

AMENDED IN SENATE JUNE 20, 2005

AMENDED IN ASSEMBLY APRIL 19, 2005

CALIFORNIA LEGISLATURE—2005—06 REGULAR SESSION

**ASSEMBLY BILL**

**No. 249**

**Introduced by Assembly Members DeVore and Walters**

February 8, 2005

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~~An act to amend Section 19582.5 of the Revenue and Taxation Code, relating to taxation.~~ *An act relating to taxation.*

LEGISLATIVE COUNSEL'S DIGEST

AB 249, as amended, DeVore. Personal income taxes: tax forms.

The Personal Income Tax Law, which is administered by the Franchise Tax Board, imposes taxes upon the taxable income of specified persons. Existing law authorizes a taxpayer whose total income, as defined, is less than a specified amount to utilize Form 540 2EZ, as prepared by the Franchise Tax Board. The definition of "total income," for purposes of determining a taxpayer's eligibility to utilize Form 540 2EZ, does not include income derived from capital gains.

~~This bill would include capital gains generated by mutual funds in the definition of "total income" for purposes of determining a taxpayer's eligibility to utilize Form 540 2EZ~~ *require the Legislative Analyst's office, in conjunction with the Franchise Tax Board, to conduct a study regarding the taxpayers' usage of Form 540 2EZ, as specified.*

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. The Legislative Analyst's office, in conjunction*  
2 *with the Franchise Tax Board, shall conduct a study regarding*  
3 *the tax form 540 2EZ that shall include, but not be limited to, the*  
4 *following items:*

5     *(a) The methods by which taxpayers become aware of Form*  
6 *540 2EZ, and the number of taxpayers who file their tax returns*  
7 *using Form 540 2EZ, as compared to the number of taxpayers*  
8 *eligible to use that form.*

9     *(b) The percentage of taxpayers eligible to file Form 540 2EZ*  
10 *who use a professional tax preparer.*

11     *(c) The percentage of returns, prepared by professional tax*  
12 *preparers, that are filed on Form 540 2EZ.*

13     *(d) An analysis of e-filing of Form 540 2EZ, including the*  
14 *ability to print and mail the form in a PDF format instead of*  
15 *filing it electronically.*

16     *(e) The number of taxpayers who would be eligible to use*  
17 *Form 540 2EZ if the restriction on capital gains were removed.*

18     *(f) Any additional information that would increase taxpayer*  
19 *compliance and simplify tax filing.*

20     *(g) The increased availability of fileable and calculable*  
21 *income tax forms and schedules on Franchise Tax Board's Web*  
22 *site.*

23     *(h) The number of additional filers who used Form 540 2EZ*  
24 *due to Section 19582.5 of the Revenue and Taxation Code, as*  
25 *amended by Chapter 844 of the Statutes of 2004.*

26     ~~SECTION 1. Section 19582.5 of the Revenue and Taxation~~  
27 ~~Code is amended to read:~~

28     ~~19582.5. (a) Notwithstanding any other law, a taxpayer filing~~  
29 ~~as either a single taxpayer or as a head of household whose total~~  
30 ~~income for the taxable year is one hundred thousand dollars~~  
31 ~~(\$100,000) or less, and taxpayers filing a joint return or a~~  
32 ~~taxpayer filing as a qualifying widow or widower whose total~~  
33 ~~income is two hundred thousand dollars (\$200,000) or less, shall~~  
34 ~~have the option to use Form 540 2EZ, or its successor form, as~~  
35 ~~prepared by the Franchise Tax Board, to reflect the provisions of~~  
36 ~~this section.~~

1 ~~(b) For purposes of this section, “total income” means taxable~~  
2 ~~wages, dividends, interest, capital gains generated by mutual~~  
3 ~~funds, and pension income.~~

4 ~~(e) The Legislative Analyst, in consultation with the Franchise~~  
5 ~~Tax Board, shall conduct a study on the impact of the revised~~  
6 ~~Form 540 2EZ and shall report to the Legislature, no later than~~  
7 ~~January 1, 2008, on the following:~~

8 ~~(1) The number of filers using the revised Form 540 2EZ.~~

9 ~~(2) The effectiveness of the revised Form 540 2EZ in the~~  
10 ~~simplification of tax preparation for the taxpayers eligible to use~~  
11 ~~that form.~~

12 ~~(3) The impact the revised Form 540 2EZ has on the Franchise~~  
13 ~~Tax Board’s administration of the Personal Income Tax Law~~  
14 ~~(Part 10 (commencing with Section 17001)).~~