This bill would be effective and operative on January 1, 2026.

Federal/State Law

Federal Law

No comparable provision in federal law.

State Law

A taxpayer whose total tax liability is greater than \$80,000, or who makes an estimated tax or extension payment exceeding \$20,000, is required to e-pay all future payments, regardless of the payment type, amount, or taxable year. Corporate taxpayers who are required to e-pay but remit payments by any other means, are assessed a mandatory e-pay penalty of 10% of the payment. Individual taxpayers who are required to e-pay but remit payments by other means are assessed a mandatory e-pay penalty of 1% of the payment. The penalty is assessed unless the taxpayer can show that the failure to make the electronic payment was for reasonable cause and not the result of willful neglect.

Taxpayers can request a waiver from mandatory e-pay if:

- The taxpayer did not make an estimate tax or extension payment in excess of \$20,000 for the previous taxable year.
- The tax liability for the previous year did not exceed \$80,000.
- The amount paid was not representative of future payments or tax liability.

If the FTB grants a waiver and the taxpayer subsequently meets the mandatory e-pay requirements, the taxpayer must resume e-pay. Certain taxpayers with permanent physical or mental impairment may request a permanent waiver of the mandatory e-pay requirement.

Implementation Considerations

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

This bill does not provide a specific operative date. For clarity, the author may wish to amend the bill to include an operative date to specify application to payments made on or after a certain date.

Technical Considerations

None noted.

Policy Considerations

None noted.

LEGISLATIVE HISTORY

AB 1389 (Committee on Budget, Chapter 751, Statutes of 2008), amongst other provisions, required taxpayers that meet certain thresholds to make future payments electronically.

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 March 26, 2025, would not impact the computation of state income or franchise tax.

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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