



## **Bill Analysis**

Author: Valladares, et al.

Sponsor:

Bill Number: SB 591

Related Bills: See Legislative  
History

Amended: July 17, 2025

### **SUBJECT**

Electronic Funds Transfer - Penalties

### **SUMMARY**

This bill, under the Administration of Franchise and Income Tax Law (AFITL), for individual taxpayers who are required to remit a payment electronically that make a payment by other means, would allow a one-time waiver of the penalty, for payments made on or after January 1, 2026.

### **RECOMMENDATION**

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

### **SUMMARY OF AMENDMENTS**

The July 17, 2025, amendments removed the provision of the bill that would have modified the penalty for taxpayers required to remit payment by electronic funds transfer but makes a payment by other means, and added a waiver from the penalty for an individual taxpayer's first violation.

The July 17, 2025, amendments resolved the only consideration discussed in the Franchise Tax Board's (FTB) analysis of the bill as amended March 27, 2025.

### **REASON FOR THE BILL**

The reason for this bill is to provide a one-time penalty waiver for individual taxpayers required to remit electronic fund payments that make a payment using a means of payment other than electronic.

**ANALYSIS**

Under the AFITL, this bill would waive the penalty applicable to individuals required to remit payment by electronic funds transfer to the FTB that make a payment by other means. For payments made on or after January 1, 2026, the FTB would waive the penalty for a taxpayer's first violation.

*Effective/Operative Date*

This bill would be effective January 1, 2026, and specifically operative for payments made on or after 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. 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 either:

- The taxpayer did not make an estimate tax or extension payment in excess of \$20,000 for the previous taxable year and 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*

None noted.

*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.

AB 1397 (Low, 2023/2024), would have modified the electronic payment penalty applicable to individuals by capping the 1% penalty at \$25,000 per payment. AB 1397 would have applied to payments made on or after January 1, 2024, and retroactively to any payment made before January 1, 2024, that was, or may become, the subject of a timely filed protest or claim for refund. AB 1397 did not pass out of the Assembly by the constitutional deadline.

**PROGRAM BACKGROUND**

None noted.

**OTHER STATES' INFORMATION**

None noted.

**FISCAL IMPACT**

FTB anticipates minimal costs to implement this bill.

**ECONOMIC IMPACT***Revenue Estimate*

This bill as amended on July 17, 2025, would not impact the computation of state income or franchise tax.

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**

None on file.

**ARGUMENTS**

None on file.

**LEGISLATIVE CONTACT**

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