

AMENDED IN ASSEMBLY MAY 26, 2005
AMENDED IN ASSEMBLY MARCH 10, 2005
CALIFORNIA LEGISLATURE—2005—06 REGULAR SESSION

ASSEMBLY BILL

No. 168

Introduced by Assembly Member Ridley-Thomas
(Principal coauthor: Senator Migden)
(Coauthor: Assembly Member Arambula)

January 19, 2005

An act to add Article 2.2 (commencing with Section 13310) to Chapter 3 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 168, as amended, Ridley-Thomas. State government: tax expenditure reports.

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 submit, annually, to the Legislature and the Legislative Analyst a report, based upon a dynamic revenue analysis, as defined, of the estimated revenue losses attributable to tax expenditures in the immediately preceding fiscal year, as specified. This bill would require the Franchise Tax Board and the State Board of Equalization to provide, annually, to the Legislature, the Department of Finance, and the Legislative Analyst a report, based upon a static revenue analysis, as defined, of the estimated revenue losses attributable to each tax expenditure, as specified, that was administered by the boards during the fiscal year that preceded the

date of the report. This bill would require the Legislative Analyst to review the reports and make recommendations to the Legislature as to which tax expenditures should be modified or repealed.

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
2 the California Tax Expenditure Accountability Act.

3 SEC. 2. Section 13305 of the Government Code is repealed.

4 SEC. 3. Article 2.2 (commencing with Section 13310) is
5 added to Chapter 3 of Part 1 of Division 2 of Title 2 of the
6 Government Code, to read:

7
8 Article 2.2. Tax Expenditure Reports

9
10 13310. For purposes of this article:

11 (a) "Tax expenditure" or "tax expenditures" means a credit,
12 deduction, exclusion, exemption, or any other tax benefit as
13 provided for by state law.

14 (b) "Static revenue analysis" means the historical method used
15 by the State Board of Equalization and the Franchise Tax Board
16 for evaluating tax expenditures that takes into account only the
17 most direct economic responses to tax expenditures.

18 (c) "Dynamic revenue analysis" means the historical method
19 used by the Department of Finance for evaluating tax
20 expenditures based upon assumptions that estimate the probable
21 behavioral responses of taxpayers, businesses, and other citizens
22 to those tax expenditures, and that includes a statement
23 identifying those assumptions.

24 13311. On or before November 15, 2006, and on or before
25 each November 15th of each year thereafter, the Franchise Tax
26 Board shall provide to the Legislature, the Department of
27 Finance, and the Legislative Analyst, a report, based upon a static
28 revenue analysis, of the estimated revenue losses attributable to
29 each tax expenditure, *to the extent feasible*, relating to taxes
30 administered by the board during the fiscal year that preceded the
31 date of the report that produced a revenue loss in excess of ten
32 million dollars (\$10,000,000).

1 13312. On or before November 15, 2006, and on or before
2 each November 15th of each year thereafter, the State Board of
3 Equalization shall provide to the Legislature, the Department of
4 Finance, and the Legislative Analyst, a report, based upon a static
5 revenue analysis, of the estimated revenue losses attributable to
6 each tax expenditure, *to the extent feasible*, relating to taxes
7 administered by the board during the fiscal year that preceded the
8 date of the report that produced a revenue loss in excess of ten
9 million dollars (\$10,000,000).

10 13313. (a) On or before February 1, 2007, and on or before
11 January 15th of each year thereafter, the Department of Finance
12 shall provide to the Legislature and the Legislative Analyst a
13 report, based upon a dynamic revenue analysis together with the
14 assumptions and information used in the analysis, of the
15 estimated revenue losses attributable to tax expenditures in the
16 immediately preceding fiscal year. ~~This~~

17 (b) *The report shall compare the estimated revenue losses*
18 *under this section with those provided under Sections 13311 and*
19 *13312.*

20 (c) *The report shall contain the following information, to the*
21 *extent feasible:*

22 (1) *An estimate of revenue loss for the most recent fiscal year*
23 *for each tax expenditure.*

24 (2) *The following information, based on information provided*
25 *by the Franchise Tax Board, or by the State Board of*
26 *Equalization in the case of sales and use tax expenditures that*
27 *are separately identified on returns or claims, to the extent*
28 *feasible:*

29 (A) *The number of tax returns or taxpayers affected by the tax*
30 *expenditure.*

31 (B) *The distribution of each tax expenditure, as follows:*

32 (i) *For tax expenditures available to businesses, by size of the*
33 *business or industry, by size of total receipts, and by type of*
34 *business or industry.*

35 (ii) *For tax expenditures under the Personal Income Tax Law,*
36 *by adjusted gross income brackets.*

37 (d) *This section shall apply only to those tax expenditures for*
38 *which both of the following apply:*

39 (1) *The tax expenditures are those reported under Sections*
40 *13311 and 13312 that produced revenue losses in excess of ten*

1 million dollars (\$10,000,000) during the preceding fiscal year.
2 ~~The report shall compare the estimated revenue losses under this~~
3 ~~section with those provided under Sections 13311 and 13312.~~

4 *(2) The Senate Committee on Revenue and Taxation and the*
5 *Assembly Committee on Revenue and Taxation designate the tax*
6 *expenditures to be included in the report based upon, among*
7 *other things, the importance of the policy being served by a*
8 *particular tax expenditure relative to that of other tax*
9 *expenditures.*

10 13314. On or before March 1, 2007, and on or before March
11 1st of each year thereafter, the Legislative Analyst shall review
12 the reports provided pursuant to Sections 13311 to 13313,
13 inclusive, and make recommendations to the Legislature as to
14 which tax expenditures should be modified or repealed.