SENATE BILL No. 365

Introduced by Senator Wolk

February 20, 2013

An act to add Section 41 to the Revenue and Taxation Code, relating to taxation.

LEGISLATIVE COUNSEL'S DIGEST

SB 365, as introduced, Wolk. Income and corporation taxes: credits: information and operative time period.

Existing law imposes various taxes and allows specified credits, deductions, exclusions, and exemptions in computing those taxes.

This bill would require any bill, introduced on or after January 1, 2014, that would authorize a personal income or corporation tax credit to contain, among other provisions, (1) specified goals, purposes, and objectives that the tax credit will achieve, (2) detailed performance indicators to measure whether the tax credit is meeting those goals, purposes, and objectives, and (3) a requirement that the tax credit cease to be operative no later than 10 taxable years after its effective date, as specified.

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

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

SECTION 1. The Legislature finds and declares the following:

(a) Government at all levels enacts tax preferences to promote equity among taxpayers and enhance economic growth in a way that is inexpensive to administer and provides direct benefits to taxpayers.

(b) National and state public finance experts recommend that tax preferences be evaluated alongside direct spending programs, as both are public initiatives meant to accomplish specified goals.

(c) Revenue losses attributable to federal tax preferences exceed any other category of federal spending, including defense, Medicaid and Medicare, Social Security, debt service, or discretionary spending.

(d) California now forgoes more than $47 billion in revenue from tax preferences, according to the Department of Finance.

(e) Many current tax preferences contain neither sunset provisions, nor goals and objectives to measure the performance of the tax preference.

(f) Many current tax preferences neither require taxpayers to submit data demonstrating the tax preference's effectiveness, nor for state agencies to collect and send data to the Legislature to evaluate the tax preference.

(g) The Legislature should apply the same level of review and performance measure that it applies to spending programs to tax preference programs, including tax credits.

SEC. 2. Section 41 is added to the Revenue and Taxation Code, to read:

41. Notwithstanding any other law, any bill, introduced on or after January 1, 2014, that would authorize a new credit against the "net tax," as defined in Section 17039, or against the "tax," as defined in Section 23036, or both, shall contain all of the following:

(a) Specific goals, purposes, and objectives that the tax credit will achieve.

(b) Detailed performance indicators for the Legislature to use when measuring whether the tax credit meets the goals, purposes, and objectives stated in the bill.

(c) Data collection requirements to enable the Legislature to determine whether the tax credit is meeting, failing to meet, or exceeding those specific goals, purposes, and objectives. The requirements shall include the specific data and baseline measurements to be collected and remitted in each year the credit is in effect, in order for the Legislature to measure the change in performance indicators, and the specific taxpayers, state agencies, or other entities required to collect and remit data.

(d) A requirement that the tax credit shall cease to be operative no later than 10 taxable years after its effective date, and as of

January 1 of the year following the end of the operative period is repealed.

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