

AMENDED IN SENATE APRIL 18, 2012

SENATE BILL

No. 1554

Introduced by ~~Senator Strickland~~ *Senators Correa and Strickland*

February 24, 2012

An act to add Section 15627 to, and to repeal Part 10 (commencing with Section 15700) of Division 3 of Title 2 of, the Government Code, to add Section 20.5 to the Revenue and Taxation Code, and to add Section 13000.1 to the Unemployment Insurance Code, relating to governmental organization.

LEGISLATIVE COUNSEL'S DIGEST

SB 1554, as amended, ~~Strickland~~ *Correa*. Governmental reorganization: tax functions.

(1) Existing law provides for the establishment of the Franchise Tax Board and prescribes its various powers and duties regarding the administration of state personal income taxes and corporation franchise and income taxes. The State Board of Equalization collects and administers various taxes and fees imposed under specified programs and serves as an arbiter for the resolution of tax disputes involving the imposition of fees and taxes, including those taxes administered by the Franchise Tax Board.

This bill would abolish the Franchise Tax Board, and would provide for the transfer of its powers and duties to the State Board of Equalization, operative January 1, 2014.

(2) Existing law requires the Employment Development Department to administer the reporting, collection, and enforcement of personal income tax wage withholding.

This bill would instead require the State Board of Equalization to administer the reporting, collection, and enforcement of personal income tax wage withholding, operative January 1, 2014.

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. Section 15627 is added to the Government Code,
2 to read:

3 15627. (a) (1) The board is the successor to, and is vested
4 with, all of the duties, powers, purposes, responsibilities, and
5 jurisdiction of the Franchise Tax Board. However, the statutes and
6 laws under which the Franchise Tax Board existed and all laws
7 prescribing the duties, powers, purposes, responsibilities, and
8 jurisdiction of the Franchise Tax Board, together with all lawful
9 rules and regulations established thereunder, are expressly
10 continued in force.

11 (2) Any action to which the Franchise Tax Board is a party on
12 and before January 1, 2014, will not be abated by operation of law
13 and shall continue in the name of the State Board of Equalization,
14 which shall be substituted for the Franchise Tax Board by the court
15 in which the action is pending. The substitution of parties will not
16 affect the rights of the parties to the action.

17 (3) “Franchise Tax Board” when used in any statute, law, rule,
18 or regulation now in force, or that may hereafter be enacted or
19 adopted, means the board.

20 (b) (1) The board is the successor to, and is vested with, all of
21 the duties, powers, purposes, responsibilities, and jurisdiction of
22 the tax administration functions currently performed by the
23 Employment Development Department or the Director of
24 Employment Development pursuant to Division 6 (commencing
25 with Section 13000) of the Unemployment Insurance Code.
26 However, the statutes and laws under which the administrative tax
27 functions of the Employment Development Department or the
28 Director of Employment Development relating to the withholding
29 of tax on wages pursuant to Division 6 (commencing with Section
30 13000) of the Unemployment Insurance Code existed and all laws
31 prescribing the duties, powers, purposes, responsibilities, and
32 jurisdiction of the administrative tax functions performed by the

1 Employment Development Department and the Director of
2 Employment Development, together with all lawful rules and
3 regulations established thereunder, are expressly continued in
4 force.

5 (2) Any action regarding the administration of the tax functions
6 of the Employment Development Department pursuant to Division
7 6 (commencing with Section 13000) of the Unemployment
8 Insurance Code to which the Employment Development
9 Department is a party on and before January 1, 2014, will not be
10 abated by operation of law and shall continue in the name of the
11 State Board of Equalization, which shall be substituted for the
12 Employment Development Department by the court in which the
13 action is pending. The substitution of parties will not affect the
14 rights of the parties to the action.

15 SEC. 2. Part 10 (commencing with Section 15700) of Division
16 3 of Title 2 of the Government Code is repealed.

17 SEC. 3. Section 20.5 is added to the Revenue and Taxation
18 Code, to read:

19 20.5. Any reference in this code to the “Franchise Tax Board”
20 shall be deemed a reference to the board.

21 SEC. 4. Section 13000.1 is added to the Unemployment
22 Insurance Code, to read:

23 13000.1. Any reference to the department or to the director
24 with respect to the duties, powers, purposes, responsibilities, and
25 jurisdiction of the department or director regarding the
26 administrative tax functions relating to the withholding of tax on
27 wages pursuant to Division 6 (commencing with Section 13000)
28 shall be deemed a reference to the State Board of Equalization.

29 SEC. 5. (a) The executive officer of the State Board of
30 Equalization, with the approval of the members of the board, shall
31 organize its new responsibilities, formerly those of the Franchise
32 Tax Board, in any manner as he or she deems necessary for the
33 proper conduct of the board’s consolidated revenue collection,
34 administration, and enforcement functions.

35 (b) The executive officer of the State Board of Equalization,
36 with the approval of the members of the board, shall organize its
37 new tax administration responsibilities, formerly administered by
38 the Employment Development Department, in any manner as he
39 or she deems necessary for the proper conduct of the board’s

1 consolidated revenue collection, administration, and enforcement
2 functions.

3 ~~(e) The executive officer of the State Board of Equalization,~~
4 ~~with the approval of the members of the board, shall organize its~~
5 ~~new tax administration responsibilities, formerly administered by~~
6 ~~the Department of Insurance, in any manner as he or she deems~~
7 ~~necessary for the proper conduct of the board's consolidated~~
8 ~~revenue collection, administration, and enforcement functions.~~

9 SEC. 6. (a) The civil service staff of the Franchise Tax Board
10 shall be transferred to the State Board of Equalization in accordance
11 with the provisions of Section 19050.9 of the Government Code.

12 (b) Any civil service staff of the Employment Development
13 Department whose duties and responsibilities are transferred to
14 the State Board of Equalization pursuant to this act, shall be
15 transferred to the State Board of Equalization in accordance with
16 the provisions of Section 19050.9 of the Government Code.

17 SEC. 7. (a) No contract, lease, license, or any other agreement
18 to which the State Board of Equalization or the Franchise Tax
19 Board is a party shall be void or voidable by reason of this act, but
20 shall continue in full force and effect, with the State Board of
21 Equalization assuming all of the rights, obligations, and duties of
22 the Franchise Tax Board. That assumption by the State Board of
23 Equalization may not in any way affect the rights of the parties to
24 the contract, lease, license, or agreement.

25 (b) No contract, lease, license, or any other agreement to which
26 the State Board of Equalization or the Employment Development
27 Department, pursuant to Division 6 (commencing with Section
28 13000) of the Unemployment Insurance Code, is a party shall be
29 void or voidable by reason of this act, but shall continue in full
30 force and effect, with the State Board of Equalization assuming
31 all of the rights, obligations, and duties of the Employment
32 Development Department with regard to that contract, lease,
33 license, or other agreement. That assumption by the State Board
34 of Equalization may not in any way affect the rights of the parties
35 to the contract, lease, license, or agreement.

36 SEC. 8. (a) On and after January 1, 2014, the unencumbered
37 balance of all money available for expenditure by the Franchise
38 Tax Board in carrying out any functions transferred to the State
39 Board of Equalization by this act shall be made available for the
40 support and maintenance of the State Board of Equalization. All

1 books, documents, records, and property of the Franchise Tax
2 Board shall be transferred to the board.

3 (b) On and after January 1, 2014, the unencumbered balance of
4 all money available for expenditure by the Employment
5 Development Department in carrying out any functions pursuant
6 to Division 6 (commencing with Section 13000) of the
7 Unemployment Insurance Code transferred to the State Board of
8 Equalization by this act shall be made available for the support
9 and maintenance of the State Board of Equalization. All books,
10 documents, records, and property of the Employment Development
11 Department, relative to the tax administrative functions of that
12 department pursuant to Division 6 (commencing with Section
13 13000), shall be transferred to the board.

14 SEC. 9. Sections 1 to 6, inclusive, of this act shall become
15 operative on January 1, 2014.