

AMENDED IN SENATE JUNE 29, 2004
AMENDED IN ASSEMBLY MAY 17, 2004
AMENDED IN ASSEMBLY MAY 10, 2004

CALIFORNIA LEGISLATURE—2003–04 REGULAR SESSION

ASSEMBLY BILL

No. 2106

Introduced by Assembly Member Ridley–Thomas
(Coauthors: Assembly Members Corbett and Steinberg)
(Coauthor: Senator Cedillo)

February 18, 2004

An act to add Article 7.5 (commencing with Section 9147.1) to Chapter 1.5 of Part 1 of Division 2 of Title 2 of, and to repeal Section 13305 of, the Government Code, relating to state government.

LEGISLATIVE COUNSEL'S DIGEST

AB 2106, as amended, Ridley–Thomas. State government: tax expenditures report.

Existing law requires the Department of Finance to provide an annual report to the Legislature on tax expenditures, containing specified information.

This bill would repeal that provision and would require the Department of Finance to annually submit to the Legislature, in conjunction with the Governor's Budget, a report of the tax expenditures, as defined, currently in effect. This bill would also require the Legislative Analyst's office to annually provide a report to the Senate and Assembly Committees on Revenue and Taxation addressing each tax expenditure, as specified. This bill would require the Senate Committee on Budget and Fiscal Review and the Assembly Committee

on Budget to consider the Legislative Analyst’s recommendations to evaluate the relative priority of each tax expenditure based on specified criteria, as compared with all state expenditures, as specified.

This bill would additionally require the Joint Legislative Budget Committee to review and prioritize recommendations made by the Committees on Revenue and Taxation, and would require any legislation establishing a new or expanded tax expenditure or extending the sunset date of an existing tax expenditure to include specified information.

Vote: majority. Appropriation: no. Fiscal committee: yes. State-mandated local program: no.

The people of the State of California do enact as follows:

1 SECTION 1. This act shall be known, and may be cited, as the
2 California Tax Expenditure Accountability Act.

3 SEC. 2. Article 7.5 (commencing with Section 9147.1) is
4 added to Chapter 1.5 of Part 1 of Division 2 of Title 2 of the
5 Government Code, to read:

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7 Article 7.5. Tax Expenditures Report

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9 9147.1. As used in this article, “tax expenditure” or “tax
10 expenditures” means a credit, deduction, exclusion, exemption, or
11 any other tax benefit as may be provided for by state law.

12 9147.2. (a) On or before September 15, 2005, and on or
13 before September 15 in each odd-numbered year thereafter, the
14 Department of Finance shall submit to the Legislature a report of
15 the tax expenditures currently in effect, including those tax
16 expenditures set forth in the Personal Income Tax Law (Part 10
17 (commencing with Section 17001) of Division 2 of the Revenue
18 and Taxation Code), the Corporation Tax Law (Part 11
19 (commencing with Section 23001) of Division 2 of the Revenue
20 and Taxation Code), and the Sales and Use Tax Law (Part 1
21 (commencing with Section 6001) of Division 2 of the Revenue and
22 Taxation Code). The report shall contain the following
23 information, to the extent feasible:

- 24 (1) A description of each tax expenditure.
- 25 (2) The ~~statutory~~ or statutory, constitutional, or other legal
26 authority for each tax expenditure.



- 1 (3) The original intent of each tax expenditure.
2 (4) An estimate of revenue loss for the most recent fiscal year
3 for each tax expenditure.
4 (5) The following information, based on information provided
5 by the Franchise Tax Board or by the State Board of Equalization
6 in the case of sales and use tax expenditures that are separately
7 identified on returns or claims, to the extent feasible:
8 (A) The number of tax returns or taxpayers affected by the tax
9 expenditure.
10 (B) The distribution of each tax expenditure, as follows:
11 (i) For tax expenditures available to businesses, by size of the
12 business or industry, by size of total receipts, and by type of
13 business or industry.
14 (ii) For tax expenditures under the Personal Income Tax Law,
15 by adjusted gross income brackets.
16 (b) The report required by subdivision (a) shall also be
17 provided in each even-numbered year, but may be limited to new
18 or revised tax expenditures and to significant updates, revisions,
19 or corrections of information in the prior year's report.
20 9147.3. (a) On or before October 1, 2005, and on or before
21 October 1 in each odd-numbered year thereafter, the Legislative
22 Analyst's office shall provide to the Senate Committee on
23 Revenue and Taxation and the Assembly Committee on Revenue
24 and Taxation a report containing all of the following information:
25 (1) A summary of any available findings or information
26 regarding the effectiveness of any tax expenditure in achieving its
27 intended purpose.
28 (2) The conditions under which individual tax expenditures
29 should be viewed as a successful policy tool.
30 (b) The report required by subdivision (a) shall also be
31 provided in even-numbered years, but may be limited to new or
32 revised tax expenditures and to significant updates, revisions, or
33 corrections of information in the prior year's report.
34 9147.4. The Senate Committee on Revenue and Taxation and
35 the Assembly Committee on Revenue and Taxation shall review
36 the reports required by Sections 9147.2 and 9147.3 and conduct
37 annual interim hearings to accomplish both of the following:
38 (a) Make recommendations to the Joint Legislative Budget
39 Committee for tax expenditures that should be reviewed and
40 evaluated in the upcoming budget.



1 (b) Introduce legislation to adopt specific goals, information
2 requirements, and evaluation studies for selected existing tax
3 expenditures that currently lack specific goals, information
4 requirements, evaluation studies, or a combination thereof.

5 9147.5. The Joint Legislative Budget Committee, during the
6 interim, shall review and prioritize the recommendations made
7 pursuant to Section 9147.4. The Joint Legislative Budget
8 Committee shall direct the Legislative Analyst to evaluate selected
9 tax expenditures and make recommendations to the budget
10 committees during the subsequent budget process.

11 9147.6. The Legislative Analyst’s recommendations pursuant
12 to Section 9147.5 shall be considered by the Senate Committee on
13 Budget and Fiscal Review and the Assembly Committee on
14 Budget in conjunction with each committee’s consideration of the
15 annual Budget Act. In their considerations, the committees shall
16 evaluate the relative priority of each tax expenditure as compared
17 with all state expenditures. Criteria for this evaluation shall
18 include, but not be limited to, the following:

19 (a) The extent to which the tax expenditure is a successful
20 policy tool.

21 (b) The cost-effectiveness of the tax expenditure.

22 (c) Potential policy alternatives for achieving the policy goals
23 of the tax expenditure.

24 (d) The feasibility of repealing or continuing each tax
25 expenditure.

26 9147.7. Any legislation establishing a new or expanded tax
27 expenditure or extending the sunset date of an existing tax
28 expenditure shall include all of the following:

29 (a) A sunset provision.

30 (b) A requirement for an evaluation study that also may include
31 requirements for the submission of information by taxpayers
32 benefiting from a tax expenditure or other data collection efforts.

33 (c) Recapture provisions if a taxpayer fails to meet any
34 commitments that are required to qualify for the new tax benefit.

35 (d) Measurable goals or objectives.

36 SEC. 3. Section 13305 of the Government Code is repealed.

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